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**Kosovo\* 2020 Report**

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# KOSOVO

## 1. INTRODUCTION

### 1.1. Context

The EU-Kosovo Stabilisation and Association Agreement (SAA) has been in force since April 2016. The European Reform Agenda (ERA) has continued to serve as a useful tool to guide the implementation of EU-related reforms in the SAA context.

In July 2018, the Commission confirmed that Kosovo has fulfilled all visa liberalisation benchmarks endorsed by the Council. The Commission continues to stand behind this assessment. The European Parliament confirmed its support for the Commission's proposal for visa liberalisation. The proposal is pending in the Council and should be treated as a matter of urgency.

During the reporting period, Kosovo lifted the 100% tariff on imports from Serbia and Bosnia and Herzegovina, which had been imposed in November 2018, as well as all reciprocity measures. This has allowed for a restoration in trade with Serbia and Bosnia and Herzegovina and for the resumption of the EU-facilitated Belgrade-Pristina dialogue.

The Kosovo authorities continued to demonstrate publicly their commitment to advance on its European path.

The COVID-19 pandemic is a global shock that has not spared the Western Balkans. It represents an unprecedented burden on their health and social protection systems. The final extent of its footprint in terms of loss of human lives and damage to the economies is still difficult to assess, but early Commission estimates foresee a drop of between 4 and 6% of Gross Domestic Product in the region. Thousands of citizens are at risk of losing their jobs, and temporary government support measures (unemployment benefits, deferrals/waivers to tax and social security contributions, etc.) have an important fiscal impact.

While the EU is itself heavily affected by the pandemic, it has spared no time and effort to provide essential and unparalleled support to the Western Balkans. This includes financial support of more than EUR 3.3 billion for countries in the region to address the immediate health crisis and resulting humanitarian needs, as well as longer term and structural impact on their societies and economies. Given the European perspective of the Western Balkans, the EU is also treating the region as privileged partners by associating them with the Union's mechanisms and instruments. These include the Health Security Committee, Joint Procurement Agreements, Union Civil Protection Mechanism, Solidarity Fund, consular assistance in repatriation or exemption from temporary EU export restrictions of medical equipment. These and other measures have provided immediate relief and are a clear message of the EU's political commitment towards the region.

In Kosovo, the government declared a public health emergency in March 2020 and introduced containment measures and restrictions to prevent the spread of the virus. Measures were gradually lifted from early May 2020. However, in response to increasing numbers of cases from early June, the government reintroduced in mid-July several public health measures, including obligatory wearing of facemasks, curfews and testing requirements for entry into Kosovo. In August 2020, the Kosovo Assembly adopted a new Law on prevention and fight against the COVID-19 pandemic, in order to provide a solid legal framework for the required public health measures.

In order to mitigate the social and economic effects of the COVID-19 crisis, an initial emergency package of EUR 180 million was adopted in April 2020 to provide support for

businesses, farmers and employees, additional social protection and assistance measures, flexibility for loans and tax payments. On 30 July, the Kosovo Assembly endorsed an Economic Recovery Programme which includes an additional EUR 185 million for the year 2020. On 14 August, the Assembly ratified the EU Macro-Financial Assistance loan agreement worth EUR 100 million, which aims to help Kosovo limit the economic fallout of the pandemic.

The European Commission recommended that emergency measures taken in the context of the COVID-19 pandemic are proportionate, restricted to what is necessary and limited in time so that rule of law and democratic and human rights standards are respected.

## 1.2 Summary of the report

As concerns the **political criteria**, the reporting period was marked by early legislative elections, two changes of government and relatively long periods with only a caretaker government in place. Due to this volatile political context and the necessary focus on the pandemic response, there was overall limited progress on EU-related reforms in Kosovo.

Following the resignation of the then Prime Minister Ramush Haradinaj in July 2019, early legislative elections took place in October 2019, with a higher turnout than for the previous elections. The new Assembly was constituted in December 2019 and a new government headed by Prime Minister Albin Kurti took office on 3 February 2020, with a stated commitment to pursue EU-related reforms, foster economic development and the fight against corruption and organised crime. However, this government was dismissed less than two months after, by a no-confidence vote, following disagreements between the coalition partners. The vote of no-confidence led to a political crisis, notably over the constitutional procedures regarding the formation of a new government. After the Constitutional Court clarified the issue, a new government led by Prime Minister Avdullah Hoti took office on 3 June 2020.

During the reporting period, the Assembly did not improve its overall performance as a forum for constructive political dialogue and representation, as demonstrated notably by the frequent lack of quorum. Under the new legislature, there have however been some improvements in the organisation of its work. The Assembly should prioritise EU-related reforms and ensure parliamentary best practices.

The legislative elections of October 2019 were overall well-administered and transparent, but the vote-counting process exposed vulnerabilities. The campaign was competitive, except in the Kosovo Serb areas where the campaign environment was marred by intimidation against non-Srpska Lista candidates and supporters. Recurring election process shortcomings need to be urgently addressed, in line with the recommendations of several EU election observation missions.

The situation in the north of Kosovo remains challenging, in particular when it comes to corruption, organised crime, and the conditions for freedom of expression.

There is some level of preparation in the area of **public administration reform**. During the reporting period, limited progress was made in increasing transparency in the public administration and of public procurement procedures. Implementation of the package of three public administration reform laws adopted in February 2019 was stalled as a result of the political situation and the request for constitutional review of the Law on salaries and the Law on public officials. On 30 June 2020, the Constitutional Court declared the Law on salaries unconstitutional in its entirety and ruled that the Law on public officials needs to be amended for it to fully enter into force. The Law on organisation and functioning of the state

administration is fully in force and its implementation should continue. Weak central and inter-ministerial coordination remains a challenge for the overall implementation of the reform. During the reporting period, non-merit based recruitments remained a concern, while inclusive and evidence-based policy-making was hampered by *ad hoc* decisions, often influenced by special interests. Kosovo authorities need to ensure that the reform of the public administration remains a priority and should build on the progress achieved so far.

Kosovo's **judicial system** is at an early stage of preparation. Some progress was achieved with the partial implementation of rule of law related legislation including the Law on the disciplinary liability of judges and prosecutors and the Law on mediation, and with the advancement of the roll out of an electronic case management system and central criminal record registry. The judiciary is still vulnerable to undue political influence. The ongoing Functional Review of the Rule of Law Sector has provided a sound basis to reform and modernise various aspects of the judiciary. The Kosovo authorities should now take this work forward. The administration of justice remains slow and inefficient and rule of law institutions need sustained efforts to build up their capacities. The COVID-19 pandemic limited the holding of court hearings in Kosovo; yet the Criminal Procedure Code specifies that if no hearings are held for 3 months, the trial has to re-start. An important number of criminal trials (including high-profile ones) may be affected by this rule. Kosovo authorities should follow-up on this issue and take the necessary measures to ensure effective and efficient conduct of justice. Kosovo is at an early stage/has some level of preparation in the **fight against corruption**. Kosovo has made limited progress in this area, including on the investigation and prosecution of high level cases, on the confiscation of assets as well as through the creation of the Special Departments handling cases regarding high-level corruption (and organised crime) in the courts. Final confiscations of assets and the overall capacity of the prosecution, including as regards supporting staff, remain low. Corruption is widespread and remains an issue of serious concern. There is a need for strong political will to effectively address corruption issues, as well as a robust criminal justice response to high-level corruption. The adoption of the revised Criminal Procedure Code is still pending, while the revision of political party financing legislation was delayed.

Kosovo is at an early stage in the **fight against organised crime**. Progress has included investigating and prosecuting high-level cases, recruiting additional staff for the special prosecution office and training and awareness raising on the freezing of assets. However, overall progress has been limited. There are still few financial investigations, final confiscations of assets and final convictions. Measures are needed to strictly ensure there is no political interference with operational activities of law enforcement bodies and the prosecution. The situation in the north of Kosovo with regards to organised crime continues to pose challenges for law enforcement agencies.

In July 2020 Europol and the Kosovo Police concluded a Working Arrangement. Kosovo was the only partner in the Western Balkans without any structured and formalised cooperation with Europol, which created a significant gap. The arrangement will constitute the basis for enhanced cooperation between Kosovo Police, Europol and EU Member States, in particular in addressing terrorism and extremism as well as organised crime.

Progress was made in the fight against terrorism, in line with the objectives set out in the EU-Kosovo implementing arrangement for the Joint Action Plan on counter-terrorism for the Western Balkans, especially with regard to the rehabilitation and reintegration of foreign terrorist fighters and their families. The Kosovo authorities need to be more effective in their efforts to fight money laundering and the relevant law should be brought in line with EU *acquis* and international standards.

The legal framework broadly guarantees the protection of human and **fundamental rights** in line with European standards. However, the implementation of human rights legislation and strategies is often undermined by inadequate financial and other resources, particularly at local level, limited political prioritisation and lack of coordination. The large dependence on foreign donors remains. The adoption of the Law on Child Protection fulfilled one of the recommendations of last year's report. More needs to be done to effectively guarantee the rights of persons belonging to minorities, including Roma and Ashkali and displaced persons, to ensure gender equality in practice, and to advance the protection of cultural heritage. Kosovo has some level of preparation regarding **freedom of expression**, which is enshrined in the Constitution. Kosovo benefits from a pluralistic and lively media environment. Rule of law institutions need to continue efforts to follow-up on threats and attacks against journalists. The public broadcaster remains vulnerable to political influence and a sustainable solution for its funding still needs to be found.

The Kosovo authorities have made progress in managing both regular migration and mixed **migration** flows. Kosovo activated its contingency plan due to the influx of asylum seekers and irregular migrants. Its efforts should be continued and built on.

As regards the **economic criteria**, Kosovo is at an early stage and has made limited progress in developing a functioning market economy. Robust economic growth continued in 2019, but the difficult labour market situation and the lack of economic diversification remain a challenge. While the government adhered to the fiscal rule in 2019, the composition of public spending has further deteriorated. Decreasing capital spending, rising pressures related to non-poverty-targeted social benefits and increasing public wages pose risks to public finances and hinder private sector development. The business environment saw limited improvements. Private sector development remains constrained by a widespread informal economy, a slow and inefficient judiciary, a high prevalence of corruption and the overall weak rule of law. Kosovo's economic outlook started to deteriorate rapidly in spring 2020, as the COVID-19 quarantine measures disrupted the financial flows with diaspora. Kosovo is at an early stage and has made limited progress in terms of capacity to cope with competitive pressure and market forces in the EU. The quality of education remains a concern. Kosovo made some progress in improving road infrastructure, but there are large gaps in railway and energy infrastructure. Although investments in renewables are gradually increasing, Kosovo remains reliant on a predominantly coal-based, outdated and unreliable energy production system. Kosovo made some progress as regards the digitalisation of the economy. The economy's sectorial structure is shifting towards non-tradable activities, which weight on competitiveness and growth of merchandise exports.

As regards **good neighbourly relations and regional cooperation**, Kosovo continued to participate in most regional fora. In April 2020, the Kosovo government lifted the tariffs imposed since November 2018 on imports from Serbia and Bosnia and Herzegovina and on 6 June all reciprocity measures were lifted. This has allowed for a restoration in trade with Serbia and Bosnia and Herzegovina and for the resumption of the EU-facilitated Belgrade-Pristina dialogue.

Regarding the **normalisation of relations with Serbia**, the EU-facilitated dialogue resumed with high-level meetings on 12 and 16 July, and 7 September 2020. A number of expert level meetings took place in Brussels. Kosovo needs to make further substantial efforts and contribute to reaching a comprehensive legally-binding agreement with Serbia. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

As regards alignment with **European standards**, Kosovo has overall some level of preparation. Legislative alignment has continued in some areas but implementation is often weak. Good progress was made in the area of taxation, including as regards revenue collection. Some progress was made in the area of free movement of goods, services and capital, as well as on financial services, public procurement and competition. Some progress was also made in the area of energy, notably with energy efficiency measures in the public sector and a gradual increase of investments in renewable energy sources. Limited progress was achieved in addressing environmental issues. No progress was made in the area of education and the quality of education needs to be improved considerably. Overall, Kosovo needs to improve its administrative capacity and coordination, across all sectors, to ensure effective implementation of the EU *acquis*.

## 2. FUNDAMENTALS FIRST: POLITICAL CRITERIA AND THE RULE OF LAW

### 2.1 Functioning of democratic institutions and public administration reform

#### 2.2.1 Democracy

The reporting period was marked by early legislative elections, two changes of government and relatively long periods with only a caretaker government in place. The elections of October 2019 were competitive (except in Kosovo Serb areas), but the vote-counting process exposed vulnerabilities. The governing coalition that resulted from these elections collapsed after a no-confidence vote less than two months after taking up office, leading to a political crisis in the middle of the COVID-19 pandemic and to the formation of a new government. The Assembly has continued to function during the pandemic crisis, albeit in a reduced mode. Two local by-elections were postponed due to the pandemic. Due to the volatile political context and the necessary focus on the pandemic response, there was overall limited progress on EU-related reforms during the reporting period.

#### Elections

The early legislative elections of October 2019 were overall well-administered and transparent, but the vote-counting process exposed vulnerabilities, in particular in the handling of complaints. The campaign was competitive, except in the Kosovo Serb areas where the campaign environment was marred by intimidation against non-Srpska Lista candidates and supporters. Kosovo's electoral process needs to be further strengthened by effectively addressing long-standing weaknesses throughout the electoral cycle. Recurring systemic problems with the election process, which were already identified by EU election observation missions in 2014, 2017 and 2019, need to be addressed by the Assembly and other institutions. The legal framework governing campaign and political party financing remains in need of substantial amendments in line with Venice Commission guidance and best international practice.

Following the resignation of former Prime Minister Ramush Haradinaj in July 2019, early legislative elections were held on 6 October.

The elections were called with the longest possible notice of 45 days after the dissolution of the Assembly, as provided by the Constitution. Voter turnout was 44.5% (compared with 41.3 % in 2017). The two opposition parties Vetëvendosje and Democratic League of Kosovo (LDK) became the largest parties in the Assembly with 29 and 28 seats respectively, having won 26.27% and 24.55% of the vote. The Democratic Party of Kosovo (PDK) won 24 seats (21.23%), the pre-electoral coalition of the Alliance for the Future of Kosovo (AAK) and the Social Democratic Party (PSD) won 13 seats (11.52%) and the pre-electoral coalition of the Social Democratic Initiative (Nisma), the New Kosovo Alliance (AKR) and the Justice Party (PD) won 6 seats (5.00%), just passing the parliamentary threshold. Srpska Lista won all 10



seats reserved for the Serb non-majority community of Kosovo with 6.40% of the total vote. The remaining 10 seats are shared between eight political parties representing other non-majority communities.

Election preparations and election day itself were generally well-administered and transparent and the EU Election Observation Mission has assessed the process positively. The campaign was vibrant and competitive, allowing contestants to campaign freely in most parts of Kosovo. However, there was a lack of competition in the Kosovo Serb areas and the campaign environment was marred by intimidation, targeted at non-Srpska Lista Serb candidates and supporters. Throughout Kosovo, cases of misuse of public resources and a lack of transparency in campaign financing resulted in an uneven playing field. The credibility of the post-election day counting and tabulation process was negatively affected by several factors, most notably the inefficient handling of complaints by the Election Complaints and Appeals Panel and controversial court decisions. These had an important impact on the final election results – one ruling in particular enabled one of the pre-electoral coalitions (NISMA-AKR-PD) to pass the parliamentary threshold narrowly – and significantly delayed their certification. Long-standing weaknesses of the election process in Kosovo include the lack of effective oversight and enforcement of political party and campaign finance, underrepresentation of women in political party structures and elected office, deficient electoral dispute mechanisms, voter list inaccuracies and deficiencies in the process of out-of-Kosovo voting. Kosovo institutions need to address these challenges early on in the new legislative period, in line with the EOM recommendations and in close collaboration with international and local partners.

The joint initiative taken by the Kosovo Assembly caucus leaders in April 2019 to address shortcomings and strengthen the electoral process in line with the recommendations of the electoral observation missions led to the Assembly deciding to establish an *ad hoc* parliamentary committee on this matter, involving local and international experts and stakeholders. While this is a welcome step, no concrete steps have yet been taken by the Assembly Committee. The new legislature should start this work without delay.

Women candidates did not receive equal financial or logistical support from their political entities for their campaigns, and they rarely spoke at rallies. The media gave priority coverage to male candidates. Among the 120 newly elected Members of Parliament, 39 are women. Women remain underrepresented at all levels of participation and decision-making in political parties, electoral administration, and central and local assemblies. There are still discrepancies between the electoral legal framework, which mandates a 30% gender quota for the Assembly, and the equal representation provision of the Law on Gender Equality (50%).

In 2019, 10 out of 11 members of the Central Election Commission (CEC) were appointed, enabling the CEC to carry out its work. The CEC has to improve its internal organisational structure with clear terms of references for each staff member in the secretariat and clear lines of hierarchical responsibility in order to avoid quality control failures.

The legal framework and regulatory practice governing party and campaign finances does not ensure complete reporting, timely disclosure, meaningful oversight or accountability for irregularities (*see the 'Parliament' section, below*).

During the reporting period, two mayoral by-elections, in Podujevë/Podujevo and Mitrovica/Mitrovicë North (in both cases triggered by the resignation of mayors after their appointment as government members) were postponed due to the COVID-19 crisis.

## **Parliament**

During the reporting period, the Assembly did not improve its overall performance as a forum for constructive political dialogue and representation. This has continued to hamper its legislative activity. However, under the guidance of the new Speaker, there has been some improvement to the organisation of the Assembly's work. The Assembly needs to address its shortcomings and reinforce its functioning, notably by improving its regulatory framework, including rules of procedures. The Assembly remained open during the pandemic crisis, while putting in place sanitary protection measures.

Following the 6 October 2019 early elections, on 26 December 2019 the seventh legislature of the Assembly of Kosovo was constituted. For the first time, the elected Speaker of the Assembly is a woman. The Assembly has 120 deputies, including 10 representing the Serb community and 10 representing other non-majority communities. Kosovo has a mandatory quota of 30% of Assembly seats reserved for women.

On 3 February, the Assembly elected with a majority of 66 votes the new government headed by Prime Minister Albin Kurti, based on a coalition between Vetëvendosje and LDK. Less than two months after, on 25 March, the Assembly (with 82 votes) voted for the dismissal of the government, based on a motion of vote of no-confidence initiated by then junior coalition partner LDK. The coalition fell at a time of disagreements over the conditions for abolishing the 100% tariff on goods from Serbia and Bosnia and Herzegovina (introduced by the previous government), as well as regarding the handling of the COVID-19 pandemic.

The vote of no-confidence led to a political crisis, notably over the constitutional procedures regarding the formation of a new government. Vetëvendosje considered that a new government should only be formed after new elections. The party challenged, before the Constitutional Court the President's decree to mandate Avdullah Hoti (LDK) to form a government. On 28 May, the Court validated the President's decree, opening the way for the election of the new government. The Assembly elected the new Hoti government with a narrow majority (61 out of 120 votes), based on a coalition between LDK, AAK, Srpska Lista, NISMA, and non-majority community parties.

During 2019, under the previous legislature, the Assembly's efficiency was reduced due to recurrent absence of deputies from Assembly proceedings and the irregular holding of plenary sessions, with items dragging from one session to another. Due to the polarised political environment, the lack of majority of the former ruling coalition, frequent boycotts by opposition parties, the absence of ruling coalition members, the Assembly was frequently unable to reach a quorum to adopt laws and make decisions. Frequent violation of the Assembly rules of procedure, improper management of the plenary sessions and an inability to use the ordinary/primary mechanisms to oversee the government's work, were features of almost every plenary session. In 2019, out of a total of 24 plenary sessions, only 6 were regular (i.e. not of an extraordinary, special or solemn nature).

In 2020, the new legislature assumed its work in difficult circumstances due to the COVID-19 pandemic. The Assembly continued to meet, however in a reduced manner during several months, applying public health prevention measures. Plenary sessions and committee meetings took place without the presence of media and visitors; plenary sessions were live streamed over the internet. In the first half of 2020, out of 16 plenary sessions, 7 were regular. Since the vote of no-confidence, including after the election of a new government in June, the Assembly has been marked by a lack of a stable majority, high political polarisation and important delays in decision-making, including on issues of major importance related to the COVID-19 crisis, such as the ratification of international financing agreements.

Under the new legislature, there has been some improvement in the management of plenary sessions, resulting in better compliance with the rules of procedures. In May 2020, measures were taken by the Assembly Presidency to improve financial control.

Parliamentary **oversight of the executive as well as other institutions** remains weak overall, and the existing parliamentary instruments for oversight of the executive were not utilised. For instance, the Assembly needs to strengthen the work of parliamentary committees and create follow-up mechanisms to oversee the executive as well as other institutions. The Assembly's Committee on Oversight of Public Finances reviewed the reports provided by the **Office of the Auditor General**. However, there was no effective follow-up, showing that coordination with other parliamentary committees needs to be improved. Although the Parliamentary Committee on European integration carried out its work correctly, the Assembly's capacity to monitor the compliance of new legislation with the EU *acquis* and to ensure implementation remains limited.

As regards **parliamentary inquiries**, in June 2019, the Assembly adopted the inquiry committee's report on the illegal deportation of six Turkish nationals legally residing in Kosovo, which found 31 violations, including serious breaches of human rights and legal procedures. The prosecution followed up on some of those alleged violations by investigating and indicting several police officials involved in the operation. Most other inquiry committees did not finalise their work. The Assembly needs to build up specialist expertise to lend more effective support to parliamentarians and committees.

The **Ombudsperson Institution of Kosovo** continued to promote, protect and uphold fundamental rights and freedoms, to assist the Assembly in its oversight function. During the reporting period, the Ombudsperson addressed 225 recommendations to public authorities, of which only 71 received a response from institutions. The implementation by institutions of recommendations remains stable. Furthermore, the Ombudsperson has used his mandated powers to refer legislation adopted by the Assembly to the Constitutional Court.

The **financing and expenditures of political parties and electoral campaigns** remains non-transparent, the existing legal framework is largely unenforced, and most political parties represented in the Assembly continue to exhibit serious weaknesses in internal financial control. Political parties, oversight institutions and the CEC should assume responsibility for ensuring transparency, accountability and effective use of enforcement mechanisms. The Parliamentary Committee on Oversight of Public Finances has conducted formalistic audits of parties' annual financial reports and political parties have provided campaign disclosure reports. However, even clear violations and breaches of legal limits as well as unidentifiable money flows have not been followed up by competent authorities. The CEC's Office of Political Parties Registration and Certification continues to need significant strengthening, additional capacity and legally guaranteed operational independence in exercising its functions. Furthermore, better cooperation with other competent authorities, such as the Auditor General, the Anti-Corruption Agency, the prosecution and tax authorities are crucial. Legislative amendments, which were prepared by the government after consultation with the Venice Commission and would have addressed many of the severe weaknesses in the current legal framework, were not supported in the Assembly (under the previous legislative period) and eventually withdrawn. The new government should work with the new legislature to ensure that meaningful and substantial progress is made in this area, building on the work done previously.

## Governance

In an overall context of political instability, only **limited progress** was made in further implementing European Reform Agenda (ERA) commitments and availing opportunities of the Stabilisation and Association Agreement (SAA) during the reporting period. Kosovo institutions should urgently reinvigorate the reform processes. Since March 2020, government priorities have also been impacted by the COVID-19 pandemic. In April 2020, the caretaker government, under the then outgoing Prime Minister Kurti, lifted the 100% tariff on goods from Serbia and Bosnia and Herzegovina, while introducing gradual trade reciprocity measures, later revoked by the successor government under Prime Minister Hoti. This has allowed for restoration of trade with these two countries and paved the way for the resumption of the EU-facilitated Belgrade-Pristina dialogue in July 2020.

The reporting period was marked with two changes of government and prolonged periods of caretaker government. In July 2019, Prime Minister Ramush Haradinaj announced his resignation, citing his summons by the Kosovo Specialist Prosecutor's Office. During the second half of 2019, as political focus shifted to early elections, the Haradinaj government continued to exercise routine functions in its role as caretaker government. During 2019, overall limited progress was made in implementing commitments under the ERA and the Economic Reform Programme (ERP). The government maintained overall financial and budgetary stability, notably by increasing tax revenues and carrying out tax reforms. However, it failed to improve the conditions necessary to address structural challenges undermining private sector employment and did not bring forward educational reforms. Furthermore, ad hoc decision-making that conflicted with stated reform objectives continued. This included decisions with significant budgetary implications and non-merit-based appointments. This further undermined overall public trust in government institutions.

Following the October 2019 legislative elections, the government led by Albin Kurti, based on a coalition between Vetëvendosje and LDK, took office on 3 February 2020. It included 2 deputy prime ministers, 15 ministers and 31 deputy ministers. It was therefore significantly smaller than the previous government, whose excessive size had become the subject of public concern. Women representation in senior government positions increased: of 18 government members, 5 were women.

The short-lived government led by then Prime Minister Kurti had put forward a programme focused on the fight against corruption and organised crime and on economic development. Several controversial decisions of the previous government under Ramush Haradinaj were reversed (e.g. ad hoc increase of senior officials' salaries, excise tax on tobacco, insufficiently costed infrastructure projects). The government also dismissed the boards of several publicly-owned enterprises, on the grounds of irregularities and lack of performance identified in audit reports, and replaced them with interim boards. Permanent board members will need to be appointed following open, transparent and merit-based selection processes. More generally, the governance of publicly-owned enterprises needs to be significantly improved. Shortly after taking office, the Prime Minister Kurti's government was faced with the COVID-19 pandemic and declared a public health emergency. The government introduced a number of restrictive measures to prevent transmission of the virus, and adopted initial economic emergency measures.

After the collapse of the coalition, in April 2020 the caretaker government under Albin Kurti adopted a decision to lift the 100% tariff on goods from Serbia and Bosnia and Herzegovina, while introducing gradual trade "reciprocity measures", initially limited and implemented in line with existing agreements. The measures were however significantly expanded on 30

May, before being completely revoked by the successor government of Prime Minister Hoti in early June.

The government of Prime Minister Hoti, which took office on 3 June, adopted a programme which prioritises the resumption of the dialogue with Belgrade and the post-COVID-19 economic recovery. The government of Prime Minister Hoti includes 4 deputy prime ministers, 16 ministers and 46 deputy ministers. Out of 21 government members, 4 are women. As the central institution in charge of the legal approximation process with the EU *acquis*, the Ministry of European Integration coordinated the implementation of the SAA and the fulfilment of ERA priorities and actions and prepared regular reports on ERA implementation. The Ministry's planning and monitoring of measures and activities has improved. However, coordination, planning and monitoring of donor assistance needs to be strengthened. The new government decided to dissolve the Ministry of European Integration and to put EU coordination functions under the Office of the Prime Minister, under institutional arrangements that are yet to be defined. It will be of critical importance that the knowledge and expertise built up to coordinate all EU-related matters, the Stabilisation and Association Agreement and EU financial assistance, is preserved.

**Local government** improved its performance and service delivery. However, significant disparities between municipalities persist and human and financial resource constraints continue to negatively impact municipalities' ability to carry out their mandates. Municipal assemblies have limited effective budgetary powers and exercise insufficient oversight over municipal administrations, while excessive political influence over local administrations weakens local governance. Legislative reforms are necessary to realign funding and competences between central and local government and to create a specific grant for social services. Apart from regular transfers in the form of a general grant, municipalities receive significant funding for capital investments at the discretion of line ministries. In this context, the Ministry of Local Government Administration's creation of a municipal performance grant, which puts in place non-politicised rules for grant disbursement, is a welcome step. Other ministries should also develop ways to disburse their grants in a rule-based, fair and transparent way.

Women remain underrepresented in local decision-making and there are currently no female mayors in any of Kosovo's municipalities. Out of Kosovo's 38 mayors, 27 are from the Albanian community, 10 from the Serb community and 1 is from the Turkish community. All municipalities have fulfilled their obligation to appoint deputy mayors from non-majority communities.

### **Civilian oversight of security services**

As regards parliamentary oversight of security forces, there have been some improvements in the work of the parliamentary committee on internal affairs, security and supervision of the Kosovo Security Force and of the oversight committee for the Kosovo Intelligence Agency. However, parliamentary oversight of security forces expenditure remains insufficient. The Assembly's Inquiry Committee on the illegal deportation of six Turkish nationals legally residing in Kosovo, whose report was adopted in June 2019, found alleged wrongdoings by Kosovo's security institutions involved in the operation.

### **Civil society**

The environment in which civil society operates continued to improve and government authorities continue to make efforts to enhance the ability of civil society to contribute meaningfully to policy development. However, further efforts are needed to enhance transparency of public funding for civil society organisation.

An empowered civil society is a crucial component of any democratic system and should be recognised and treated as such by public institutions. Civil society organisations (CSOs) in Kosovo continue to play an important role in the democratic debate and in the design and implementation of public policy. They play an active and critical role in promoting civil, political, economic, social and cultural rights, and do so largely free from undue pressure by Kosovo authorities.

The Law on freedom of association approved in April 2019 aligned the legal framework for CSOs to the best international standards and practices.

The strategic framework for cooperation between the Kosovo government and civil society for the 2019-2023 period was approved in February 2019 following extensive consultations with CSOs and the general public. Based on this strategic framework, a new Government Council for Cooperation with Civil Society was set up and started work in July 2019.

Public consultations launched by the central government are becoming more regular but should be further improved with easier access to data and more regular feedback from public authorities. Awareness and promotion of consultation platforms is crucial in order to broaden the engagement of CSOs and citizens.

The transparency of CSOs' public financing needs to be further improved. Despite some improvements in the last two years, the limited capacity of both local and central authorities to correctly implement new transparency and accountability standards means that the public funding of CSOs remains at risk of corruption and conflicts of interest. Easy access to detailed information regarding public funds disbursed to CSOs by any public body should be made publically available. At the same time, access banking services is determined by the legal framework for preventing money laundering and terrorism, which creates several limitations to the financial viability of CSOs. The sectorial risk assessment of money laundering and terrorist financing of the CSO sector needs to be comprehensively updated so that the legislation can be revised to allow for a flexible approach to lower-risk CSOs (*see section on the fight against organised crime and section 6.3 on the free movement of capital*).

More transparent and better harmonised procedures for CSOs' public service are needed in order to improve their financial viability. A comprehensive legal framework and favourable tax regime for individual and corporate philanthropy should be considered. There should be standard criteria and procedures for allocating public property and confiscated assets for use by CSOs, and these should be implemented at central and local level.

Volunteering should be further promoted through dedicated programmes, and volunteer standards and practices should be aligned with international standards. Work on a comprehensive legal framework on volunteering has started.

### **2.1.2 Public administration reform**

Kosovo has achieved **some level of preparation** in the reform of its public administration. **Limited progress** was made in increasing transparency of the public administration and of public procurement. Implementation of the package of three public administration reform laws adopted in February 2019 stalled. Two of the laws, the Law on public officials and the Law on salaries, were temporarily suspended by the Constitutional Court almost as soon as they entered into force. The Court, in June 2020, declared the Law on Salaries unconstitutional, while requiring amendments to the Law on Public Officials by the Assembly for it to fully enter into force. Overall, weak central and inter-ministerial coordination continues to hamper the implementation of cross-cutting reforms. Delays in harmonising special laws with the Law on General Administrative Procedures continue to cause legal uncertainty for citizens and businesses. The government should ensure that the public

administration reform remains a priority and follow on the reform efforts of the previous government.

Instances of political influence on recruitments to senior civil service positions and non-merit-based recruitments continue to undermine citizens trust in the public administration. *Ad hoc* policy-making, in cases influenced by special interests, remained an obstacle for inclusive and evidence-based policy-making. These issues were among the central concerns expressed by citizens during the campaign for the legislative elections in October 2019. It is of utmost importance that Kosovo institutions ensure integrity and transparency in recruitments in the public service.

As last year's recommendations were not sufficiently implemented, they remain valid. In the coming year, Kosovo should in particular:

- make the necessary legislative amendments to the Law on public officials in line with the Constitutional Court ruling, finalise outstanding sub-legal acts and start effectively implementing the law;
- align contradictory special laws with the Law on General Administrative Procedures and address the current backlog of administrative court cases;
- increase accountability in the public sector by implementing the action plan on the rationalisation of agencies and creating a clear framework for managerial accountability and the delegation of responsibilities in public institutions, in line with the new Law on organisation and functioning of state administration and independent agencies;
- ensure full respect for merit-based recruitment and dismissal of public officials, especially senior management.

#### Strategic framework for public administration reform

Progress in the implementation of the three **public administration reform strategies** slowed down following the resignation of Prime Minister Ramush Haradinaj, due to lack of decision-making on key implementing legislation. Implementation of the **2016-2020 public financial management reform strategy** continued. The government continued to monitor implementation of the strategies and published annual monitoring reports. Reporting improved further. However, monitoring of the public administration reform strategies focused primarily on the implementation of individual activities without a proper analysis of specific results, which made real assessment of progress difficult. Further progress on linking strategic priorities with government budgeting will improve both implementation and monitoring. Civil society continues to monitor the government's reform efforts. The lead central institutions are working well together to efficiently coordinate the reform process and ensure an appropriate monitoring and reporting system. There is a need to improve administrative data collection, storage and quality control.

The Minister for Public Administration and the National Coordinator for State Reform in the Haradinaj government demonstrated **political support** for the implementation of reforms. However, during the political transition following the resignation of former Prime Minister Haradinaj, such political commitment was lacking, which slowed down reforms. The Albin Kurti government's decision to decrease the number of ministries and therefore, merge the Ministry of Public Administration with the Ministry of Internal Affairs further delayed implementation of reforms. Under the new government, responsibilities for the public administration reform remain within the Ministry of Internal Affairs, while the Deputy Prime Minister has been put in charge of the overall political coordination of reforms, including the public administration reform. It is important that the new government builds on the progress

already achieved and demonstrates commitment to and ownership of the public administration reform.

### Policy development and coordination

The **policy-making system**, including for EU-related reforms, is complex and is currently being reviewed, to better link strategic priorities with the budgeting process. A new national strategic management framework is being developed, and will accompany the administrative instruction on strategic planning, development and monitoring. The new framework aims to reduce overlaps between sector strategies and should improve prioritisation and budget planning, as well as simplify reporting. The Office of the Prime Minister has to ensure that there is strong quality control and monitoring to support implementation.

Some aspects of **inclusive and evidence-based policy and legislative development** are in place, though *ad hoc* policy-making persists, and in many cases is influenced by special interests. The Office of the Prime Minister should take a stronger leadership role in ensuring that regulatory and budgetary impact assessments and EU *acquis* alignment opinions are systematically considered and addressed in adopted government decisions. Improved administrative data collection and its systematic use for policy-making remain necessary across the administration. **Public consultations** are organised regularly, but the minimum standards for such consultations are not being followed consistently. In 2019, more than 82% of all primary policy documents and draft laws were published for consultation on the web portal. As the response rate from civil society and the public remains relatively low, the government is making efforts to promote the use of the web-portal.

**Public scrutiny of government work** is improving with the increased availability of public data on the government's open data platform. By the end of 2019, 195 data sets were published in the Open Data Portal. Consistent implementation of the new Law on access to public documents should further improve the public's ability to hold the government to account. The government continued to make efforts to increase the possibility for civil society to contribute meaningfully to policy design, monitoring and the evaluation of government plans and programmes. Parliamentary scrutiny of the government remains inadequate (*see section 2.1.1 – Democracy*).

### Public financial management

The **2016-2020 Public Financial Management Reform Strategy** sufficiently addresses the most pressing challenges facing the government in this area. The 2019-2020 Action Plan is well developed and includes detailed costing.

Work to improve the relevance of the medium-term expenditure framework linking national development priorities and budget planning is ongoing.

Public procurement procedures are increasingly transparent. However, contract implementation remains prone to irregularities and vulnerable to corruption. Domestic revenue collection increased during 2019, albeit still falling short of budgeted projections. (*see also Chapters 5, 16, 29 and 32*)

To improve **budget transparency**, the Ministry of Finance launched a regularly maintained and well functioning 'transparency portal' containing budgetary information from central and municipal level institutions. The government continues to publish the citizen-friendly budget. However, the IT systems available in the Ministry of Finance and related bodies need to be looked at further to ensure that they provide better integrated real time information on public revenue and expenditure.



## Public service and human resource management

The legal framework for the **merit-based recruitment, promotion, dismissal, and the remuneration** of civil servants improved with the adoption of the Law on public officials and the Law on salaries in February 2019. However, application of the laws was suspended after the Ombudsperson challenged them in front of the Constitutional Court. In June 2020, the Court took its final decision on the application of the two laws, declaring the Law on salaries unconstitutional and proposing further legislative amendments to the Law on public officials. The merger of the Ministry of Public Administration into the Interior Ministry has delayed the development of organisational capacities to manage the new system of public officials as set out in the Law on public officials. Some secondary legislation, including the classification of public officials, still needs to be finalised to fully implement the Law. .

Although the procedures for the recruitment of senior civil servants improved, political influence over such appointments and dismissals remained a serious concern. Non-majority communities remain underrepresented in central public institutions and women are still highly underrepresented in senior positions in the civil service. The Independent Civil Service Oversight Board, the autonomous appeals body tasked with ensuring compliance with applicable civil service legislation, is currently not functional due to a lack of board members. As a result, hundreds of complaints regarding employment disputes of civil servants and candidates for admission to the civil service have not been reviewed. Cases are ending up in courts instead.

The capacity of the Kosovo Institute for Public Administration with a limited budget and ability to provide the necessary training remains weak, which continues to hamper the **recruitment process and professional development** of civil servants. Performance appraisals continue to have little impact on career development. This undermines the implementation of the Law on public officials, in particular for the recruitment, initial training and professional development of civil servants.

Also, line institutions' human resources management units need to be improved. An information system was set up to manage human resources, but not all modules are operational and there is still no interoperability with the payroll system.

Although measures such as integrity plans are in place to promote **integrity in the public service**, they are not systematically implemented across the administration. Implementation of the Law on conflicts of interest remains patchy. Progress was made in the implementation of whistle-blower protection rules with the appointment of officers tasked with handling whistle-blower complaints in over 175 public institutions. However, whistle-blowing mechanisms and protection requirements now need to be strengthened in practice. Annual reports on disciplinary measures taken against civil servants are being regularly published (*see section on the fight against corruption*).

## Accountability of the administration

Kosovo demonstrated its commitment to strengthening the **lines of accountability** in its administration. Despite this commitment, however, there was no progress on implementing the action plan on the rationalisation of agencies adopted in June 2018, due to the political situation in Kosovo. Implementation of the Law on the organisation and functioning of public administration and independent agencies which paves the way for a more efficient administration respecting the principles of merit and transparency, is currently hampered by the absence of approved implementing legislation. It is important that the implementing legislation is effectively enforced throughout the administration once it is in place. Although the new law introduces clearer administrative, budgetary and decision-making lines within the

administration, Kosovo still needs to make considerable further efforts to implement managerial accountability, put in place better performance management mechanisms, and delegate decision-making responsibilities within the public administration (*see section 6.25 – Financial control*).

The independent oversight institutions, especially the Ombudsperson and the Kosovo National Audit Office, continue to address **citizens’ right to good administration**. The government should ensure more efficient implementation of their recommendations. The Law on access to public documents was adopted in May 2019, thus ensuring citizens’ right to access public information. The judiciary needs to increase its efficiency in handling administrative dispute cases in order to support **citizens’ right to administrative justice**. The Basic Court in Pristina still struggles with a large backlog of administrative cases as well as many incoming minor offence cases. The backlog in administrative cases dropped from 1,511 cases in 2018 to 950 cases in 2019, but had by the end of June 2020 climbed back up to 1,415, likely due to the courts only dealing with urgent cases during the COVID-19 pandemic. Likewise, the Basic Court in Pristina received 301 minor offence cases while by the end of June 2020 the number was at 1,705. . The liability of public authorities in cases of wrongdoing and the **right to seek compensation** are affected by fragmented legislation. The Law on general administrative procedures is not correctly enforced by the justice system. No data is collected to monitor implementation.

#### Service delivery to citizens and businesses

Although the government promotes a **user-oriented administration**, there are weaknesses in the leadership, policy direction and coordination of the overall reform process. Many institutions continue to implement their own solutions alongside the central electronic identification (eID) tools that are being developed. Ways to collect citizens’ and businesses’ feedback on the quality of service delivery still needs to be systematically developed. An interoperability platform exists and is now functional but the quality of registered data needs to improve for the platform to be useful. While legislation on equal access to services is in place, it is not systematically applied.

Kosovo continued to make limited progress on the **simplification of administrative procedures**. An inventory of laws with special administrative procedures now exists, but only limited progress was made on aligning the sector laws with the Law on general administrative procedures. Considerable efforts are needed both from the administrative justice sector and the public administration to uphold the obligations and rights under the Law on general administrative procedures.

## **2.2 Rule of law and fundamental rights**

### **2.2.1 Judiciary and fundamental rights**

Kosovo is at **an early stage** in/has **some level of preparation** for applying the EU *acquis* and the European standards in this area. **Some progress** has been made, including in the investigation and prosecution of some high-level corruption and organised crime cases and with the partial implementation of some rule of law-related legislation concerning judiciary, corruption and organised crime. Problems with the capacity of judiciary and prosecution persist. As regards fundamental rights, strategies and policies need to be streamlined and proper oversight provided. The government needs to take fundamental rights more seriously and include it higher on the political agenda. Existing human rights mechanisms need to be strengthened.

## Functioning of the judiciary

Kosovo is at an **early stage** in developing a well-functioning judicial system. The administration of justice remains slow and inefficient. **Some progress** was achieved in 2019. As regards last year's recommendations, the Law on disciplinary liability of judges and prosecutors started being implemented efficiently. This work should continue. The roll-out of an electronic case-management system and the establishment of a central criminal records system have advanced well. The Kosovo Judicial Council and Kosovo Prosecutorial Council have made efforts to implement the legislation relevant to their functioning, which entered into force in early 2019. The ongoing Functional Review of the Rule of Law Sector has provided a sound basis to reform and modernise various aspects of the judiciary. The government should take this work forward. Work on the implementation of the Law on Mediation has progressed, however some secondary legislation remains to be adopted. There were cases of political interference in the judiciary. Rule of law institutions need sustained efforts to build up their capacities. The COVID-19 pandemic limited the holding of court hearings in Kosovo; yet the Kosovo Criminal Procedure Code provides that a trial has to re-start after 3 months without any hearing. An important number of criminal trials criminal trials (including high-profile ones) may be affected by this rule. Kosovo authorities should follow-up on this issue and take the necessary measures to ensure effective and efficient conduct of justice in Kosovo. Among the lessons learned from the crisis, it appears necessary to have measures in place for the organisation and work of courts, including through IT connections, as well as for communication of the judiciary with the wider public during states of emergency.

In the coming year, Kosovo should in particular:

- continue to strengthen the capacity of judges, prosecutors and support staff, and improve the court administration, in particular through the full roll-out of the National Centralised Criminal Records System as well as the Case Management Information System throughout Kosovo with the latter system able to perform random case allocation and to provide reliable statistical data, in line with the European Commission for the Efficiency of Justice (CEPEJ) methodology;
- finalise the work on the Functional Review of the Rule of Law Sector and put in place a comprehensive sector strategy aiming at strengthening the independence, impartiality, integrity, accountability as well as the overall capacity of judiciary and prosecution, with a specific focus on fighting corruption and organised crime;
- step up efforts to reduce the backlog of cases, including by using alternative dispute resolution tools and in particular mediation, the use of which should be properly financed and promoted.

### Strategic documents

The Kosovo Prosecutorial and Judicial Councils have adopted strategic plans and objectives for judiciary and prosecution system. However, overall these documents only set the general objectives and should be accompanied by detailed annual action plans for such objectives to be actually met. Kosovo lacks a proper mechanism for inter-institutional coordination. Kosovo institutions should have more effective mechanisms to ensure proper coordination of the many rule of law programmes supported by various donors in order to avoid inefficiencies, incoherence and duplication of efforts. Kosovo still has no comprehensive strategy for the rule of law sector. The functional review of the rule of law sector, which is expected to produce such a strategy, has stalled due to the parliamentary elections and change in governments. The government should continue to support the drafting of a strategy in the

rule of law sector, including an action plan, prioritise the functional review and support continuous work on its completion. Activity related to the Justice 2020 initiative was halted when the Haradinaj government resigned in the summer of 2019.

### Management bodies

The **Kosovo Judicial and the Prosecutorial Council** are the key bodies in charge of ensuring the independence and impartiality of the judiciary and managing the judicial system and careers of judges and prosecutors. Their composition and appointment procedures are broadly in line with European standards.

The judiciary has elected its remaining members of the Kosovo Judicial Council. After some delays, in August 2020, the Assembly also elected two members of the Judicial Council. One position, a representative from the non-majority communities, remains open. Likewise, the Assembly elected one member of the Kosovo Prosecutorial Council (representing the law faculty). Two other members, out of 13, (representing the Bar Association and Civil Society) have still not been appointed by the Assembly. The Assembly should ensure a full constitution of both Councils, without delay.

Both Councils took steps to implement the 2018-2019 laws on the Judicial Council, the Prosecutorial Council, courts and the disciplinary liability of judges and prosecutors. This included adopting the necessary secondary legislation and setting up special departments within the Basic Court of Pristina and Court of Appeals. The budget allocated to the Judicial and Prosecutorial Councils was further increased in 2020, although the wage increase for prosecutors and judges during 2019 put a strain on the budget leading to the unavailability of a number of support positions. The Councils have made limited progress on making statistics accessible to the public and other relevant interlocutors. More effort is needed, and the use of these statistics by the Councils for policy analysis should be increased.

The formal process of integrating Kosovo Serb judges and prosecutors in the judicial system was concluded in 2017. Continuous efforts are necessary to uphold provisions on composition of panels for cases coming from Serb-majority municipalities, in particular in appeal, and to ensure that judicial proceedings can be accessed in all official languages across Kosovo. The number of qualified translators is insufficient, however, and poor translation of legislation remains an issue. There is a problem of access to judgments and decisions, rendered by the Serbian courts in Kosovo between 1999 and up until the integration of Serbian judges in October 2017, and there is no procedure in place to implement the agreement providing for the recognition of such judgements and decisions..

### Independence and impartiality

The Constitution and legal framework provide clear safeguards for the independence and impartiality of the judiciary. In order to ensure this in practice, more efforts are needed to effectively shield the judicial system from undue pressure and interference. The Councils should react more efficiently and actively in cases of alleged political interference in the prosecution and the judiciary.

Under the existing legal framework, judges and prosecutors cannot be transferred without their consent. The Regulation on Internal Organisation of Courts provides for **random allocation of cases**, which is available through the case management information system since mid-February 2020. However, in practice cases are not always randomly assigned to either prosecutors or judges. A random assignment of all cases through the case management information system is not yet possible as this system has yet to be fully introduced in the justice system. High profile and sensitive cases are not always processed in a timely manner.

Protective measures to ensure the safety of judges and prosecutors are the responsibility of the two Councils. There were no new requests in 2019; one prosecutor was granted protection at the beginning of 2020. Two other prosecutors are still under close protection granted earlier.

### Accountability

**Codes of ethics** are in place for judges, prosecutors and attorneys. Continuous efforts are needed to ensure effective implementation. The new Code of Ethics for prosecutors entered into force in March 2019. As of July 2019, **disciplinary procedures** are conducted in accordance with the 2018 Law on Disciplinary Liability of Judges and Prosecutors, which provides for more robust and clear disciplinary mechanisms with set deadlines and a clear division of powers and responsibilities. The Councils enacted the relevant secondary legislation to implement this law in a timely manner.

Several disciplinary investigations against judges and prosecutors were conducted by the respective panels. In the reporting period, the Judicial Council took immediate action to suspend two judges who had been arrested on suspicion of having committed criminal offences. One prosecutor was dismissed based on a proposal of the Prosecutorial Council. Most of the other investigations resulted either in the decision that there was no violation of the rules, or in the disciplinary measures of non-public written remarks and temporary reductions of salary.

Although there has been some progress in the implementation of the legal framework on disciplinary measures, efforts are still needed to ensure more consistent and effective application of disciplinary proceedings against judges and prosecutors. This includes the provision of reliable and accurate information on on-going and finalised disciplinary proceedings carried out by both Councils.

Judges and prosecutors are obliged by law to **declare their assets** and gifts received, and to report any possible **conflict of interest** to the Anti-Corruption Agency. In 2019, they all did so in a timely manner.

### Professionalism and competence

The Councils independently organise **recruitment processes for judges and prosecutors** on the basis of merit-based criteria after which successful candidates are appointed by the President for an initial three-year term. During the reporting period, 12 Basic Prosecution Offices prosecutors were appointed. However, 27 vacancies for judges remain unfilled. The Councils need to ensure that the evaluation and background checks of judges and prosecutors have a clear legal basis and do not interfere in the private lives of judges and prosecutors.

The Councils are required to carry out **performance evaluations** of prosecutors and judges with a permanent mandate every three years. In 2019, the Prosecutorial Council evaluated 90 prosecutors and the Judicial Council evaluated 74 judges. The results of the evaluation (95% of prosecutors and 99% of judges with permanent mandates were rated ‘good’ or ‘very good’, and none were rated ‘insufficient’) are in stark contrast to the public perception of prosecutors’ and judges’ professionalism. The quality of performance evaluations conducted by both Councils remains an issue, and there is no realistic, effective and systematic evaluation based on clear criteria. The level of **professionalism and competence**, especially of prosecutors, remains a matter of concern: some are inadequately trained and some are unwilling to apply the training received and to take full responsibility for their cases.

### Quality of justice

The Academy of Justice is responsible for delivering initial in-service **training** for judges and prosecutors and the legal and administrative staff of courts, prosecution offices and both

Councils. It also provides training for the free legal professions. Further in-service training is needed, including on values and professional skills. In particular in specialised areas such as economic crime including money laundering, confiscation and public procurement, mediation, the new provisions of the revised Criminal Code (including on domestic violence and sexual harassment), and European Court of Human Rights case law, more work is needed. Judicial education needs to play a more prominent role in the performance evaluation process. Oversight and reporting lines of the Academy of Justice should be strengthened in line with European best practices.

On **jurisprudence**, despite the adoption of sentencing guidelines by the Supreme Court, there are still cases of lenient sentencing (in particular in the area of high-level corruption and organised crime), with a prevalence of fines and suspended sentences. The 2018 Law on Courts aims to increase transparency by making it obligatory for all courts to publish their judgments on an accessible and searchable web portal within 60 days. Some progress has been made but publications have not always been consistent or timely due to a lack of resources. The prosecution offices publish relevant information on indictments on the website of the State Prosecutor within 24 hours. The Academy of Justice maintains a database of legislation, commentaries and other legal material accessible to all judges and prosecutors.

Following the appointment of 37 judges in January 2019 and 12 prosecutors in May 2019, Kosovo now has 416 judges (137 women and 279 men) and 181 prosecutors (78 women and 103 men), which means around 23 judges and 10 prosecutors per 100,000 inhabitants. According to the Council of Europe's European Commission for the Efficiency of Justice (CEPEJ), the European average is 21 judges and 11 prosecutors per 100,000 inhabitants. Kosovo still has a low percentage of female judges and prosecutors in comparison with most other European countries.

The initially approved **budget for the judiciary** (including prosecution, courts, the Academy of Justice and the Correctional and Probation Service) was EUR 59.2 million in 2019 and EUR 59.5 million in 2020 (up from EUR 48.9 million in 2018), or respectively 2.53% and 2.49% of the general budget (2.35% in 2018).

For **e-justice tools**, the implementation of the case management information system (CMIS) is ongoing. The CMIS enables both judiciary and prosecution systems to process all cases electronically, which will end manual registrations. Data for all parties in proceedings must be correctly verified. Efforts are underway to connect the police information system to CMIS (*see section on the fight against organised crime*). Continued commitment is needed to ensure that the systems are used systematically and that the data entered is accurate, in particular so that it is possible to automatically obtain reliable statistical data on the performance of the judiciary and prosecution (in line with the recommendations and methodology of the CEPEJ).

Work on a central criminal records registry has shown very good progress with almost 100% of cases and convicted people entered into the system. Verification of the real identities of convicted people is ongoing. However, more commitment from the courts is needed to ensure the system's sustainability and full involvement of court staff. There is a tracking mechanism for high-level corruption and organised crime cases; it currently includes 61 cases.

The **mediation system** has been operational since 2008. The new Law on Mediation, which entered into force in September 2018, was followed up in April/May 2019 with both Councils adopting the Regulation on Mediation for their respective organisations. Mediation clerks were assigned in all basic courts and prosecution offices. In 2019, the courts referred 2,846 cases to mediation and prosecution offices referred 2,244 cases, a significant increase compared with 2018. The 189 licensed mediators (67 women, 122 men), of whom 14 were from the Serb-majority municipalities, solved 3,859 cases. Public awareness and familiarity

with **alternative dispute resolution** tools remains low. Several awareness-raising campaigns and training activities were carried out in 2019. The mediation system needs further strengthening, and this can be achieved through full implementation of the recently adopted Law and allocation of a sufficient budget. Positive first steps on online mediation were started in early 2020.

### Efficiency

The **efficiency** of criminal justice is seriously hampered by shortcomings in criminal legislation. The outstanding revision of the Criminal Procedure Code, which would address many of the existing issues, remains to be adopted by the Assembly. The capacity of judges to manage court proceedings efficiently needs to be significantly improved to avoid unreasonably protracted proceedings and ultimately low-quality decisions. Judges do not make full use of the tools available to them, such as the possibility to impose punitive and disciplinary measures on parties absent at hearings. Frequent transfers of cases between administrative bodies and basic and appeal courts further lengthen court cases and place additional administrative burden on court officials. Scheduling conflicts, leading to the absence of a judge or a prosecutor, means to a further amount of hearings fail. The organisation of judges in fixed panels within the special departments should be avoided.

Overall, all this leads to long **disposition times** (i.e. the average time from filing an indictment to receiving a judgment). Furthermore, these delays in proceedings, in combination with a preference for detention over other restrictive measures, have led to cases of overly long detention. In the reporting period, the Ombudsperson again received a high number of complaints concerning delays in judicial proceedings. Authorities need to consider introducing an effective judicial legal remedy to address such delays, including compensation.

There is a need to improve strategic planning, which also requires efforts to introduce reliable **statistical systems** for the judiciary based on CEPEJ indicators, and to use the findings for the management and policy-making purposes. Although the number of professional associates in all Kosovo courts has increased in 2019, the number of legal staff directly assisting judges and prosecutors is still insufficient. A number of vacancies remain open and not all positions needed were budgeted in the 2020 budget.

The reform of the **enforcement system**, with which Kosovo passed in 2014 from court enforcement to a combined system of private enforcement agents and courts, has been generally successful. The introduction of private enforcement agents has shortened procedures and raised the overall level of debt collection. The court run enforcement system still faces a considerable backlog, however. Enforcement agents must be given easy access to public registers pertaining to their work. Institutions are often not aware of the possibility to send cases to the private enforcement agents, despite attempts at raising awareness.

Due to **the COVID-19 pandemic**, courts and prosecution offices have functioned with significantly reduced capacities since mid-March 2020. However, on-duty staff still duly process urgent actions (in line with applicable legislation). In order to address the risk of an increased backlog of cases and cases reaching their statutory limitations, both the Kosovo Judicial Council and the Kosovo Prosecutorial Council have developed emergency plans, which also include measures to return to work and some virtual court hearings in individual cases. The COVID-19 pandemic limited the holding of court hearings in Kosovo; yet the Kosovo Criminal Procedure Code provides that a trial has to re-start after 3 months without any hearing. An important number of criminal trials (including high-profile ones) may be affected by this rule. Kosovo authorities should follow-up on this issue and take the necessary measures to ensure effective and efficient conduct of justice in Kosovo. Among the lessons learned from the crisis, it appears necessary to have measures in place for the organisation and

work of courts, including through IT connections, as well as for communication of the judiciary with the wider public during states of emergency.

#### Domestic handling of war crime cases

The Kosovo Prosecutorial Council adopted the strategy on war crimes in February 2019, but its implementation is severely hampered by political issues, a lack of resources and the lack of international and regional cooperation. In the reporting period, the Kosovo Police arrested seven people suspected of war crimes and several investigations were opened. Following two acquittals in the beginning of 2019, in June 2019 the Basic Court of Prizren delivered the first conviction for a war crime since the end of EULEX's executive judicial mandate in June 2018. Significant concerns remain about the willingness to investigate, prosecute, judge and effectively enforce convictions in war crime cases involving former Kosovo Liberation Army members.

The Kosovo police introduced some reforms in this area, including the installation of a new electronic war crimes database and a reconfiguration of the War Crimes Investigation Unit. This constitutes significant progress in the field of case management, case building and case analysis.

The Special Prosecution Office of Kosovo filed its first war crimes indictment only in May 2019. Its war crimes department continues to face significant challenges, after its workload substantially increased with the various cases handed over by EULEX. The department operates with only three prosecutors, which is not sufficient. There is a need for more training and more support staff.

Mutual legal cooperation between Kosovo and Serbia in war crimes cases is extremely limited. Cooperation with the United Nations International Residual Mechanism for Criminal Tribunals in The Hague, which possesses a lot of evidence and prosecutorial know-how, remains difficult due to status-related issues.

The Kosovo Specialist Chambers and Specialist Prosecutor's Office (SPO), set up to investigate and prosecute allegations stemming from the 2011 Council of Europe Report, which alleges serious violations of international law, stepped up their work with interviews of dozens of potential witnesses and suspects. In February and April 2020, the SPO formally notified the Specialist Chambers of his intent to initiate proceedings, subject to confirmation of a pre-trial judge. On 24 June 2020, the SPO made public that the latter request concerns a ten-count indictment, including against Kosovo President Hashim Thaçi and the leader of the opposition party PDK, Kadri Veseli. In September, the SPO conducted several arrests. Full cooperation with the Specialist Prosecutor's Office and Specialist Chambers remains essential. It is crucial that the Specialist Chambers and the Specialist Prosecutor's Office are able to continue to do their work independently, without any outside interference.

A working arrangement establishing cooperation between the Kosovo Specialist Chambers and Specialist Prosecutor's Office and Europol entered into force on 4 July 2020.

As from February 2018, victims can apply to the Government Commission on Recognition and Verification of the Status of Survivors of Sexual Violence during the Conflict for recognition and verification to receive individual benefits. By August 2020, 1,283 individuals had submitted applications, of which 846 were accepted and 262 were rejected. The timeframe of the law excludes those who suffered conflict-related sexual violence after 20 June 1999. Often, in addition to problems regarding access to justice, survivors of sexual violence also face societal stigma. The legislation does not address this aspect.



Kosovo needs to develop an overarching strategy for **transitional justice**, including a comprehensive approach to addressing its past. The preparatory team in charge of drafting a normative act, which will serve as the basis for a future Truth and Reconciliation Commission, met on a weekly basis throughout 2019. A round of consultations with civil society, religious groups, legal professionals, former political prisoners, artists, organisations advocating for missing persons, veterans and women victims of sexual violence during the war was concluded in May 2019. The preparatory team should make sure that the future Commission is a gender sensitive and inclusive body in which all Kosovo communities are adequately represented. This Commission should enjoy cross-party support, in accordance with EU and international standards. Other reconciliation initiatives are taking place as well. In May 2019, the Kosovo Coalition for Reconciliation, led by three Kosovo civil society organisations, started its activities. At the regional level, Kosovo maintained its participation in the Coalition for the Commission tasked with establishing the Facts about All Victims of War Crimes and Other Serious Human Rights Violations committed in the territory of the Former Yugoslavia (RECOM).

### **Fight against corruption**

Kosovo is at an **early stage/has some level of preparation** in the fight against corruption. In the reporting period, **limited progress** was made, including on the investigation and prosecution of high level cases, on the confiscation of assets as well as through the creation of the Special Departments handling cases regarding high-level corruption (and organised crime) in the courts. Additional special prosecutors have been recruited, but the overall capacity of the prosecution, including as regards supporting staff, remains low. The revised Criminal Procedure Code is still not adopted, while the revision of political party financing legislation was delayed. Overall results achieved by prosecution and courts remain poor and final confiscations of assets remain low.

Kosovo has partly followed some recommendations of the 2019 report (capacity of the special prosecution office, partial implementation of legislation). Most of the recommendations remain valid. Robust implementation of the previously revised legislation remains crucial. Overall, corruption is widespread and remains an issue of serious concern. Despite efforts made, there is a need for strong and continual political will to effectively address corruption issues, as well as a robust criminal justice response to high-level corruption.

In the coming year, Kosovo should in particular:

- strengthen the efficiency of confiscation regime by promoting systematic use of both extended and ‘regular’ confiscation by prosecution and police, by the creation of a confiscation fund and by improving the sales process of sequestered and confiscated assets managed by Agency for the Management and Sequestered and Confiscated Assets (AMSCA);
- adopt the revised Criminal Procedure Code, including provisions on the suspension of public officials indicted for corruption-related offences;
- ensure that the financial reports and campaign disclosure reports of political parties are consistently published and audited, and sanctions applied for violations of relevant laws. Amend the legal framework governing political party and campaign financing in line with the opinion of the Venice Commission, to ensure effective enforcement, accountability and transparency.

### Track record

In July 2018, the European Commission confirmed that Kosovo had met the benchmark in its visa liberalisation roadmap to strengthen the track record in the fight against organised crime and corruption. These efforts should continue and the Commission will continue to actively monitor the further development of this specific track record. The track record mechanism for visa liberalisation, established in 2015 to monitor and coordinate **high-level corruption and organised crime cases** includes 66 cases by July 2020. There have been 56 indictments so far, of which 36 cases concern corruption and 20 cases concern organised crime. 13 cases had a final verdict, out of which 8 ended with a (partially) guilty verdict, leading to 15 individuals being convicted of corruption-related offences.

This track record was designed in the specific context of visa liberalisation benchmarks. Eventually, there should be one, comprehensive track record which covers all high-level cases relating to organised crime and corruption. As such, the rules governing inclusion of cases within this mechanism (standard operating procedures) should be revised to allow all cases against high-level officials to be prioritised and be handled with the highest level of scrutiny within a single comprehensive and overall track record.

Since it was set up, the **Anti-Corruption Agency** has sent more than 1,000 cases to the prosecution, including more than 100 referrals in 2019. Of the 126 cases pending in 2019 (55 pending from previous periods, 71 new referrals in 2019), the prosecution has filed indictments in 42 cases. There were 11 court decisions in 2019. Many of the reports submitted by the Agency still suffer from poor quality. The prosecution should demonstrate more willingness to pursue cases related to corruption.

In 2019, 419 new cases of criminal offences against **official duty** involving 896 individuals were reported. There were 6 new cases related to corruption in **public procurement** and 502 new cases related to **economic crimes**.

**Asset confiscation** continues to be seen as only an auxiliary aspect of criminal proceedings with insufficient focus and resources put into it. Although in general the institutional and legal framework is in place and has been significantly improved with the entry into force of the new Law on Extended Powers of confiscation in January 2019, this has not yet delivered results. The concept of asset confiscation is poorly understood amongst prosecutors and judges, including a restrictive interpretation of legal principles. The willingness to confiscate assets is low. The prosecution remains the weakest link in this regard. It should improve its technical shortcomings.

The total amount of confiscated assets remains low. **Preliminary confiscation of assets** fell to EUR 8.7 million in 2019 (compared with EUR 28 million in 2018). The value of final confiscation rose substantially (EUR 991,593) compared to 2018 (EUR 49,394), albeit in the context of only one case. Furthermore, the Agency for the Management of Sequestered and Confiscated Assets (handling more than EUR 1.3 million in various assets in 2019) struggles to manage the assets in its portfolio, partially due to the courts not allowing asset sales (it has only managed to sell assets totalling EUR 74,166). Work on the creation of a Confiscation Fund, which would allocate confiscated funds in part to law enforcement, prosecution and courts and in part to social projects, has not progressed and should be taken up by the government.

In 2019, almost 99% of the 4,819 officials obliged to submit annual **declarations of assets** did so on time (only 60, less than 1.25%, failed to do so). The Anti-Corruption Agency has 974 officials under the full assets control procedure and more than 62 cases under investigation for false declarations. In the reporting period, prosecution offices received a number of cases on irregularities detected in asset declarations concerning 60 persons; the cases of 60 people were solved during this same period. The system for declaring and

assessing the origin of property belonging to senior public officials remains incomplete. The Agency still lacks tools and resources to verify asset declarations. The long-proposed amendments to the relevant legislation, together with amendments to the Law on the Anti-Corruption Agency remain to be adopted. Furthermore, these checks require closer cooperation and the exchange of data with the police, the tax administration, the Financial Intelligence Unit, the land registry and municipal authorities. An e-declaration system would simplify filing and monitoring, increase transparency and decrease instances of human error.

In 2019, the Agency handled more than 167 cases of **conflict of interest**, of which 2 were addressed using the minor offence procedure and 3 were sent for further criminal investigation. In 26 cases, a conflict of interest was avoided.

**Funding for political parties and campaign financing** lacks transparency and the regulatory framework remains inadequate. Overall, the regulatory framework does not ensure complete reporting, timely disclosure, meaningful oversight or accountability for irregularities. Political entities are required to submit campaign finance reports to the Central Election Commission only within 45 days after election day, which does not facilitate transparency or oversight. Furthermore, auditors are required to verify the content of financial reports submitted but not to identify unreported income or expenditure, which limits the scope of oversight. Past auditing reports identified inaccuracies in political party financial reports, but no sanctions were imposed. Existing sanctions (mostly fines ranging from EUR 1,000 to EUR 5,000) are not dissuasive or effective.

#### Institutional framework

There are 19 different anti-corruption institutions in Kosovo. Coordination between them remains weak and therefore responsibilities frequently overlap. Strengthening inter-institutional coordination, including securing access to relevant databases, is key to effectively fighting corruption in Kosovo.

#### *Prevention measures*

The Anti-Corruption Agency is responsible for preparing, monitoring and supervising the adoption and implementation of the anti-corruption strategy and action plan. Its responsibilities include: (i) supervising and verifying the asset declarations of state officials, (ii) supervising and preventing conflict of interest cases and the acceptance of gifts, (iii) deciding on restrictions on the performance of other activities, (iv) providing advice on the implementation of the related laws and on anti-corruption issues, and (v) assisting public and private sector institutions in developing codes of ethics. The Auditor-General, the tax authorities, the customs authorities and the Financial Intelligence Unit also have inspecting and auditing powers.

**Training** must be provided for staff of the main anti-corruption bodies, especially training on risk assessment. The Academy of Justice has integrated the anti-corruption programme into its training curriculum, including a specialised capacity building training programme on combating corruption, sequestration and confiscation, public procurement and financial investigation and money laundering. The existing trainings on asset confiscation need to be better attended. Overall, more training is needed, especially on asset confiscation.

There is a continuous need to promote **integrity in the public service** as a tool for preventing corruption and ensuring discipline. The Anti-Corruption Agency did not continue further work on integrity plans for municipalities.

#### *Law enforcement*

Kosovo has **specialised institutions** for fighting corruption: the National Coordinator for Combating Economic Crimes within the prosecutorial system and the Police Directorate for the Investigation of Economic Crimes and Corruption, which maintains anti-corruption units at police stations and headquarters.

The organisational restructuring of the **Kosovo Police** in February 2019 also brought changes to the structure and staffing of the Economic Crime Directorate. The Anti-Corruption Task Force operates as a specialised unit within the Kosovo Police Investigation Department and aims to prevent, investigate and detect criminal offences against the economy and finances, as well as any corruption. The police has been involved in some investigations of corruption within the institutions of the Kosovo government and as a result, some high-profile cases have been presented to the prosecution. Separately, a complex investigation using covert measures has led to the indictment of two serving judges in two different regions. During the reporting period, the number of financial investigators working on organised crime and corruption investigations has increased. Financial investigations need to be carried out systematically, independently and in parallel with the criminal procedure for corruption and organised crime cases.

The quality of investigations and indictments still often remains insufficient. Despite some progress, the **Special Prosecution Office** continues to suffer from a lack of sufficiently specialised staff with the required level of training and competence to deal specifically with financial and procurement cases. The Office still needs to be connected to the case management information system; this is planned for 2020. It is still not fully staffed with 15 prosecutors out of a planned number of 18. The position of Chief Special Prosecutor, who leads the Office, was vacant for nine months before a new Chief was appointed in December 2019. The Office has four prosecutors working in a new specialised section handling high-level corruption cases. The Basic Prosecution Office in Pristina has a Special Unit for Financial and Corruption cases, to which 10 prosecutors (3 from the General Department and 7 from the Serious and Organised Crime Department) are assigned. Each basic prosecution office has a designated anti-corruption prosecutor.

Following their establishment by the new Law on Courts, **special departments in the Basic Court of Pristina and the Court of Appeals** handle all cases of the Special Prosecution Office, including corruption cases.

### Legal framework

Criminal law provisions on corruption are generally in line with relevant European standards. Due to status-related issues, Kosovo is not a party to international anti-corruption conventions. This includes most notably the United Nations Convention against Corruption and the Council of Europe's Criminal Law Convention on Corruption. However, Kosovo has made substantial efforts to align its legislation with these instruments.

The new **Criminal Code**, which entered into force in April 2019, harmonised several provisions with European best practices and introduced the mandatory removal from office of public officials convicted of corruption. Substantial amendments to the **Criminal Procedure Code**, such as provisions on the suspension of public officials indicted for corruption, have an important potential for the anti-corruption field, but they still remain to be adopted by the new legislature. The new **Law on Extended Powers of Confiscation** entered into force in January 2019 and gives Kosovo prosecutors more effective tools, which should now should be used.

Although the Law on the Prevention of **Money Laundering** clearly stipulates that the predicate offence does not have to be proven to retain a conviction on money laundering, this

principle still remains unclear to both judges and prosecutors. As a result, many stand-alone money laundering cases are dismissed by the Special Prosecution Office.

The Law on the **Prevention of Conflicts of Interest**, revised in 2018, should be fully implemented by the authorities. 659 senior public officials still occupy two or more posts, with several officials holding as much as five posts simultaneously, in direct violation of the law. Kosovo has no specific legislation on lobbying.

The Law on the **Protection of Whistle-Blowers** is broadly in line with international standards, including the new EU legislation in this area. Officers tasked with handling whistle-blowers' complaints were appointed in over 175 public institutions, but the secondary legislation detailing the procedure for such handling is yet to be adopted. Strengthened whistle-blowing mechanisms and protection requirements still need to be implemented in practice.

In 2019, the Assembly failed to adopt amendments to the **legal framework on political parties and election campaign finances** prepared by the government after consultation of the Venice Commission. Kosovo continues to need better functioning, more accountable, more transparent and enforceable party finance and campaign finance legislation. The government and Assembly should take this forward on the basis of the existing draft law.

#### Strategic framework

The **anti-corruption strategy and action plan for 2018-2022**, adopted by the government in March 2018, were submitted to the Assembly only in October 2018 and have not yet been approved. In parallel, the government started reviewing its strategic framework on anti-corruption in the context of the functional review (*see section on the functioning of the judiciary*). The government still needs to demonstrate genuine leadership, the ability to practise advance planning and a willingness to allocate adequate resources to the fight against corruption. A monitoring mechanism should be set up to regularly assess the impact of a new strategy and action plan.

#### **Fundamental rights**

The legal framework guarantees the protection of fundamental rights and is in line with European standards. The adoption of the new Law on Child Protection fulfilled one of the recommendations of last year's report. More needs to be done to promote and ensure full implementation of human rights legislation and policies. The government's coordination of human rights and minority protection mechanisms, both at the central and local levels, needs to improve and fundamental rights issues need to feature higher on the political agenda. Human and financial resources are lacking and relevant authorities are still dependant on donor support and guidance and need to assume greater ownership. Inter-ministerial coordination mechanisms are often treated as a formality and have proven to be ineffective in advancing human rights.

More efforts need to be undertaken to address recommendations of the 2019 report, which are still applicable. In the coming year, Kosovo should in particular:

- re-assess and strengthen the efficiency and effectiveness of the mechanisms for the coordination and implementation of human rights policies and strategies. Strengthen the role of the anti-discrimination officers in ministries and municipalities;
- strengthen the implementation of the Law on Gender Equality and take concrete actions to ensure the functioning of the shelters for victims of gender-based violence;
- adopt the Strategy for Return and Communities and ensure proper implementation of the

Strategy for the Inclusion of Roma and Ashkali<sup>1</sup> communities in Kosovo society 2017-2021;

→ adopt the Law on Cultural Heritage and the Law on Religious Freedom and ensure consistent functioning of the Implementation and Monitoring Council. Advance protection of cultural heritage by fully enforcing legislation on special protective zones and illegal construction.

**International human rights instruments** form an integral part of Kosovo's legal framework and are directly applicable, as provided for in the Constitution of Kosovo. Kosovo continued to align its legislation with these instruments and maintained its practice of ad hoc reporting.

During the **COVID-19 pandemic**, public health measures involving restrictions of certain fundamental rights were taken on the basis of the Law on prevention of infectious diseases. Some of the measures were adapted after the Constitutional Court ruled that they were partly unconstitutional. The Assembly eventually adopted in August 2020 a new law on preventing and combating the COVID-19 pandemic, which provides a solid legal basis for public health related restrictions of fundamental rights. As regards the economic and social consequences of the COVID-19 pandemic, it is expected that women will be affected more severely, because a larger part of them is employed in the informal economy and has in consequence no access to the mitigating measures taken by the government. The Kosovo government actively protected women victims of domestic violence during the outbreak of COVID-19, including with an institutional campaign informing them of their rights, exemptions to restrictions of movement and ensuring shelter for new cases. While special plans related to the pandemic were in place for prisons, a number of infections among prisoners and correctional staff were reported during August 2020.

On the **protection and promotion of human rights**, the implementation of human rights legislation and oversight and coordination of existing human rights mechanisms remains a challenge. Authorities are drafting an overarching human rights strategy for 2020-2024, a process that has been delayed for a few years now. Any such strategy needs clear objectives, timelines and clarity on the responsible institutions. Ministry Secretaries-General should be empowered to advance fundamental rights policies at the central level and should improve coordination with municipalities. The Office of Good Governance in the Prime Minister's Office lacks proper human, financial and administrative resources to fulfil its broad mandate, which includes drafting, implementing and overseeing policies in the areas of human rights, good governance and anti-discrimination. It needs to play a more active part in strengthening the role of anti-discrimination officers in municipalities and ministries; they need to have clear reporting lines and be actively consulted and engaged in legal and policy drafting.

The Inter-Ministerial Coordination Group for Human Rights rarely meets and neither takes decisions nor properly follows up on previous government commitments.

The Ombudsperson continues to play an important role in the promotion and protection of human rights in central and local level institutions in Kosovo. It has further increased its capacity to review cases and continued its efforts to increase awareness on human rights protection and promotion. Implementation of the Ombudsperson's recommendations by the Kosovo institutions remains a challenge. The overall number of complaints received by the Ombudsperson in 2019 was 2,014. Out of those, 943 have been opened for investigation, and 54 cases were opened *ex officio*. Law enforcement bodies and the judiciary need to become more responsive in protecting society's vulnerable groups, such as children, victims of

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<sup>1</sup> All these groups are considered under the wider 'Roma' umbrella term under the EU framework for National Roma Integration Strategies.

gender-based violence, Roma, Ashkali, as well as other vulnerable communities. The Assembly of Kosovo needs to take a more proactive role in the oversight of the implementation of human rights legislation.

While the mandate of the previous Ombudsperson ended in July 2020, the selection process of the new Ombudsperson was finalised end of September with the Assembly's election of Naim Celaj. New initiatives to address the needs of social services, which are key in various areas related to fundamental rights, have been launched (*see sections on social policy and public administration reform*).

On the **prevention of torture and ill treatment**, the situation remains satisfactory and the Kosovo authorities have shown a sustained commitment to preventing these practices in all circumstances. However, there have been some complaints to the Ombudsperson about the incorrect treatment of prisoners by correctional staff in 2019 (15 individual complaints and two cases opened *ex officio*). After investigation, 4 such cases were forwarded to the Police Inspectorate for further action. Representatives of the National Preventive Mechanism (NPM) regularly visit all places of deprivation of liberty in Kosovo. In 2019, the NPM carried out 86 regular and ad hoc visits to places of deprivation of liberty, including psychiatric and social care institutions. In all cases, it received full cooperation, was granted rapid access to all visited facilities, and was allowed to access all relevant documents. Its representatives were able to speak privately with detainees, inmates and those placed in psychiatric and social care homes. Kosovo should further strengthen ongoing efforts to provide adequate medical and psychological support and rehabilitation to all victims of torture and other ill-treatment in Kosovo. Efforts to address the recommendations issued by the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment in 2015 are ongoing (*see section on the prison system*).

The **prison system** continues to comply broadly with the UN Standard Minimum Rules for the Treatment of Prisoners and with the European Prison Rules. There is no specific strategic framework in place for the prison system. Prison conditions vary widely among the different establishments of the Kosovo Correctional Service (KCS). More prisoners are now accommodated in adequate facilities, although plans to close old facilities have not yet materialised. Overcrowding is generally not a problem. While meaningful activities such as rehabilitation programmes remain limited, the KCS has focused more on engaging prisoners in work vocational training programmes and education. The Prison Inspectorate continues working with a methodology based on the 'Mandela rules'. Political pressure continued to affect decisions on the categorisation of prisoners, which would allow for preferential treatment of high profile prisoners. The planned amendments to the Law on the Execution of Penal Sanctions should not compromise progress achieved by previous amendments preventing such preferential treatment. Alternative sanctions and measures are possible and are imposed mainly on juveniles. Many judges and prosecutors remain reluctant to impose alternative measures to detention on adults.

On **personal data protection**, the law remains broadly in line with the EU General Data Protection Regulation and the Law Enforcement Directive. It envisages compliance inspections, which should be carried out. Finalising the process of appointing a commissioner to lead the new Information and Privacy Agency – to be selected by the Assembly based on merit and competences – is a crucial first step towards making the Agency operational. In addition, the adoption of new, duly updated, implementing legislation that is aligned with the EU *acquis* is necessary. Both of these steps are crucial in order to effectively implement the legislation governing personal data protection and access to documents.

As regards the **freedom of thought, conscience and religion**, although there are legal provisions in place, the Kosovo Assembly still needs to adopt the long outstanding Law on Religious Freedom, incorporating the recommendations of the Venice Commission. The May 2016 final judgment by the Constitutional Court on the land dispute case involving the Visoki Dečani monastery and Deçan/Dečane municipality, which confirmed the monastery's legal ownership of the land, remains unimplemented. Incidents of cemetery desecration across different regions in Kosovo, targeting Orthodox, Muslim and Catholic graveyards, were frequent in 2019. Such acts of vandalism show that more efforts are required from the Kosovo Police, prosecution and judiciary to ensure the protection of religious sites.

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### **Freedom of expression**

Kosovo has **some level of preparation** regarding freedom of expression. Kosovo benefits from a lively and pluralistic media environment. The legal framework is mostly in line with European standards. However, **limited progress** has been made in addressing the recommendations of the previous report. Concerns remain regarding public smear campaigns and threats against journalists. There are particular concerns regarding freedom of expression in the north of Kosovo, including self-censorship.

Legal initiatives of the Assembly of Kosovo Committee on Public Administration, Local Governance and Media (draft laws on the public broadcaster and on the Independent Media Commission) lacked transparency. The public broadcaster remains vulnerable to political pressure and influence. The lack of financial self-sustainability leaves media vulnerable towards political and business interests. This is further amplified by the lack of information and data on the final beneficiary of media ownership – provisions on this are still not enshrined into law.

In the coming year, Kosovo should:

- further improve the response of the responsible institutions to physical attacks against journalists, and other forms of pressure, including through better inter-institutional cooperation;
- ensure sustainable funding for the public broadcaster in a manner which preserves its independence;
- review the Law on the Independent Media Commission to update its competences, including regarding audio-visual media in line with Audio-visual Media Services Directive;
- increase availability of data on the audio-visual market, especially when it comes to media ownership.

### Intimidation of journalists

According to the Association of Journalists in Kosovo, there were 13 cases of verbal attacks and three physical attacks against journalists in 2019 (similar level as 2018). In at least two instances, high-level politicians were involved. While the overall number of threats and attacks remained stable, according to the Kosovo Association of Journalists, there has been an increase in derogatory statements and smears made by politicians and aimed at the media, publicly undermining trust in journalistic reporting and the safety of journalists. Adjudication of cases remains slow.



### Legislative environment

The Constitution and legislation provide for freedom of expression and media freedom. In general, media laws are in line with standards of the Council of Europe and the case law of the European Court on Human Rights. Defamation and insults are a civil offence. The Law on Protection of Journalistic Sources needs to be amended to clarify provisions related to court decisions obliging journalists to declare a source, to be brought in line with European standards and best practices.

The new whistle-blower legislation strengthens the protection of journalists' sources, but the Ministry of Justice is yet to draft the implementing legislation. The Law on Access to Public Documents has been adopted, but implementation remains on hold until the Information and Privacy Agency starts its work (*see section on data protection*).

The Assembly Committee on Public Administration, Local Governance and Media – the sole body with the right of legislative initiative on issues related to freedom of expression and the media – continued to operate in a non-transparent and non-inclusive manner, including as regards the draft laws on the public broadcaster and the Independent Media Commission. Building administrative capacity within the government to deal with freedom of expression and media-related issues should be considered.

### Implementation of legislation/institutions

The implementation of existing legislation remains insufficient. The Kosovo Press Council acts as a self-regulatory body for print and online media, mainly by reacting to complaints. The number of members is increasing and the Council's financial sustainability is crucial. The Independent Media Commission (IMC) does not have the power to licence and monitor audio-visual media services online, although these were already covered by the Audio-Visual Media Services Directive. The 2016 Code of Ethics for Media Service Providers, a legally binding secondary legislation issued by the IMC, sets provisions for broadcasting in relation to content, such as the need for balanced and unbiased news coverage. However, the IMC only monitors content during election campaigns.

As regards the coverage of the October 2019 legislative elections, the EU Election Observation Mission concluded that, in general, media were able to freely cover the elections, but raised a number of issues such as the lack of effective oversight by the IMC during the election campaign (*see section on elections*).

### Public Service Broadcaster

The public broadcaster Radio Television of Kosovo (RTK) remains vulnerable to political pressure and influence. In 2019, on two separate occasions, whistle-blowers publicly denounced political influence on the public broadcaster. RTK's shortcomings should be addressed including non-merit-based recruitment, non-transparent remunerations, insufficient sustainability of programmes in non-majority languages and poor online presence. To date, the broadcaster remains directly state-funded, with its budget determined annually by the Assembly. This undermines its independence, weakens its long-term sustainability and leaves it prone to political influence.

A review of the current Law on RTK was launched in 2019. Steps should be taken to ensure that appointment and dismissal procedures of members of the respective governing bodies are transparent and inclusive and that the new law includes a realistic and sustainable funding model for RTK. In 2019, legislative initiatives made by the Assembly to regulate online media, including authorisation requirements for online news sites, were halted after a public backlash.

### Economic factors

The sector remains heavily dependent on donors and advertising, including from the government and political parties. Media companies struggle to sustain themselves financially through commercial means. Private broadcasters depend on other sources of funding and few are able to operate without strong links to political and business interest groups. There is a lack of data on the advertising market and financing remains largely non-transparent. There is also no audience measurement system.

Information on media ownership structures, in particular for online media, remains unclear and often fictitious, as most media do not provide information on their finances or real ownership. Consequently, there is neither transparency nor a fair distribution of the sources of financing among the media outlets and no way of knowing whether they are concentrated in the hands of just a few people.

The negative impact of the COVID-19 crisis on the financial stability of media sector remains one of the main concerns (including potential job losses), even if media professionals were included in the initial financial package of the government intended to ease the economic impact of the pandemic.

### Professional organisations and working conditions

Associations of journalists have been active in condemning cases of threats and attacks against journalists. They have kept up a constructive dialogue with the Kosovo Police and have been vocal in defending journalists against political pressures. The working conditions of media professionals and the implementation of labour laws in the newsroom remain a concern. Many journalists work either with no contracts or only with service contracts. This situation encourages self-censorship and makes journalists vulnerable to pressure.

*(See also section 6.24 on information society and media)*

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**Freedom of assembly and association** is guaranteed by the Constitution and generally respected. A number of demonstrations took place during the reporting period. The Police Inspectorate of Kosovo is investigating one case of police officers, in charge of providing security for a high-level politician, allegedly using violence against a non-violent protester.

Individuals and legal entities have the right to establish an association without having to register it, but most organisations decide to register in order to secure legal personality.

Issues of **labour and trade union rights** are further covered in *section 6.11 on social policy and employment*.

On **property rights**, although the legislative and institutional framework governing the resolution of conflict-related property claims is overall adequate, the reporting period marked no real progress in implementing the 2017 strategy on property rights. The resolution of conflict-related claims continues to be hampered by political obstacles. A revised law on the Kosovo Property Comparison and Verification Agency (KPCVA) was prepared, but it was not adopted by the Assembly. Provisions to ensure that property rights are fully realised, such as the extension of the deadline for the voluntary rental scheme which expired in Spring 2018 (as recommended by the Ombudsperson), and the extension of the Agency's authority to include execution of more than two evictions in order to stop continuous illegal re-occupation of properties, need to be included. Judicial decisions, including Constitutional Court decisions, on conflict-related property cases must be fully observed and swiftly implemented. The Administrative Instruction on Demolition of Illegal Structures has been adopted in April

2020. This is a positive step in improving the implementation of decisions for demolitions as legal remedy. After several years of stalemate, the KPCVA's Property Claims Commission, the first instance adjudication body to resolve the 2,782 conflict-related claims that are pending, has been re-activated and completed its work as of May 2020, addressing all pending cases. For 70 cases, the decision of the second instance Appeal Panel of the Supreme Court is still pending. This Commission has started distributing allocated funds for the compensation scheme; all 143 owners of former socially owned residential property have been compensated.

Concerns about fraudulent property transactions and illegal transfers of ownership of properties mainly belonging to displaced persons remain. Increased access to and publication of key property data from the Kosovo Cadastral Agency could increase the public's trust in land and property transactions and improve land management. There has been limited progress on the issue of 350,000 buildings constructed without a permit, through adoption of necessary secondary legislation in July 2019 following the 2018 amendments to the Law on the Treatment of Buildings Constructed without a Permit. Their legalisation process is ongoing. As regards large-scale informal settlements, there is a continued lack of political will to address the issue. In addition, women continue to face many challenges as regards property ownership and inheritance despite the fact that, through a special measure, they can register their real estate free of charge.

On **non-discrimination**, the Law on Protection from Discrimination is broadly in line with European and international standards, but its implementation remains limited. Although it sets out a general framework for preventing and combating discrimination, both rule of law institutions and victims have difficulties in identifying situations in which its provisions can be applied. A lack of data and case law prevents the police, prosecution and courts from effectively preventing and responding to most forms of discrimination. 119 out of 2,014 complaints made to the Ombudsperson in 2019 related to discrimination. During the reporting period, the Ombudsperson became a member of the European Network for Equality Bodies (EQUINET). The establishment of an efficient data recording and a collection system on hate crime, would enable their recognition and registration. The Kosovo Prosecutorial Council continues to maintain a tracking mechanism on hate crimes. Hate speech against vulnerable communities persists, especially on social media, and the police fails to respond to it on time.

Legislation and institutional mechanisms for **equality between women and men** are in line with international and EU standards. Despite institutional efforts, women continue to face discrimination in the labour market, access to finance, ownership of property and access to justice. Women are underrepresented, especially in decision-making positions, both in private and public institutions. Civil society organisations continue to play a critical role in advocating for women's rights and advancing gender equality. The Agency for Gender Equality (AGE) plays a central role in advancing the principles of gender equality, and in mainstreaming gender in institutions' policies and actions. The Kosovo programme for gender equality (2020-2024) was adopted by the government in May 2020. AGE continues to train civil servants on gender impact analysis, which is increasingly being used during the drafting of legislation and policies. However, coordination with gender equality officers in the ministries and municipalities needs to be strengthened. More coordination and stronger leadership from the government as well as efforts across the institutions are needed to make progress on implementing the Law on Gender Equality. Institutions need to improve their collection, maintenance and transparent reporting of gender-disaggregated data.

**Domestic violence** continues to be the most prominent form of gender-based violence in Kosovo. The legal and institutional framework in this area is largely in line with EU and international standards. The amendments to the criminal legislation, which see domestic

violence as a stand-alone offense, entered into force in April 2019. However, the lack of case law and lack of familiarity of judges and prosecutors with the new legislation resulted in its slow application. Efficient prosecution and adjudication of cases (including appropriate sentencing) remain limited. The Law on Domestic Violence needs to be aligned with the new criminal code. In September 2020, the Assembly adopted an amendment to the Kosovo Constitution that gives direct effect to the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention). This is a positive step to guarantee fundamental rights, protect women's rights and in the fight against domestic violence.. The 2016-2020 strategy and action plan on protection against domestic violence continue to be implemented. An integrated database for cases of domestic violence has been created and is accessible to police, victim advocates, prosecutor, courts and social workers at centres for social services. The authorities need to ensure sustainable funding for the database. Reporting of domestic violence remains low, but has substantially increased in 2019 to 1,915 cases (an increase by 382 cases). Reported cases of domestic violence increased slightly during the first semester of 2020, due to both the consequences of the COVID-19 pandemic and greater awareness of the issue. There has been limited progress in preventing domestic violence and protecting and reintegrating victims, including adequate victims' compensation. Sufficient budget should be allocated for centres of social work and victims' advocates. The functioning of the eight shelters for victims of domestic violence and trafficking in human beings is uneven mainly due to the lack of sustainable funding. A new shelter in Zubin Potok opened in summer 2020, covering the four northern municipalities and completing the network of protection institutions.

On the **rights of the child**, Kosovo's legal framework is largely in line with EU and international standards, but implementation remains limited. In June 2019, a new Law on Child Protection was adopted by the Assembly. The law entered into force one year following its publication. The main innovation is the establishment of a new integrated system of child protection, at both central and local levels. The law also includes a formal prohibition against corporal punishment. Authorities now need to adopt sub-legal acts and organise an awareness raising campaign on the Law. A strategy and action plan on children's rights 2019-2023 is in force.

Kosovo does not host children in large residential institutions, and developed alternative care solutions for children deprived of parental care. However, foster care for such children is not possible in all municipalities and often does not meet internationally recognised requirements. The social integration of children with disabilities remains a problem and many of them have very limited access to social, health and educational services. In addition, authorities have been inefficient in providing adequate care for street children and have failed to properly address the issue. In 2019, the first day-care institution for street children was inaugurated in Pristina. Begging and child marriage among Roma and Ashkali children is still prominent. There is also a lack of services and programmes for the prevention and reintegration of child victims of drug abuse. Overall, a considerable number of children in Kosovo are victims of physical or psychological violence and efforts to prevent all forms of violence against children remain insufficient.

The institutional framework for juvenile justice has significantly improved in recent years. However, authorities should further strengthen the capacity of Kosovo institutions to sustain the progress achieved in this area, including the implementation of the revised legal framework and developed curricula.

On the **rights of persons with disabilities**, the existing legislation is following the most recent international standards. A comprehensive new law on persons with disabilities has not yet been adopted. Overall, authorities are not effectively implementing existing legislation,

including, the Law on Paraplegic and Tetraplegic Persons. The administrative instruction on rehabilitation and supporting equipment for persons with disabilities also needs to be drafted and adopted. The implementation of the Law on Blind Persons and the Law on Employment (of which a part regulates the employment of people with disabilities in the public institutions) is equally limited. A strategy for people with disabilities is in place but a new action plan for the 2020-2023 period remains to be adopted. The National Council for People with Disabilities has failed to meet for the past two years. People with disabilities in Kosovo experience exclusion due to limited support and inadequate health and social services. Physical access to public buildings and transport also remains limited. Children with disabilities are especially vulnerable (*see above*). Authorities should increase financial support to scale up community-based social and health services and increase efforts to effectively integrate people with disabilities into the educational system.

On the **rights of lesbian, gay, bisexual, transgender and intersex (LGBTI)** persons, the Constitution protects against discrimination based on sexual orientation. During the reporting period, the Advisory and Coordination Group on the LGBTI community developed a new action plan 2019-2022. However, there is little will to implement this plan and no progress has been achieved so far. At the initiative of the President, a new LGBTI action committee with the involvement of civil society was set-up in January 2020. There is a strong need for Kosovo to ensure full implementation of the existing anti-discrimination legal framework and the 2019-2022 action plan. In October 2019, the third Pride Parade took place in Kosovo without any incidents, and included high-level political participants. Despite these positive developments, public awareness and general acceptance of the rights of LGBTI persons remains low. There have also been incidents of hate speech towards the LGBTI community, especially on social media. The recent amendments to the Criminal Code offer LGBTI persons better legal protection; but cases of hate crime against LGBTI persons are still not always properly investigated and brought to justice. During 2019, for the first time, the prosecution of Kosovo initiated a case *ex officio* against an official of the Ministry of Justice, on the grounds of hate speech against LGBTI persons. In 2019, the Courts in Kosovo ruled on two cases of legal gender recognition (in first instance). Following one such case, the Civil Registration Agency was obliged to legally recognise a person's gender based on self-determination.

On **procedural rights**, those who are accused and suspected of crime and the victims of crime are protected with procedural safeguards stipulated in the law. They have the right to interpretation and translation, the right to information on their rights, the right to legal aid, and the right to communicate with family members, employers and consular authorities. The injured parties, however, often lack the capacity to protect and pursue their legal interests in criminal proceedings, tend to receive insufficient legal information on their rights and are rarely assisted during criminal proceedings by professional legal representatives. The level of legal aid provision in practice is not adequate due to conflicting legislation, lack of public awareness and different systems in place for providing free legal aid. In addition, there is no system of quality assurance in the provision of legal aid. Out of 2,014 complaints received by the Ombudsperson in 2019, 409 concerned the right to a fair trial within a reasonable time. The Law on Crime Victim Compensation is broadly aligned with the EU Directive on Compensation for Crime Victims. However, authorities should ensure that victims of crime are duly informed about their rights and available protection, including the right to compensation. Victims' advocacy officers should increase the quality of services. A crime victim compensation programme is operational since 2016. In 2019, the Commission responsible for compensation received ten requests out of which six were approved and

compensated for the total amount of EUR 14,260. However, since August 2019 the Commission has not been functional due to the expiry of the mandate of five commissioners.

Kosovo has well established mechanisms at the central and local level to protect **minorities and their rights**. It also has an adequate legal framework and relevant strategies and action plans. However, insufficient inter-institutional coordination, both at the central and local levels, continues to undermine the effective delivery of services and implementation of the applicable legislation. Implementation of minority related policy could advance if coordination between the Office for Community Affairs (OCA) and the Advisory Office for Good Governance (both work under the Prime Minister's Office) was more efficient. These offices remain mainly project driven and donor dependent. Significant efforts are still required to create the conditions for a truly multi-ethnic society, a lasting peaceful coexistence and integration of all communities Kosovo-wide. These include creating a secure environment, especially in areas where returnees live, that ensures access to property, personal documentation, language rights, and adequate provisions for education, employment and social welfare.

The Technical Working Group for the implementation of the recommendations based on the Council of Europe's Framework Convention on National Minorities (FCNM) set up by the government met only once in 2019. The implementation of these recommendations remains limited. The Consultative Council for Communities met regularly during the reporting period and issued recommendations addressing specific community-related issues to relevant institutions. However, from the 50 recommendations sent, only 8 have received a response. There is still no government representative appointed to the Council. The Office of Language Commissioner under the Prime Minister's Office continues to work efficiently with the aim of overseeing and overcoming the challenges posed by the limited implementation of the Law on the Use of Languages, including efforts to improve translation and interpretation into all official languages.

Kosovo is characterised by a growing trend towards monolingualism in one of the official languages and the lack of platforms in which members from different communities can interact is a matter of concern. Young people in particular are not exposed to each other's language or those of other local communities. Such a trend can only be countered in the longer term via the education system. In non-majority communities, education at pre-university levels continues to face challenges mainly due to the lack of textbooks in languages of respective communities. Concerns remain over the provision of higher education in the languages of minority communities, too. Employment of people from non-majority communities in the public sector remains below the 10% threshold stipulated by relevant legislation. Members of non-majority communities remain underrepresented in the civil service at both the central and municipal levels.

While the overall security situation of minority communities remains stable and security incidents are limited, such potentially ethnically motivated incidents proportionally affected the Kosovo Roma and Ashkali community more compared to the previous reporting period. There are also recurring incidents of property and livestock theft, which frequently affect Kosovo Serbs, as well as other minority communities. Increased follow-up of such incidents by judicial institutions is still needed. Further recruitment of police officers from non-majority communities, as well as the strengthening of community policing is needed in order to contribute to a strengthened perception of security among affected communities.

Security is a main prerequisite for the return and reintegration of **refugees and displaced persons**. This number continues to diminish with a total of 191 people who have returned to Kosovo in 2019. The decrease is partly due to the challenges refugees and displaced persons

face in fully exercising their rights and lack of conditions for sustainable return (see also the sections on *property rights* and *rights and protection of minorities*). The Ministry for Communities and Return needs to develop and adopt a new strategy for communities and return covering the 2019-2023 period. The Inter-Ministerial Commission for Return and Community Affairs, which should facilitate return and inter-community relations, did not convene in 2019.

The situation of the **Kosovo Roma and Ashkali** communities has remained unchanged. The implementation of the 2017-2021 strategy for the inclusion of the Roma and Ashkali communities in Kosovo society has still not been systematically evaluated and its implementation remains limited. Members of Kosovo Roma and Ashkali communities remain among the most marginalised communities in Kosovo, hindered by poverty and unemployment. Many of them have low levels of education and unemployment rates are high. Additional efforts are needed to facilitate their labour market integration and combat informal work. Members of these communities, in particular displaced persons and returnees, continue to face dire living conditions. One of the main challenges in terms of housing for the Roma, and Ashkali Internally Displaced Persons (IDPs) and returnees is the resistance of some municipalities to allocate land and recognise tenancy or possession rights in informal settlements to the families who lived there prior to the conflict. However, there are other municipalities that have allocated land for housing purposes. In education, the number of students from the Kosovo Roma and Ashkali communities in universities has been steadily increasing over the past years. However, the pre-university learning centres, which remain instrumental in supporting education for these communities, risk being closed down as a result of the government's failure to allocate the necessary funds for their continued functioning. Roma and Ashkali communities face particular issues with access to health insurance, too. There are still concerns about discrimination in health services. Some people still face difficulties with civil documentation and personal identity documents, often linked to return or repatriation. Kosovo needs to introduce measures and systemic solutions to address the problem of unregistered births in these communities.

The government endorsed the Declaration of Western Balkans Partners on Roma Integration within the EU Enlargement Process (Poznan Declaration), but only very limited follow-up steps have been taken to implement it. The Roma Seminar conclusions are also yet to be implemented.

On **cultural rights**, no developments were noted with regards to the draft Law on cultural heritage during the reporting period. The Implementation and Monitoring Council remains the only formal mechanism for dialogue between the Government and the Serbian Orthodox Church (SOC), and has met regularly. In August 2020, the restart of the construction on the Deçan/Dečani-Plav Special Protective Zone (SPZ) increased tensions between the SOC, the municipality of Deçan/Dečani and the Kosovo Government. Construction works were halted the same month, under direct order of the Kosovo Prime Minister, but tensions remain. There were no further construction activities on the rehabilitation of the Lumbardhi riverbed. The municipality of Prizren was proactive in removing several unpermitted structures within Prizren's historic centre, an SPZ. Some protected sites were demolished by individual building owners, but the Prizren municipality and the Basic Court were efficient in responding to such violations. The government should be more proactive in ensuring the rights and protection of the SOC throughout Kosovo.

Interfaith relations between the SOC and the Roman Catholic Diocese became more strained, after the Roman Catholic Diocese in Kosovo served a catholic mass on the ruins of the controversial archaeological site within the Novo Brdo/Novobërdë's SPZ, prompting a strong reactions and condemnations from the SOC. The protection and promotion of cultural heritage

in Kosovo still remains weak and donor driven. Such projects require long-term financial support in order to have a lasting impact.

### 2.2.2 Justice, freedom and security

Kosovo is at an **early stage/has some level of preparation** in this area. **Some progress** was made, including on the fight against violent extremism through the management of a return operation of foreign terrorist fighters and their families from the conflict zone. However, the entry into force of several laws important to combatting organised crime has not yet led to tangible results. Results achieved by prosecution and courts remain poor. Overall, confiscation of assets remains low. The authorities continued to make progress in managing regular and irregular migration, despite the unexpected increase in the number of irregular migrants arriving to Kosovo.

Kosovo has only partly followed the recommendations of the 2019 report, namely the recommendations related to violent extremism and on the National Centre for Border Management, hence the other recommendations are repeated.

In July 2020, Europol and the Kosovo Police concluded a Working Arrangement. The arrangement will constitute the basis for enhanced cooperation between Kosovo Police, Europol and EU Member States.

In the coming year, Kosovo should in particular:

- adopt a protocol for the handling, storage and destruction of drug precursors and start to effectively implement it;
- continue implementing programmes on rehabilitation and reintegration, inside and outside the prison system by safeguarding coordination of pre-release and post-release processes, and ensuring that the Reintegration Division of the Ministry of Internal Affairs, is fully funded, staffed and trained;
- establish a Joint Threat Assessment Centre, including a threat level grading system on terrorism related risks;
- fully implement the relevant action plan to make the National Centre for Border Management fully operational, in order to strengthen inter-institutional and international cooperation and coordination in the field of migration.

### Fight against organised crime

Kosovo is at an **early stage** in the fight against organised crime. **Limited progress** was made on the investigation and prosecution of organised crime cases. While the Criminal Code and the Law on the extended powers of confiscation entered into force, this has yet to lead to tangible results. Measures are needed to strengthen the prosecution as well as to ensure that there is no political interference in the operational activities of all law enforcement bodies. The situation in the north of Kosovo with regard to organised crime continues to pose challenges for law enforcement agencies.

Kosovo has partly followed the recommendations of the 2019 report, namely on the training and awareness raising regarding new legislation, including the one regarding confiscation, capacity of the Special Prosecution Office, the intelligence-led policing, and partial implementation of the laws adopted in 2018. Other recommendations however remain valid.

In addition to recommendations to strengthen confiscation of assets and to adopt the new Criminal Procedure Code (*see section on fight against corruption*), in the coming year, Kosovo should in particular:



- within the police, effectively implement the intelligence-led and community policing approaches, including through the presence of officers at community level, enabling confidence building and proactive policing;
- adopt standard operating procedures to run financial investigations in line with FATF recommendations;
- further increase the capacity of the Special Prosecution Office investigating and prosecuting high-profile organised crime cases, and provide training to strengthen their capacity to conduct financial investigations, confiscate assets and effectively protect witnesses.

#### Institutional set-up and legal alignment

Key **institutions** involved in the fight against organised crime include the **Special Prosecution Office** and the newly established **Special Department of the Basic Court and the Court of Appeals** in Pristina. The creation of the latter and staffing both with specialised judges and prosecutors should ensure stronger centralisation and greater judicial specialisation in response to serious crime.

**The police** has an organised crime directorate, complemented by specialised units at regional level, and assisted by forensic units and the Kosovo Forensic Agency. The police's investigation department, with a total number of 567 personnel at central and regional level, is responsible for the fight against organised crime. During the reporting period, the police has undergone initial organisational restructuring, which has improved the operational communication between the General Director and department directors. The restructuring has increased the amount of officers at the regional and station level, which has resulted in more capacity to prevent and fight crime at local level (e.g. a decrease in armed robberies). Kosovo Police should continue with its reform programme under EU expert advice.

There were 471 police officers per 100,000 inhabitants in 2019, compared with 436 in 2018 and a 326 EU average in 2017 according to Eurostat. Police performance is affected by a number of tasks that are not core police force tasks, such as providing security in low-risk government buildings and infrastructure. Steps should be taken to correct this. The Kosovo Academy for Public Safety provides a good level of initial and in-service training for police and public security bodies.

**Kosovo Customs, the Financial Intelligence Unit (FIU) and the tax administration** are responsible for monitoring and controlling the internal and cross-border/boundary flow of goods, materials and capital that might be involved in any form of organised crime. The FIU specifically assists with analysing and disseminating information on money laundering and terrorism financing. It also has the capacity to freeze assets if it finds suspicious financial transactions. Both Kosovo Customs and the FIU have generally performed well.

The police assigned two officers to the **Asset Recovery Office** within the Directorate for Economic Crime Investigations. The Office has received limited requests so far and should be better used by all relevant actors. **Interoperable databases** offer mutual access to police, tax and customs services, which facilitates operational cooperation. The Kosovo Police Information System (KPIS) is linked to all major databases (i.e. border management; civil registry, vehicle registration, visa system, FIU). In one region, the KPIS is connected to the Case Management Information System (CMIS), a pilot project which is yet to be rolled out across Kosovo. The Kosovo Forensics Agency uses an upgraded biometric database since February 2019.

The **Civil Registry Agency** is a key resource for personal data and identity management and

as such has an important role in supporting law enforcement and other public bodies with citizens' data. However, interconnections and accessibility between its central register and rule of law institutions' databases are not sufficiently regulated and are hindered by technical challenges.

The main **strategic framework** is the **2018-2022 strategy and action plan against organised crime**. There are additional strategies and action plans in place on arms control; the informal economy, money laundering and terrorist financing; terrorism; the prevention of violent extremism; trafficking in human beings; narcotics; and cybersecurity. There is still a need for better **cooperation and coordination** between all the institutions. The Special Prosecution Office remains the weakest link in the fight against organised crime.

Due to status-related issues, Kosovo is not party to the major international instruments for fighting against organised crime, such as the UN Palermo Convention against Transnational Organised Crime and its Protocols, but it unilaterally applies these international principles in its **criminal legislation**. Its legislation is largely compliant with international and European standards.

The revised **Criminal Code**, which entered into force in April 2019 increases the number of offences that can be prosecuted in the framework of organised crime, extends statutory limitation periods for various serious crimes and provides for sufficiently dissuasive penalties for corruption and organised crime offences. The revised **Criminal Procedure Code**, which went partially through the Assembly procedure in 2019, remains to be adopted. The new **Law on Extended Powers of Confiscation** is aligned with the EU *acquis* and has been in force since January 2019 (*see section on the fight against corruption*).

Although work has started on addressing the flaws in the legal and institutional framework, no changes to the **Law on Money Laundering and Terrorism Financing** have yet been adopted to bring it fully in line with the EU *acquis* and international standards (*see section 6.3 on the freedom of movement of capital*).

Implementing legislation on the destruction of data adopted in January 2020 contributes to the implementation of the **Law on Interception of Electronic Communications**. The process of upgrading interception capacity in order to meet the evolving technological demands is under way. Legislation on **cybercrime** is generally in line with the EU *acquis*. The new Law on Cybersecurity, which incorporates relevant provisions from the existing Law on Preventing and Fighting Cybercrime, has not yet been adopted. Legislation on **trafficking in human beings** is broadly aligned with the relevant EU *acquis*, but implementation could be improved, especially regarding the pro-active identification of victims, ensuring assistance and support and increasing prosecution and conviction of perpetrators. Kosovo should adopt its new 2020-2024 strategy and action plan against trafficking in human beings.

In April 2019, the police adopted the second-ever **serious and organised crime threat assessment (SOCTA)** report for the 2016-2018 period. Annual strategic crime assessment reports were also adopted. It is important that the threats identified are translated into operational priorities backed up with adequate resources. Although the FIU has completed work on the Kosovo-wide risk assessment on money laundering & terrorist financing (2014-2018), this has not yet been adopted by the government.

#### Implementation and enforcement capacity

Kosovo authorities for the first time reported on the total number of indictments and convictions for the charge of **'organised crime' as defined in the United Nations Convention on Transnational and Organised Crime**. Two cases (involving six people)

received final convictions in 2019, while one case (involving five people) was sent for re-trial by the Court of Appeals. Five cases, involving 60 people, received an indictment in 2019.

For the visa liberalisation-related **track record** in the fight against high level corruption and organised crime, see the *section on the fight against corruption*.

As regards those **organised crime-related cases** currently not included in the aforementioned track record, during the reporting period indictments were filed against 43 people, of which five were found guilty of trafficking in human beings. In addition, ten persons were indicted for and four found guilty of arms trafficking and nine were indicted for money laundering (there were no final court decisions). Only a fraction of all cases involving trafficking in human beings, trafficking in arms and money laundering also involve charges of organised crime.

The police and the prosecution do not yet actively use all powers at their disposal to target criminal networks and their economic support base, with cases seemingly involving one or just a few individuals.

**Sentencing policy** in relation to organised crime remains erratic with courts not systematically implementing the Supreme Court's 2018 sentencing guidelines. The number of **unproductive court hearings** remains an issue of concern, with judges often failing to use the procedural tools at their disposal to secure the presence of parties and witnesses at the trial. The low number of **confiscated criminal assets** is a key concern too. The number of staff in the **Special Prosecution Office** remains insufficient (*see section on the fight against corruption*). The institutions involved in the fight against organised crime need to set up and use multi-disciplinary, joint investigation teams, where possible.

**Police** capacity for combating organised crime is adequate, but the police force remains vulnerable to corruption and political pressure, which hinders the successful investigation of organised crime. One way to increase the integrity of police officers and deter corruption would be to widen the scope of asset declaration so that it includes not only senior management positions, but also other lower, more exposed posts. **Intelligence-led policing** remains weak across the organisation and related capacities need to be strengthened, including the use of Tasking and Co-ordination Group processes. The strategic framework is under review. There is a need for more specialised training sessions for all institutions involved in fighting more complex organised crime. Closer day-to-day co-operation as well as a more strategic approach to better plan investigations and divide of resources between the police and the special prosecution is still needed.

Kosovo regularly **exchanges information** with Interpol via the United Nations Interim Administration Mission in Kosovo (UNMIK). Kosovo's application to join Interpol was withdrawn from the General Assembly meeting in October 2019. A Working Arrangement concerning strategic cooperation with Europol was concluded in July 2020. Kosovo should now implement the working arrangement and make full use of the available possibilities for cooperation. The Kosovo Police signed a protocol for establishing a joint task force with the police from North Macedonia and cooperates with EU Member States on a bilateral basis, including through joint investigation teams and exchange of information on civil and criminal cases. The police has signed 93 international police cooperation agreements, including with 20 countries, a number of EU agencies and international organisations. During the reporting period, the number of partners with which the Kosovo Police mutually exchanged liaison officers increased from five to seven.

Effective implementation of **witness protection mechanisms** continues to face challenges, as few potential witnesses have sufficient trust in Kosovo institutions' ability to keep them safe.

A first witness has entered the Kosovo Witness Protection Programme in 2019 and three persons were received for international temporary relocation. Kosovo police participates in Europol's Platform for Witness Protection Prosecutors and judges need training on how to protect witnesses effectively.

The fight against **money laundering and terrorist financing** is not efficient enough to produce convincing results. Money laundering is often not prosecuted as a standalone crime, but in connection with other criminal offences, which slows down the overall criminal procedure. There is a pressing need to foster prosecutors' and judges' better understanding of the concept of money laundering and to improve specialisation in this field. During the reporting period the FIU received a total of 1,017 suspicious transaction reports. There were 644 such reports in 2018, meaning reports have increased by 58%. In one notable case, FIU intelligence analysis led directly to the conviction of two suspects and final confiscation of nearly EUR 1 million. This is a positive first step which should be followed up on.

Overall, although the efficacy of financial investigations has improved at the police level, they are still not systematically being conducted in parallel with criminal proceedings. Inter-agency cooperation and coordination needs to improve significantly. An action plan has been drafted to follow up on and implement the recommendations of recent expert reports (based on the standards adopted by the Financial Action Task Force (FATF) and the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) standards), but it still requires adoption (*see also section 6.3 on the freedom of movement of capital*).

As regards **arms trafficking**, Kosovo is implementing its strategy in this area and the Law on the Legalisation and Surrender of Weapons, Ammunition and Explosive Devices. A firearms focal point in the police is fully operational and should serve as example of regional best practice. A legalisation campaign for small arms and light weapons was carried out, with 1,573 legalisation requests approved. The Ministry of Internal Affairs has a database in which it registers all arms imported into Kosovo. The involvement of organised and armed groups in arms trafficking remains a serious concern.

Kosovo remains a country of origin, transit and destination of victims of **trafficking in human beings**, notably for sexual exploitation. In 2019, 23 female victims and 3 male victim were identified; 15 were under the age of 18. **Cigarette and tobacco smuggling** is present in Kosovo but levels remain low. Kosovo cooperates with all relevant partners, including the European Anti-Fraud Office (OLAF).

Progress was noted in the area of cybercrime, for the detection, traceability and prosecution of **cyber criminals**. However, there are still issues to be addressed, such as the handling of electronic evidence by people with insufficient knowledge and the limited availability of cybercrime training for newly appointed judges and prosecutors.

A working arrangement with the EU Agency for Law Enforcement Training (CEPOL) has been in force since 2017. Kosovo actively takes part in a number of activities. Where possible, Kosovo should increase its involvement in the priorities of the EU policy cycle (EMPACT) including the drafting of operational action plans and the participation in joint action days.

Proactively fighting organised crime and corruption remains fundamental to countering criminal infiltration of the political, legal and economic systems.

## **Cooperation in the field of drugs**

### Institutional set-up and legal alignment

Kosovo's legal framework is broadly in line with European legislation, but enforcement remains weak. The 2007 Law on Narcotic Drugs, Psychotropic Substances and Precursors governs Kosovo's policy on drugs. A comprehensive, revised draft law that is aligned with more recent EU legislation, is ready for adoption. Drug-related offences are covered by the Criminal Code. A coordination mechanism to prevent and fight drug trafficking and the abuse of precursors is in place. In line with the 2018-2022 strategy and current action plan, a National Drugs Observatory is operational, although with limited resources and a vacancy at its head. Sustainable and routine collection of data on drugs should be ensured. Kosovo should formally establish an early warning system including associated risk assessment procedures and the subsequent control mechanism for adding new psychoactive substances to its drug control legislation. Cooperation with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) continued, despite limited reports and the lack of a nominated head of the designated focal point. Kosovo and the EMCDDA concluded working arrangements in June 2020.

#### Implementation and enforcement capacity

Kosovo continues to be both a storage and a transit country, mainly for heroin and cannabis. Overall, the volume drug seizures remain low: around 824,2 kg of marijuana, 7,7 kg of heroin and 1,5 kg of cocaine were seized in 2019. Heroin seizures dropped significantly compared with 2018, which is a concern.

Organised crime groups continue to play a dominant role in large-scale drug trafficking and subsequent distribution in the EU. An increased regional effort and improved police cooperation and coordination among all countries in the region is key to identifying and dismantling the organised crime groups trafficking drugs. The prosecution service remains too understaffed and insufficiently trained to efficiently deal with drug-related offences. In the reporting period, 1,396 people were indicted for drug-related offences, investigations against 207 people were dismissed by the prosecution and 534 people were found guilty by the courts (8 were acquitted). Secure storage has been set up for seized drugs awaiting destruction. A protocol for the handling, storage and destruction of drug precursors remains necessary.

Educational and public awareness campaigns for the prevention of drug abuse are ongoing. A 24-hour drug abuse hotline, is available, and addiction treatment and methadone therapy is being offered.

### **Fight against terrorism**

#### Institutional set-up and legal alignment

A range of **institutions** are involved in combating terrorism, including the Office of the Prime Minister, the Ministries of Internal Affairs, Justice and Foreign Affairs, the police, the Kosovo Intelligence Agency, the Financial Intelligence Unit (FIU) and the prosecution service, including the Special Prosecution Office. The post of Counterterrorism/countering Violent Extremism (CT/CVE) Coordinator, appointed by the Haradinaj government, was abolished in February 2020. In July 2020, the Government of Kosovo appointed Minister of Internal Affairs as the National Coordinator for the Prevention of Violent Extremism and the Fight against Terrorism. The newly appointed Coordinator should play a stronger role in inter-institutional coordination, with clarified structure and reporting lines.

Kosovo's **legal framework** is mostly in line with the EU *acquis* and international instruments on anti-terrorism, including criminalising the phenomenon of foreign terrorist fighters. The Law on Combating Money Laundering and the Financing of Terrorism is still not fully in line with EU and international standards, however (*see sections on the fight against organised crime and section 6.3 on the free movement of capital*).

Kosovo has a **strategy and action plan against terrorism (2018-2023)** and a **strategy and action plan on the prevention of violent extremism and radicalisation leading to terrorism (2015-2020)**. The strategy against terrorism is in line with the EU's counterterrorism strategy. A **communication strategy** to raise awareness and gain wider support from stakeholders across society should be finalised and adopted.

In October 2019, the Kosovo authorities and the EU signed a bilateral Implementing Arrangement for the **joint action plan on counter-terrorism** for the Western Balkans covering 2019-2020. It identifies priority actions in the area of counter-terrorism cooperation as well as prevention on countering violent extremism, and indicates EU support in this area. Kosovo submitted its first implementation report on the Implementing Arrangement in May 2020.

#### Implementation and enforcement capacity

Kosovo continued to fight the threat of terrorism through measures to rehabilitate and reintegrate **returned foreign terrorist fighters**, and their family members. From 2012 until 2016, an estimated 359 Kosovo citizens (257 men, 52 women and 50 children) left for conflict zones in the Middle East, mostly as foreign terrorist fighters. 81 children were born in the conflict zone. 242 Kosovo citizens have returned (124 men, 38 women, 80 children), 96 died, and 102 remain in theatre (47 men, 9 women, 46 children). Out of the 242 returnees, 110 (4 men, 32 women and 74 children) were returned from the conflict zone as part of a controlled government-organised operation led by the Inter-Institutional Committee for the Handling of Violent Extremism. During the reporting period, the police initiated 16 new cases related to terrorism, and arrested 43 suspects, including the 36 adults (32 female, 4 male) who were part of the return operation in April 2019. Regarding the criminal offence of terrorism, prosecution offices have received 16 new cases involving 25 people and therefore, in total, had 94 cases involving 182 people ongoing in 2019. For 26 people an indictment was filed, while courts found 9 people guilty and acquitted 3. Greater consistency of sentencing practices, for offences related to terrorism and violent extremism, is needed. The establishment of special departments within the Basic Court of Pristina, and within the Court of Appeals to handle cases from the Special Prosecution Office, including terrorism cases, should make case handling more effective.

Despite significant efforts, challenges in preventing and countering **violent extremism and radicalisation** remain. Terrorist groups continue to find ideological support within Kosovo and home-grown radicals continue to pose a risk, including by posting terrorist content on social media and elsewhere online. In this context, it is of the utmost importance that the existing strategies and action plans are continuously reviewed and revised based on current risk assessments. The authorities should set up a Joint Threat Assessment Centre, including a threat level grading system, in order to keep all agencies and the public better informed and to improve operational responses, including as regards the protection of critical infrastructure.

Substantial progress was made on the **rehabilitation and reintegration of foreign terrorist fighters and their families returned from Syria/Iraq**, but reintegrating families into society is a long-term process and a challenge. To effectively address this challenge, the Reintegration Division of the Ministry of Internal Affairs needs to be fully funded, staffed and trained, including adequate financial resources and the detachment of specialised staff from the health, education and social services. Civil society organisation need to be more involved, too. Better coordination of pre-release and post-release processes for returned/repatriated foreign terrorist fighters is needed to better align the efforts and programmes of the Reintegration Division of the Ministry of Internal Affairs and the Kosovo Correctional Service. The appointment, in March 2019, of a focal point for counter-terrorism and

countering violent extremism within the Kosovo Correctional Service to liaise with relevant institutions and partners is a welcome step, but de-radicalisation and disengagement programmes need to be intensified.

Kosovo is actively participating in the implementation of the Western Balkan Counter Terrorism initiative (WBCTi).

### **Legal and irregular migration**

Due the **COVID-19 pandemic**, close to 200 irregular migrants and refugees were stranded in Kosovo when borders closed in March 2020. Preventive measures were introduced to protect migrant population from the pandemic, including restriction of movement and quarantine for incoming migrants. Kosovo has had to deal with more asylum seekers present in the Asylum Centres and the situation was well managed (including living conditions, information sharing) despite limited capacities, with EU-funded support through the United Nations High Commissioner for Refugees (UNHCR), the International Organisation for Migration (IOM) and other partners.

The EU, EU Member States and Kosovo cooperated closely on mutually repatriating their citizens stranded due to COVID-19 related measures.

#### Institutional set-up and legal alignment

The Department of Citizenship, Asylum and Migration in the Ministry of Internal Affairs is in charge of implementing migration policy. The Directorate for Migration and Foreigners in the border police deals with irregular migrants. The **legal framework** is now largely in line with the EU *acquis*. Several pieces of implementing legislation were adopted in the reporting period.

Kosovo has signed **readmission** agreements with 24 countries, including 20 EU Member States and members of the Schengen area. No new readmission agreements were signed in the reporting period. There is no readmission agreement with the EU as a whole.

As the government has not yet adopted the **strategy and action plan on migration** for 2019-2023 it should revise the strategy to ensure that it reflects the main challenges Kosovo is facing, in line with previous expert advice. The draft strategy was based on finalised migration profiles, but did not build on the assessment and evaluation of the previous strategy.

The Government Authority on Migration is expected to take more proactive leadership role in migration governance, coordination as well as in improving the monitoring mechanism for implementing migration policies. The new statute for this body should further strengthen its role and clarify its composition and function, but it has not yet been adopted.

#### Implementation and enforcement capacity

Kosovo is part of the Western Balkan migratory route. The number of migrants transiting Kosovo has continued to rise since summer 2019 as in other parts of the region. A total of **2,027 migrants were intercepted entering Kosovo irregularly** during 2019, an increase of 300% compared with 2018. The three main nationalities represented were Syrians, Iraqis and Algerians. According to preliminary data, this trend has decreased somewhat in early 2020 – possibly due to the COVID-19 pandemic. Providing proper care and security for the most vulnerable groups of migrants remains a challenge.

A total of 13 people were detained in detention centre during the reporting period with an average stay of 18 days. Although the return of third-country nationals continued to be hindered by status-related issues in 2019, 472 people were returned (110 forced, 326 through voluntary returns, 3 people through the assisted voluntary return scheme with the IOM and 33

deportations based on a court decision). In May 2019, Kosovo and IOM signed a Memorandum of Understanding on Assisted Voluntary Return and Reintegration.

The border police lacks proper reception facilities to accommodate migrants at the borders, before they are transferred to asylum or other centres. Due to a lack of biometric equipment, registering migrants at the borders or police stations remains the main challenge. Transnational **smuggling networks** that include Kosovo citizens facilitate secondary movements of irregular migrants from entry points along the Western Balkan route. In 2019, the police investigated 25 new cases of migrant smuggling in 6 police operations. In these operations, 41 people were arrested, of which 30 Kosovo citizens. There were 15 criminal reports filed to the prosecution. Unaccompanied minors from Kosovo itself (outside the transitory migratory flows) are also a challenge. Authorities should step up efforts to fight networks targeting this specific, vulnerable group.

Kosovo took a proactive and preventive approach to the rising number of migrants by revising its **contingency plan**. Until summer 2019, Kosovo only had a reception facility for **migrants** in Vranidoll/Vrani Do, with a capacity to host 70 people. Since then, based on the contingency plan, this facility has been expanded to be able to offer an additional 200 places. Work has begun to refurbish the Belvedere camp (capacity of up to 2,000 people).

**Gaps in enforcement** remain, in particular due to a lack of coordination between government agencies. There have been considerable improvements in data management, analysis and exchange, including the ability to produce periodical reports based on Eurostat templates. However, regular data sharing on the total number of migrants transiting through Kosovo still needs to be improved. The Asylum (Reception) Centre and Detention Centre for Foreigners still lack sufficient specialised staff. Legal provisions are in place to uphold the fundamental rights of irregular migrants and foreigners hosted in the centre. However, the centre is facing structural issues, mainly relating to improper housing units, a lack of secure areas, a lack of in-house medical facilities and a lack of adequate specialised supervisory staffing to ensure basic rights and needs, especially psycho-social support. The border police needs further capacity building in the area of protection-sensitive migration. Challenges remain as regards **communication** between officials and irregular migrants and people in need of protection, despite the possibility to share interpreters among countries of the region through the Migration, Asylum and Refugee Regional Initiative. Qualified interpreters are needed to service both the asylum and detention centres and the border police.

The **readmission agreements** with EU Member States and Schengen associated countries are being implemented satisfactorily. The number of asylum requests made by Kosovo citizens in both EU and Schengen associated countries has fallen steadily, from the peak of 73,240 in 2015 to 4,745 in 2018 and 3,520 in 2019. Mirroring the trend in asylum requests, the overall number of Kosovo citizens readmitted has dropped from 18,789 in 2015 to 2,395 in 2018 to 1,536 in 2019 (1,162 forced and 374 voluntary). The return rate of Kosovo citizens ordered to leave EU territory in 2018 was 58% and in 2019 it was 41%. While statistics show a drop in the return rate, EU Member States have confirmed that Kosovo authorities continue to cooperate well on readmission.

A sustainable **reintegration** process is in place in Kosovo, but remains complex, involving many actors. Overall, there is a need for better inter-institutional coordination, including with municipalities, as well as improved systemic monitoring and evaluation. The implementation of Kosovo's 2018-2022 reintegration strategy and action plan is ongoing and an updated two-year action plan will be drafted in 2020. Following the de-centralisation of the reintegration process, municipalities continue to face challenges in providing services with insufficient budget allocations. During 2019, 5,237 people benefitted from sustainable reintegration



services provided by the Reintegration Fund. Further efforts are still needed to put in place a gender-sensitive system that reaches the most vulnerable returnees (including Roma and Ashkali) and focuses more on sustainable community assistance, including through services such as training related to income generation. Many returnees still do not receive sufficient information. The lack of a screening and referral tool for returnees makes it harder to identify vulnerable people, including victims of trafficking.

## **Asylum**

### Institutional set-up and legal alignment

The **institutions** for handling asylum requests are in place, although they need to be further strengthened to address capacity gaps, especially given the trend of increasing asylum requests in 2019.

The **legal framework** on asylum is largely in line with the EU *acquis*. Key implementing legislation was adopted in 2019, including the Regulation on Integration of Foreigners (including asylum seekers, refugees, people under subsidiary and/or temporary protection and stateless persons).

### Implementation and enforcement capacity

In 2019, Kosovo recorded the largest number of **asylum applications** since 2010. It received 2081 applications, of which 44% from Syrians and 27% from Iraqis. This was a 300% increase two years in a row, from 595 in 2018 and 147 in 2017. All applicants are duly provided unhindered access to the asylum procedure. However, Kosovo is still mainly a transit country. Most asylum requests are suspended, as applicants disappear without completing the procedure. Nonetheless, some progress was noted in granting refugee status to asylum-seekers, resulting in a total of 41 decisions by the end of 2019 (33 positive, 8 rejections).

The establishment of a **fully effective and protection-sensitive migration management system** is still a work in progress. The assessment of claims based on merit, using an analytical approach, needs further strengthening. The lack of biometric equipment affects the efficiency of initial registration and further processing. Challenges persist in providing information, interpretation services and legal aid as required by law. There is an agreement with UNHCR to provide translation services. The **integration system** is at an early stage of development, and requires the full attention and financial support of the relevant central and local authorities. Authorities issue biometric ID cards and travel documents for refugees, although with delays. As an example of good practice, detention of asylum seekers does not occur in Kosovo, and in general detainees who do seek asylum are given the opportunity to be transferred from the detention centre to the asylum centre.

The increasing numbers of asylum seekers challenged the reception capacities of the Asylum Centre and capacity was increased with an additional 200 places (*see section on legal and irregular migration*).

The European Asylum Support Office (EASO) cooperates with Kosovo through its regional training activities.

## **Visa policy**

Kosovo has yet to fully align its legislation with EU visa policy. It currently imposes visa requirements on nationals of 88 countries, based on a 2013 government decision. The visa-issuing authorities have the capacity to digitally collect biometric identifiers from visa applicants, although the equipment needs upgrading. All granted visas and rejections are

registered in Kosovo's visa information system. 16 Kosovo consulates issue visas. Challenges with technical equipment were reported. During the reporting period, 20 visas with a validity of 15 calendar days were issued at Kosovo's borders/ boundaries.

The citizens of Kosovo remain the only ones in the Western Balkans that need a visa to travel to the Schengen area. A **visa liberalisation dialogue** started in 2012. In July 2018, the Commission confirmed that Kosovo had fulfilled all the benchmarks of the visa liberalisation roadmap and recommended that the Council and European Parliament move forward with the proposal for visa liberalisation. The Commission continues to stand behind its assessment of July 2018. The European Parliament, in both the previous and current legislature, has voted in favour of the Commission's proposal, but the latter is still pending in the Council.

## **Schengen and borders**

### Institutional set-up and legal alignment

The **National Centre for Border Management** (NCBM) is one of the most important elements of Kosovo's capacity to effectively manage the security of its border/boundary. It includes a Joint Intelligence Risk Analysis and Threat Assessment Unit, which collects, analyses and disseminates information from and to the border authorities responsible for IBM: police, customs, and the Food and Veterinary Agency. A major step forward in ensuring the centre's interconnectivity was taken with its connection to 16 databases. The centre is designed to serve as a contact point for the real-time exchange of information and cooperation between all border authorities and relevant institutions. However, to reach its full potential, the NCBM action plan approved in February 2019 needs to be fully implemented.

The **legislative framework** for managing Kosovo's borders/boundary is largely in line with the EU *acquis* and international standards. A new 2019-2023 IBM strategy has been prepared and is awaiting final government approval.

### Implementation and enforcement capacity

The Border Department of the police is well staffed, with a total of 1,268 officers and generally meets **minimum EU standards for border controls**. Notwithstanding the need for further progress, there has been a notable improvement in the performance of border police working at the border crossing points and also their knowledge of border procedures. There is however a need for better strategic assessment and analyses of border-related risks, including security, and for better cooperation with other border authorities. The Kosovo Police Information System is linked to all border crossing points. The infrastructure at border/boundary crossing points has improved and the Border Management System continues to operate satisfactorily. However, its effectiveness still remains limited by the lack of connection to important international networks such as Interpol's I-24/7, due to status-related issues.

Kosovo's working arrangement with the European Border and Coast Guard Agency (FRONTEX) enables close cooperation on irregular migration, cross-border crimes, border security and overall border management, including the daily exchange of data. Kosovo participates in the Western Balkan risk analysis network and in a number of other regional exercises organised by FRONTEX. Inter-agency cooperation is good, but it could be further improved as regards information exchange and joint risk analysis, even if Kosovo participates in the Western Balkans Risk Analysis Network, led by FRONTEX.

A border police anti-corruption strategy is in place. During the reporting period, the Kosovo Police Inspectorate arrested a total of 26 border police officers. In a major operation in the

north of Kosovo targeting organised smuggling across the border/boundary with Serbia, 22 border police officers were arrested.

As concerns **cooperation in the region**, Kosovo has concluded 23 IBM agreements. At the end of 2018, Kosovo and Albania signed a cooperation agreement on simplified border crossing procedures and joint border controls.

In January 2020, a new EU-funded joint border crossing point between Kosovo and North Macedonia at Stancic-Bellanoc was opened, and will operate joint border controls. Two common cross-border police cooperation centres with Albania and North Macedonia, as well as a trilateral centre involving officers from Albania, Kosovo and Montenegro, remain in operation. However, these centres are still not operating to their full potential and further development is required, particularly with regard on the 'real time' exchange of information and inter-connection between centres.

Interim IBM common crossing-points with Serbia continue to be operational. There has been no progress in establishing the six permanent IBM common crossing points between Serbia and Kosovo, as foreseen in the IBM agreement in the context of the EU-facilitated Belgrade-Pristina dialogue (*see section 5 on the normalisation of relations between Kosovo and Serbia*). Additional measures need to be taken to combat illegal crossings and related criminal activities (including corruption), particularly along the border/boundary with Serbia.

### **Judicial cooperation in civil and criminal matters**

While Kosovo is not party to most multilateral treaties governing mutual judicial cooperation, it unilaterally applies internationally recognised treaty standards. Kosovo's international legal cooperation in criminal matters is based on the relevant 2013 law as well as on 28 bilateral treaties. Four additional treaties entered into force in the reporting period: one with Czechia, two with France and an extradition treaty with the USA. Co-operation with countries with which Kosovo does not have bilateral agreements is based on the principle of reciprocity.

The legal framework for judicial cooperation in civil matters is still not consolidated, as the law is still in the drafting phase. Work on a revision of the Law on Legal Cooperation in Criminal Matters is ongoing, and this will clarify the text on a number of points.

In the reporting period, Kosovo issued 282 requests on civil matters and 175 requests on criminal matters to EU Member States and received 369 and 372 responses respectively. It received 412 requests on civil matters and 607 requests on criminal matters from EU Member States and provided 222 and 149 responses respectively. The 2015 Procedures on Mutual Legal Cooperation agreed between Belgrade and Pristina form the basis for judicial cooperation between their judicial authorities. Most other countries that do not recognise Kosovo have voluntarily accepted the facilitating role of the EU Special Representative in Kosovo in the transmission of judicial requests (including those concerning extradition). However, a lack of cooperation by some non-recognising states has in practice resulted in cases of impunity. Due to status-related issues, Eurojust cases can currently only be opened towards EULEX and UNMIK. No cases have been opened towards these entities since 2015.

*All aspects of customs cooperation are now covered in section 6.5 on Customs.*

### **Counterfeiting of the euro (criminal law aspects)**

Kosovo is broadly in line with the EU *acquis* on the suppression of counterfeit currency, and has set up competent authorities and procedures for dealing with counterfeit money. However, the Criminal Code is only partially aligned with the EU Directive on the Protection of the Euro and Other Currencies against Counterfeiting, and further alignment is necessary including on altering money and import and export. Technical analysis of counterfeit money

(including euro banknotes and coins) in line with international standards is mainly carried out by the Forensics Agency within the Ministry of Internal Affairs. The Agency has concluded an agreement with the European Commission on further cooperation on exchange, assistance and training for the protection of the euro against counterfeiting (the Pericles 2020 programme) (see section 6.25 on financial control).

### 3. Fundamentals first: economic development and competitiveness

Table :	2011-16	2017	2018	2019
<b>Kosovo - Key economic figures</b>	average			
<b>GDP per capita</b> (% of EU-28 in PPS)	23.1	24.6	24.9	25.6
<b>Real GDP growth</b>	3.3	4.2	3.8	4.2
<b>Economic activity rate of the population aged 15-64</b> (%), total	39.1 <sup>1)</sup>	42.8	40.9	40.5
<i>female</i>	19.4 <sup>1)</sup>	20.0	18.4	21.1
<i>male</i>	58.5 <sup>1)</sup>	65.3	63.3	59.7
<b>Unemployment rate</b> (%), total	31.3 <sup>1)</sup>	30.5	29.6	25.7
<i>female</i>	37.8 <sup>1)</sup>	36.6	33.4	34.4
<i>male</i>	29.2 <sup>1)</sup>	28.7	28.5	22.6
<b>Employment</b> (annual growth %)	2.7 <sup>2)</sup>	7.6	-3.4	5.2
<b>Nominal wages</b> (annual growth %)	4.8 <sup>2)</sup>	1.7	5.7	7.9
<b>Consumer price index</b> (annual growth %)	2.0	1.5	1.1	2.7
<b>Exchange rate against EUR</b>	1.0	1.0	1.0	1.0
<b>Current account balance</b> (% of GDP)	-7.5	-5.4	-7.6	-5.8
<b>Net foreign direct investment, FDI</b> (% of GDP)	4.4	3.3	3.4	2.9
<b>General government balance</b> (% of GDP)	-2.2	-1.3	-2.8	-2.9
<b>General government debt</b> (% of GDP)	10.1	16.6	16.9	17.5

*Notes :*

1) average of 2012-2016

2) average of 2013-2016

Source: Kosovo statistics, World Bank and IMF

In line with the conclusions of the **European Council** in Copenhagen in June 1993, EU accession requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.

Economic governance has become even more central in the enlargement process in recent years. The Commission's monitoring takes place in two processes: the Economic Reform Programme exercise and the assessment (see below) of compliance with the economic criteria for accession. Every year, each enlargement country prepares an economic reform programme (ERP), which sets out a medium-term macro-fiscal policy framework and a structural reform agenda aimed at ensuring competitiveness and inclusive growth. The ERPs are the basis for country-specific policy guidance jointly adopted by the EU and the Western Balkans and Turkey at ministerial level in May each year.

#### 3.1. The existence of a functioning market economy

Kosovo has made **limited progress** and is at an **early stage** of developing a functioning market economy. Robust economic growth continued in 2019, but the difficult labour market situation and the lack of economic diversification remain a challenge. While the government adhered to the fiscal rule in 2019, the composition of public spending has further deteriorated. Decreasing capital spending, rising pressures related to non-poverty-targeted social benefits

and increasing public wages pose risks to public finances and hinder private sector development. The business environment saw limited improvements. Private sector development remains constrained by a widespread informal economy, a slow and inefficient judiciary, a high prevalence of corruption and the overall weak rule of law. Kosovo's economic outlook started to deteriorate rapidly in spring 2020, as the COVID-19 crisis disrupted the financial flows with diaspora.

In order to improve the functioning of the market economy, Kosovo should in particular:

- ensure fiscal space to support post-crisis recovery, by containing the wage bill and respecting the cap on war veteran spending;
- improve financial oversight and accountability of state-owned enterprises;
- implement relevant business environment measures, in particular the simplification, merging and abolishment of licences and permits;
- implement active labour market measures to support employment, increase labour force participation and motivate workers to join formal employment.

### Economic governance

**Kosovo's fiscal framework is challenged by the COVID-19 crisis and political uncertainty, and lacks a stronger focus on supporting private sector-led growth.** The 2020-2022 medium-term expenditure framework was drafted in line with the stability-oriented fiscal rules<sup>2</sup>, but it did not take into account the implementation of the Law on Salaries for public employees and fiscal risks related to transfers for specific groups. The Constitutional Court declared the Law on Salaries as unconstitutional in June 2020, which eliminated the risk of breaking the wage bill rule, but left Kosovo's public sector without a coherent wage grid. In contrast to continuously growing current spending, public investment contracted in 2019, while improvements in the business environment were marginal. The policy guidance jointly agreed at the May 2019 Economic and Financial Dialogue between the EU and the Western Balkans and Turkey has seen limited implementation. The 2020-2022 Economic Reform Programme rightly identifies reform priorities, but substantial efforts are needed for timely design and implementation of reforms. The 100% tariffs for all goods imports originating in Serbia and Bosnia and Herzegovina were abolished in April 2020. In 2019, a free trade agreement between Kosovo and Turkey entered into force.

In order to mitigate the social and economic effects of the COVID-19 crisis, the caretaker government headed by acting Prime Minister Albin Kurti adopted an emergency package of EUR 180 million or 2.5% of 2019 GDP. The package provides support for the affected businesses, formal and informal employment and social protection of the most vulnerable households. To bridge the financing gap, Kosovo will receive EUR 100 million of Macro-Financial Assistance (MFA) from the EU, which complements the IMF emergency liquidity loan (Rapid Finance Instrument, RFI) of EUR 51.6 million. Following the suspension of the fiscal deficit rule for 2020-2022 by the new government, Kosovo adopted the revised 2020 budget targeting a deficit of 6.5% of GDP as per fiscal rule definition. The revised budget includes an additional emergency provision of EUR 185 million for capital projects, bringing

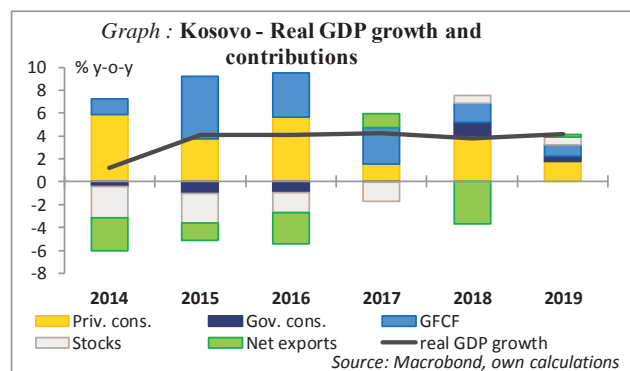
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<sup>2</sup> The fiscal rule places a cap on the fiscal deficit of 2 % of forecast GDP, excluding capital projects financed by privatisation proceeds and donors ('investment clause'). This exemption for donor-financed investments can be invoked until 2025, provided the public debt ratio remains below 30 % of GDP. As a part of the fiscal rule, the wage bill rule provides that the increase in the public wage bill cannot exceed nominal GDP growth. The government deposits used as fiscal buffers are legally required to stay at 4.5 % of GDP as long as the government is using privatisation proceeds. The debt rule provides that public and publicly guaranteed debt cannot exceed 40 % of GDP.

the economic recovery programme to a grand total of EUR 365 million.

### Macroeconomic stability

**Robust GDP growth since 2015 has not resulted in competitiveness gains and a shift to higher value added activities.** GDP growth in 2015-18 averaged 4.1%. In 2019, economic activity expanded by 4.2% supported by strong growth in service exports, gross-fixed capital

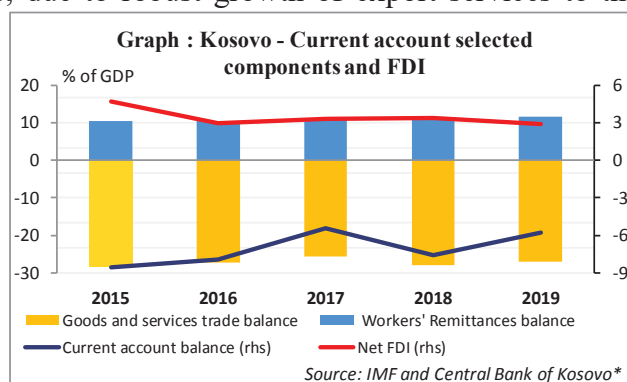


formation and private consumption, the latter driven by large remittances from abroad, and by robust wage and credit growth. The increase in investment was mainly driven by private investment and foreign direct investment (FDI) while public investment nearly stagnated. The bulk of foreign investment was directed to low value added activities such as real estate and renting. Economic diversification advanced slowly. Merchandise exports remain dominated by

base metals and mineral products, which account for around 47.5% of total exports. Services exports were expanding rapidly, mainly linked to travel services to the diaspora. The dependence of Kosovo's economy on financial flows from the diaspora, via tourism exports, remittances and FDI, represents a key vulnerability in the context of COVID-19 crisis. The pandemic-related recession in the EU and in Kosovo is taking a heavy toll on Kosovo's economy, with real GDP expected to contract by 5% in 2020<sup>3</sup>.

**Kosovo's per capita GDP remains the lowest in the region.** It stood at EUR 3,959 in nominal terms in 2019, which is about 26.5% of the EU average<sup>4</sup>. Increasing public wages together with substantial remittances contribute to high reservation wages and undermine the development of the private sector, which is already suffering from weak competitiveness in an international context. Inequalities remain widespread due to a large informal sector and high inactivity rates, especially among women.

**The current account deficit narrowed to 5.8% of GDP in 2019.** The improvement was driven by an improvement in trade balance, due to robust growth of export services to the diaspora, and by moderate growth of imports. The traditionally large merchandise deficit stood practically unchanged at above 40% of GDP. Apart from a positive balance of services trade, the merchandise trade deficit was also mitigated by remittances inflows (11.6% of GDP). Due to pandemic-related disruptions, the merchandise deficit narrowed by 26% y-o-y in the first half of 2020, on the back of very large import contraction (23%), while the surplus of service trade declined by 52%.



**Net FDI inflows in 2019 and early 2020 were around 3% of GDP, in line with the medium-term trend.** While covering more than a half of the current account deficit, the bulk

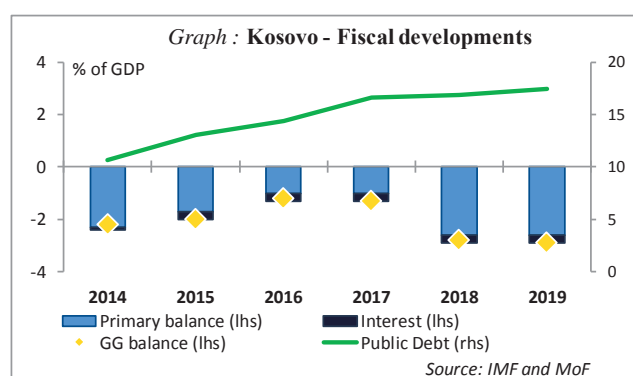
<sup>3</sup> IMF estimate.

<sup>4</sup> IMF data.

of foreign investment went to non-tradable sectors such as real estate and renting activities. In the first quarter of 2020, official reserve assets stood at 2.9 months of imports of goods and services.

**Consumer price inflation peaked in April-May 2019 and continued to ease towards the end of the year.** The key drivers were fuel and food prices, the latter were on an accelerating trend in spring following the introduction of the 100% tariffs on goods imported from Serbia and Bosnia and Herzegovina in late 2018. In the first five months of 2020 inflation was on a declining trend, averaging 0.7%.

**As in previous years Kosovo has preserved fiscal stability in 2019, but the trend of increasing current spending raises concerns.** In 2019 the budget balance has achieved a small deficit (0.6% of GDP) as per the fiscal rule definition, which excludes some capital spending, while the headline deficit was at 2.9% of GDP. Revenue grew by 7.2% on the back of rising tax (6.3%) and non-tax (13.1%) revenues. A positive development in 2019 was the



reduction of the stock of tax debt. Current expenditure increased by 9.8% due to rapidly rising social transfers (11%), especially due to the failure to reform costly war veteran benefits. The recurring under-execution of capital spending was particularly pronounced in 2019 due especially to the low implementation rate of donor-financed projects. A positive development in 2019 was the reduction of the stock of tax debt. In response to

COVID-19, the new government adopted the revised 2020 budget in August, targeting a deficit of 6.5% of GDP according to the fiscal rule. The budget includes a recovery package of EUR 365 million, and a provision to use the bulk of liquidations proceedings (EUR 185 million) for capital projects, which would reduce the government reserve buffer to 3% of GDP from 4.3% in 2019. The revised budget assumes a 3% contraction of GDP in 2020, which is more optimistic than the forecasts of international financial institutions, and a 5% contraction in government revenue, despite an 8% y-o-y fall in the first half of 2020. While the public debt to GDP ratio was modest at 17.5% of GDP<sup>5</sup> in 2019, the investor base is narrow with more than 60% of domestic debt held by public institutions such as the Central Bank and Kosovo's pension trust fund. The revised budget projects public debt to reach nearly 25% of GDP in 2020.

**Fiscal governance made no progress.** The projections of 2019 Medium Term expenditure Framework assumed unrealistically high GDP growth rates, on the back of high capital spending. A lack of progress with reforming the war veteran pension scheme and bringing its costs into line with the legislated cap resulted in a recurring underestimation of current spending in budget planning. The revised 2020 budget is also based on overly benign assumptions.

**The policy mix in 2019 was not sufficiently geared towards supporting strong private sector-led growth, but the first reaction to COVID-19 was adequate.** The emergency package adopted in April 2020 in response to COVID-19, including temporary loosening of fiscal and financial policies while targeting the most affected sectors including social and health spending, was timely and appropriate. However, ongoing political uncertainty creates a

<sup>5</sup> Kosovo's public debt does not include its share of the former Yugoslavia's debt, which the IMF has reclassified as contingent liability.

risk of delaying support to the private sector. In the medium-term heightened fiscal risks persist due to high share of non-poverty-targeting social transfers e.g. the revised budget entails 25% increase for subsidies and transfers as compared to the original 2020 budget. The recurrent under-execution of capital investment hinders the enhancement of production base. Recovery-related policies need to focus on growth-enhancing activities and on creating conditions for private investment into higher value added sectors.

### Functioning of product markets

#### *Business environment*

**The gap between newly registered and terminated firms did not change.** In 2019, the difference between new (10,004) and terminated (1,769) firms stayed roughly the same (8,235) as in 2018.

**Progress has been made in streamlining business registration, but the private sector is still struggling with burdensome administrative procedures such as a large number of licenses and permits, costly and uncoordinated inspections and a high incidence of corruption.** The implementation of unique identifier number (UIN) for enterprises started in February. The UIN should help to cut red tape for business while providing more transparency and efficiency for the administration, as it will replace separate numbers for different public services, e.g. VAT, customs, business and fiscal registration. A general inspection reform is ongoing with the aim of reducing the number of (overlapping) inspections from 36 to 15, but the new Law on inspections has not been adopted yet. The central register for permits and licences is still being updated. The structural reorganisation of the Kosovo Investment and Enterprise Support Agency (KIESA), aiming to support the private sector and attract investment, is considerably behind schedule. The lack of a coherent policy for industry development throughout the supply chain undermines the competitiveness of SMEs.

**Despite marginal improvements in several areas, Kosovo's overall position in the World Bank Doing Business ranking has deteriorated.** It fell to the 57th place in 2019 from 44th a year earlier, with the most problematic areas related to getting electricity, protecting minority investors and obtaining construction permits, despite marginal improvement on the latter in 2019. Some improvements took place in the administration of tax refunds and customs management. The adoption of the Law on voluntary mediation (2019) contributed to the progress of contract enforcement.

**The large informal sector (estimated at around 31% of GDP) negatively affects tax revenue and creates unfair competition and undeclared employment.** In May 2019, Kosovo adopted a revised strategy and action plan for fighting informality in 2019-2023. The plan anticipates better exchange of information between government institutions, lower transaction costs for electronic payments and the provision of bank loans on the basis of tax declarations. Qualitative and quantitative targets are expected to help monitor progress.

#### *State influence on product markets*

**Kosovo's state aid policy does not comply with EU rules and principles.** Kosovo has yet to meet its Stabilisation and Association Agreement (SAA) obligations on State aid schemes and alignment with EU rules. The government lacks a coherent approach to State aid as well as a comprehensive strategy and cost-benefit evaluations for aid and subsidies granted. Some progress was achieved in bringing the procedures for notification of State aid closer to the EU *acquis* and in staffing the state aid department. In March 2019 the Assembly elected the members of the State Aid Commission, which is tasked with ensuring that any State aid provided in Kosovo is compatible with the rules. However significant efforts are needed to



increase its capacity. So far, the bulk of State aid schemes were granted without any notification. Regulations on the *de minimis* rule, horizontal and regional aid are still in the process of drafting. Most publicly-owned enterprises remain reliant on public funding from the budget or on subsidies. In March 2020, Kosovo has annulled the establishment of the economic zone in Malisheva and the related expropriation of immovable property.

#### *Privatisation and restructuring*

**Privatisation of socially-owned enterprises (SOEs) is advancing very slowly.** The Privatisation Agency (PAK) in 2019 sold 222 of 400 planned SOE assets to the value of EUR32 million. As this number includes assets such as SOE-owned land and machinery, it is difficult to judge how much the sale of assets contributed to the shift to more productive structures. There is a lack of transparency in SOE financial reporting and recruitment. Since the PAK board began operating, 48 of 589 SOEs have been put into liquidation, while 15 liquidation proceedings were concluded. In March 2020, the government has suspended all activities related to the immovable property under the administration of PAK for an indefinite period. In February-March 2020, the government dismissed several boards of Publicly Owned Enterprises (POEs) due to poor performance, and replaced them with temporary boards. It is important that the future new board members are appointed following open, transparent and merit-based selection processes.

#### Functioning of the financial market

##### *Financial stability*

**The financial sector continued to expand throughout 2019, while maintaining adequate capitalisation and comfortable liquidity buffers.** Profitability remained high, with return on average equity standing at 18.9% for the banking sector, and 17.0% for micro-financial institutions. In the insurance sector, in 2019 the return on average equity dropped to 1.0 % compared from 6.3% in 2018 as the sector performed with a negative net profit of 2.8 EUR million. The predominantly foreign-owned banking sector accounts for 65.5% of financial system assets followed by pension funds, insurance and microfinance institutions with 27.4%, 2.8% and 4.3%, respectively. The ratio of non-performing loans reached a new record low of 2.0% in 2019. The ratio of banks' regulatory capital to risk-weighted assets stood at 15.9%, comfortably exceeding the regulatory minimum of 12%. Banks continued to be financed by deposits, predominantly from households. The loan-to-deposit ratio declined to 77.6% in 2019 from 81.9% a year earlier, as deposit growth outpaced the expansion of loans. The Central Bank of Kosovo (CBK) revoked the licence of one insurance company that was non-compliant with requirements on minimum level of capital. The CBK also revoked the licences of one micro-finance institution and of one non-bank financial institution, reported to be applying unfair banking practices. The amended Law on corporate income tax has eliminated the 5% tax on gross premiums of insurance companies, which was due irrespective of profits achieved. In response to COVID-19, the CBK in cooperation with the Bank Association of Kosovo has postponed credit reimbursements by all borrowers until mid-June. The CBK also applied regulatory forbearance on loan provisions and capital requirements on reprogrammed loans.

##### *Access to finance*

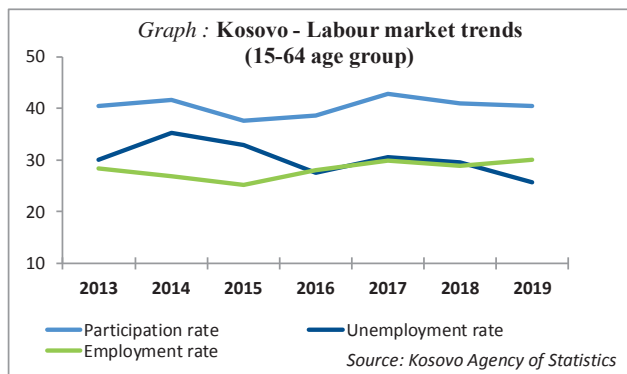
**Lending and financial intermediation have been expanding from a low base.** Bank lending expanded by 10% year-on-year in October 2019, facilitated by low interest rates, an increase of deposits, improved contract enforcement, and guarantees extended by the Credit Guarantee Fund for lending to micro, small and medium-size enterprises. In 2019, lending to firms increased by 10.9% and to households by 11.2%. The average interest rate spread

declined to 5 percentage points (pps) in October 2019, from 5.6 pps the previous year, pointing to improved competition for lending opportunities. Credit penetration, at around 40% of GDP, is moderate by Western Balkan standards. The challenge is to channel savings, including remittances, through the formal financial system into productive investment while containing over-investment in real estate and the resulting vulnerabilities. Kosovo's capital market remains at an early stage of development. The main activities remain in the government securities market, auctioned and recorded by the CBK.

### Functioning of the labour market

*Continuous economic growth has not led to significant employment gains. According to the labour force survey, labour force participation has remained at around 40% since 2016, (40.5% in 2019) while declines in the very high unemployment rate and gains in employment were short-lived and followed seasonal patterns. The 2019 data suggest a bright spot in Kosovo's labour market as the unemployment rate fell to 25.7% from 29.6% one year earlier, while the employment rate increased to 30% from 28.8% during the same period. This improvement was partially driven by temporary jobs due to preparations for elections. The wide gap between male and female employment rates (49% and 14% respectively) persisted. Very high rates of inactivity (59.5%), in particular female inactivity (78.9%), and youth unemployment (49.4%) suggest undeclared work and misalignment between education outcomes and labour market needs. Emigration of skilled workers poses a significant challenge to medium-term economic prospects. Active labour market policies, pre-qualification schemes and vocational training programmes remain inadequate to labour market needs.*

**A number of structural obstacles, including high social transfers, creates disincentives to join formal employment.** Around 6% of GDP is allocated to social services, but only 0.5% of this amount is linked to poverty and reduction of unemployment. The bulk is spent on untargeted transfers for war veterans which undermines the soundness and fairness of the



social benefits system and motivates other specific groups to request similarly generous allowances. Relatively high public wages reduce the attractiveness of private-sector employment. The lack of childcare and elderly care facilities hinders female employment.

### 3.2. The capacity to cope with competitive pressure and market forces within the Union

Kosovo has made **limited progress** and is at an **early stage** in terms of capacity to cope with competitive pressure and market forces in the EU. The quality of education remains a concern. Kosovo made some progress in improving road infrastructure, but there are large gaps in railway and energy infrastructure. Although investments in renewables are gradually increasing, Kosovo remains reliant on a predominantly coal-based, outdated and unreliable energy production system. Kosovo made some progress as regards the digitalisation of the economy. The economy's sectorial structure is shifting towards non-tradable activities which weigh on competitiveness and growth of merchandise exports.

In order to support the economic recovery, improve competitiveness and sustain long-term growth, Kosovo should in particular:

- improve the quality of vocational training and education at all levels and align the curricula with labour market needs;
- increase energy efficiency incentives in the residential and private sectors;
- increase the share of renewables in power generation in a cost-efficient way;
- advance tailored financial and non-financial support for SMEs to support the resilience to crisis, improve their competitiveness and export capacity.

#### Education and innovation

**The poor performance of Kosovo's education system calls for urgent and comprehensive action.** Despite slight improvements in reading and mathematics as compared to 2015, Kosovo scored amongst the worst performers in the 2018 OECD Programme for International Student Assessment (PISA) assessment, ranking 3<sup>rd</sup> from the bottom. Low educational attainment is to some extent correlated with low inclusion of children in preschool education due to the urban-rural divide, extreme poverty and a lack of facilities. At pre-school level (0-5 years old) the enrolment rate is 14%, while at the pre-primary level (5 years old until compulsory primary) it is 92.5%. For upper secondary education the enrolment rate stands at 86.8%, but there is a large gender gap, as the share of women without upper secondary education is 23.4% higher than that of men. Public spending on education amounts to 4.7% of GDP, which is below regional peers, while weak governance impedes reform progress in the education system. Progress is slow on school reforms initiated since 2012, and is focused on piloting new curricula in schools without preparing teachers or providing necessary learning materials and physical conditions. Higher education might be negatively affected by the removal of Kosovo's higher education quality assurance body from the European Association for Quality Assurance in Higher Education. Unemployment among university graduates is very high at around 24%, while a quarter of Kosovo firms referred to inadequate skills as an obstacle for doing business.

**Kosovo's research, development and innovation system is underdeveloped and underfinanced.** Public research spending is virtually non-existent. While the Law on research and scientific activities envisages EUR 14 million in annual funding, the budget allocation in 2019 stood at only EUR 1.6 million. The Ministry of Innovation signed agreements with the municipality of Ferizaj/ Uroševac and the University of Pristina to establish two innovation and entrepreneurship centres which would bridge academia and the private sector.

#### Physical capital and quality of infrastructure

**Kosovo continued to invest in road and railway infrastructure, but numerous challenges remain in the transport sector.** The Route 6-highway, linking Pristina with North Macedonia has been completed and is open to traffic. The preparatory work on route 7 has been completed, but the financing is yet to be secured. The Railway Route 10 rehabilitation works, aimed at linking Kosovo with the wider European railway network have commenced but have progressed slowly due to the lack of administrative capacity for project implementation. The transport system still faces a number of challenges such as road safety, inadequate road maintenance, and weak administrative capacity of regulatory institutions.

**Progress was made in improving an unreliable and health-hazardous energy supply which is a key bottleneck for Kosovo's economic development.** In April, the approval of the connection agreement between the European Network of Transmission Systems Operators of electricity (Entso-e) and Kosovo's transmission system operator (KOSTT) marked a major development towards Kosovo's integration in regional energy networks. Once in force, the agreement allows Kosovo to connect with Albania's electricity grid through the 400kV transmission line and load frequency control with Albania. Kosovo continued to explore options to connect to gas pipelines with Albania and North Macedonia. The fate of the proposed Kosova e Re 500 MW lignite power plant, including the financial implications, remains unclear.

**Despite some progress with renewables, the Kosovo energy sector remains heavily reliant on coal.** By the end of 2019, Kosovo registered 76 MW of hydropower, 34 MW of wind and 10 MW of solar, marking a 6% annual increase in renewables' capacities. Electricity produced from renewables accounts for 5.5% of total production. Nevertheless, there was no progress in shifting to competitive bidding to support renewable energy as opposed to fixed feed-in tariffs. Progress on energy efficiency in the residential, public and private sectors has been limited and energy tariffs are not yet cost reflective. Electricity prices for households remain regulated and subsidised by public and commercial consumers. The Energy Efficiency Fund, established in early 2019, is expected to begin operating in 2020.

**The digitalisation of the economy is gradually advancing.** Kosovo achieved the mid-term targets of its 2013-2020 digital agenda, as the penetration of fixed broadband internet reached 93.3% and the number of mobile phone users stood at 115.7% of the population. Since 2018, the Ministry in charge of economic development has been actively implementing a 5-year project, aiming to bridge the urban-rural digital infrastructure divide, and investing in the remote areas which are not attractive for private investors.

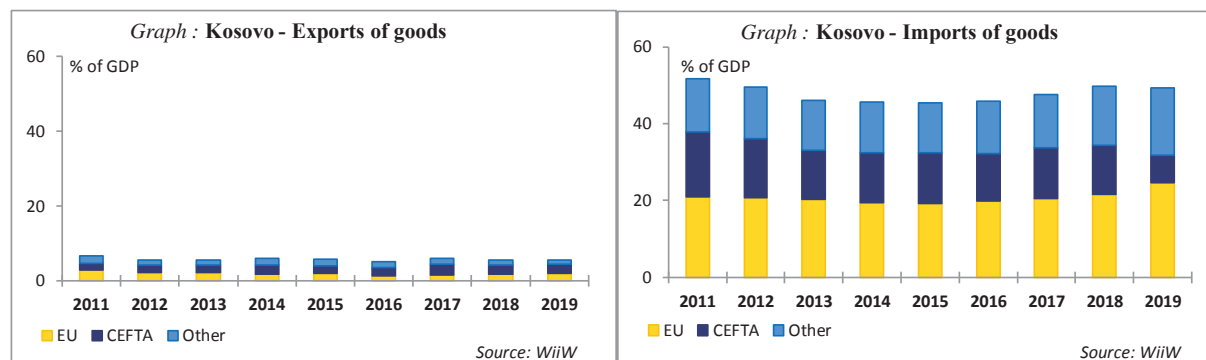
#### Sectoral and enterprise structure

**The services, manufacturing and construction sectors continued to expand.** These sectors also employed the largest share of workers (nearly 50%) in 2019. The proportion of workers employed in wholesale and retail trade reached 17.5% of the total, while the employment share of construction (13.5%) overtook that of manufacturing (12.4%). The shares of trade (16.0%) and construction (10.4%) in gross value added (GVA) were smaller than their employment shares, suggesting low productivity, while manufacturing's share of GVA stood at 13.5%. The agriculture sector shows a diverging picture, with a declining share of GVA (9.7% in 2019 compared to 12.8% a year before) and a slightly increasing employment share, to 4.4% from 4.1%.

**Kosovo's private sector is dominated by micro-enterprises with limited potential for productivity gains.** Micro, small and medium enterprises account for 65% of total employment, with micro-enterprises alone accounting for 36%. Nearly 96% of registered companies had up to five employees. Difficulties in accessing finance weigh on the scaling-up of existing firms. While the Kosovo Credit Guarantee Fund (KCGF) improves SMEs' access

to finance, the operational costs of 2% represent a burden for smaller loan beneficiaries. A further bottleneck is related to the shortcomings in property rights enforcement which make it difficult for SMEs to use immovable property as collateral to obtain credit. In the context of COVID-19 crisis, the KCGF and KIESA should urgently consider reviewing the application and co-financing procedures so that more SMEs could benefit from the existing support scheme.

### Economic integration with the EU and price competitiveness



**The EU is the main trading partner of Kosovo.** In 2019, the EU accounted for 50% of the total imports of goods. CEFTA's share fell to only 14.3% as a direct result of the 100% import tariffs imposed by Kosovo on goods originating from Serbia and Bosnia and Herzegovina. Exports of goods to the EU reached 36% during 2019. CEFTA remains the key market for Kosovo exporters (42.9% of the total), and the revocation of the tariffs had a positive impact on restoring regional trade, but obstacles to free trade among CEFTA members still persist, including political, tariff and non-tariff barriers.

**The EU remains the main investor in Kosovo.** In 2019 the increase of FDI inflow followed the same pattern as in 2018, amounting to around EUR 272 million (around 4% of GDP). The shares of Germany and Switzerland (two countries with large diasporas from Kosovo) stood practically unchanged from the previous year at over 11.5% of the total each.

**Led by growing imports and services exports, overall trade openness is gradually increasing.** While rising from 73% of GDP in 2014 to 85% in 2019, trade openness is below regional peers where it is close to or exceeds 100%. The shares of exports and imports in GDP stood at 29% and 56% in 2019. Despite their declining share, basic raw materials and mineral products still dominated exports of goods, while exports of services consist to a large extent of travel services to the diaspora.

#### **4. Good neighbourly relations and regional cooperation**

**Good neighbourly relations and regional cooperation** represent an essential aspect of Kosovo's path towards the EU. They contribute to stability, reconciliation and a climate that is conducive to addressing open bilateral issues and the legacies of the past.

Kosovo maintained its engagement in a number of regional cooperation initiatives, such as Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the Regional Cooperation Council, RECOM and the Regional Youth Cooperation Office (RYCO). During the reporting period, Kosovo chaired a number of regional activities and events, such as the South-East European Cooperation Process (SEECPP), the RYCO governing board, the Western Balkans Fund and the Migration, Asylum, Refugees Regional Initiative. Following its continued non-payment of its membership fees, Kosovo's participation in the Regional School of Public Administration (ReSPA) was suspended in November 2019.

During the COVID-19 crisis, inclusive regional cooperation has proven to be essential. The establishment of green lanes within the region has demonstrated the capacity of the region to address common challenges swiftly and efficiently. Inclusive regional organisations – the Regional Cooperation Council, the Transport Community, and the CEFTA – have been instrumental in responding to the COVID-19 crisis. These achievements need to be turned into sustainable improvements.

The December 2018 decision of the then Kosovo government to impose a 100% tariff on imports from Serbia and Bosnia and Herzegovina continued to have political implications and to hamper development of a regional economic area (REA) in the Western Balkans during most of the reporting period. It also had implications on the functioning of CEFTA and other regional initiatives. In Spring 2020, the Kosovo government lifted the tariff. This has allowed for a restoration in trade with Serbia and Bosnia and Herzegovina.

Building on the results of the previous summits with the region, the Western Balkans summit in Poznan in July 2019 focussed on strengthening regional cooperation in the fields of economy and trade, the digital agenda, connectivity, security, fight against corruption, promoting reconciliation and youth. The summit endorsed a number of achievements in these fields, in particular the Clean Energy Transition Declaration signed in Podgorica, the Regional Roaming Agreement signed in Belgrade, a substantial connectivity package and the Roma Integration Declaration. It was also the occasion to kick-start the preparation of a Green Agenda for the Western Balkans.

At the Zagreb Summit on 6 May 2020, EU and Western Balkans Leaders agreed that deepening regional economic integration has to be a prominent part of recovery efforts of the Western Balkans. Of particular importance will be the common regional market will be critical in increasing the attractiveness and competitiveness of the region. It will help Kosovo to speed up the recovery from the aftermath of the pandemic – notably to attract investors looking for diversification of supply and shorter value chains. Such a common regional market has to be inclusive, based on EU rules and built on the achievements of the regional economic area multiannual action plan.

The unresolved fate of **missing persons** from the 1990s conflicts remains a humanitarian concern in the Western Balkans. In April 2020, a total of 10,027 people are still missing as a result of the conflicts in the region. Of these, 6,409 cases are related to the conflict in Bosnia and Herzegovina, 1,974 to the conflict in Croatia and 1,644 to the conflict in Kosovo. 51 cases of missing persons related to the conflict in Croatia were resolved in 2019. The resolution of the fate of 1,644 (84% men, 16% women) missing persons related to the conflict in Kosovo and its aftermath continues to be hampered by a lack of new information on grave sites. Only eight cases of missing persons were solved in 2019 on the basis of information obtained from international archives. The ICRC-led Belgrade-Pristina Working Group on Missing Persons met only once in May 2019. Kosovo's Government Commission on Missing Persons conducted assessment excavations in 29 locations. Although the inter-institutional cooperation improved in the last two years, a more streamlined organisation would assist Kosovo speaking with one voice on the issue of the missing persons, both in national and regional discussions. The file holder at the Prime Minister Office, the director of the Kosovo Commission for Missing Persons and the Kosovo representative to the Belgrade-Pristina Working Group should be unified. Two regional meetings of the International Commission on Missing Persons took place in 2019, during which efforts were made to produce a unified list of missing persons.

Since 2017, the government has failed to take forward, including through the necessary legislation, the work on establishing a central register of missing persons and on the closure of

cases. A functional case management system is still not in place. The Institute of Forensic Medicine and the Minister of Justice, after long delays, adopted the secondary legislation needed for the restructuring of the Institute in July 2020. Some progress has been made in building the Institute's capacities in forensic anthropology.

Kosovo's commitment to maintaining good and constructive **bilateral relations** in the region was put under strain by the 100% tariff imposed on imports from Serbia and Bosnia and Herzegovina, which was eventually lifted in Spring 2020.

Overall, Kosovo continues to have good relations with **Albania**. In July 2019, an agreement on strategic and diplomatic cooperation was signed between the two governments aimed at extending the mechanism of the joint diplomatic missions and economic diplomacy. Albania continued to advocate for Kosovo's full participation to regional processes. In 2019, Kosovo and Albania signed a number of bilateral sectoral agreements (including on roaming, simplified border crossing procedures, mutual recognition of driver's licences).

Kosovo has maintained good relations with **Montenegro**. The Agreement on cooperation in the context of the accession to the European Union was signed in March 2019. Montenegro opened a consular office in Gjilan / Gnjilane.

Kosovo continues to enjoy overall good relations with **North Macedonia**. Kosovo's political leaders supported the implementation of the Prespa agreement as a positive contribution to the stability of the region. Furthermore, in April 2019, an agreement between Kosovo and North Macedonia on the mutual recognition of driving licenses entered into force. Police from Kosovo and North Macedonia signed a protocol for establishing a joint task force. The long-standing rail border crossing protocols with North Macedonia for police, food safety and veterinary should be finalised and signed without delay.

There has been no change in Kosovo's formal relations with **Bosnia and Herzegovina**, which does not recognise Kosovo's independence. A reciprocal visa regime remains in place. Relations continued to be negatively affected by Kosovo's imposition of a 100% tariff on the import of goods from Bosnia and Herzegovina in November 2018, eventually lifted in Spring 2020.

Kosovo has maintained good relations with **Turkey**. They continued their close political, economic and cultural cooperation. A free trade agreement between Kosovo and Turkey entered into force in July 2019.

## **5. NORMALISATION OF RELATIONS BETWEEN KOSOVO AND SERBIA**

In the framework of the **EU-facilitated dialogue**, the efforts aiming at concluding a fully comprehensive and legally binding agreement between Serbia and Kosovo had been interrupted since November 2018 following the decision by the Kosovo government to impose customs tariffs of 100% on imported goods from Serbia and Bosnia and Herzegovina, citing political and trade related grievances.

The decision taken by the Kosovo government to lift these tariffs and the reciprocity measures by early June 2020 led to a restoration of the flow of goods with both Serbia and Bosnia and Herzegovina. In April 2020, the Council appointed Miroslav Lajčák as EU Special Representative for the Belgrade-Pristina Dialogue and other Western Balkan regional issues, to assist High-Representative/Vice-President Josep Borrell in taking forward the normalisation talks.

When it comes to the state of play on implementation of past agreement: the full implementation of the **justice** agreement drawn from the **April 2013 'First agreement of**

**principles governing the normalisation of relations'** continues to require further efforts by judicial authorities in Pristina.

Implementation of the **25 August 2015 Agreements** has overall remained slow. No progress has been made on the **Association/Community of Serb majority municipalities** and Kosovo has yet to engage constructively in its establishment. Regarding the **energy** agreement between Serbia and Kosovo, a new Connection Agreement between the Kosovo transmission system operator and the European Network of Transmission System Operators (ENTSO-E) has been approved. Serbia has not yet filed for the licensing of Elektrosever, but has submitted a new business registration application that includes additional business activities that it wishes to undertake in Kosovo. The works on the **Mitrovica bridge** are completed and the bridge should be opened to vehicle traffic without further delay or obstructions.

As regards the **Technical Dialogue Agreements (2011-2012)**, some are not or only partially being implemented. Both sides need to remain committed to the continued implementation of the agreement on representation and participation of Kosovo in **regional forums**. The issues with the implementation of **cadastre** and **university diplomas** recognition agreements are yet to be solved as are the **licence plate** related elements of the agreement on freedom of movement. **Serbia** has yet to address the issue of re-located Serbian administrative **customs** structures with Kosovo denomination that operate from within Serbia, and to cease the issuance of documentation or affixing of stamps with denomination that contravenes the related agreement. On **IBM**, the interim common crossing points with Kosovo continue to be operational. There has been no progress in establishing the six permanent IBM common crossing points between Serbia and Kosovo as stipulated in the IBM agreement. **Serbia** did not engage constructively in starting the establishment of these crossing points on the Serbian side (in Jarinje, Mucibabe, and Konculj). This led to a suspension of EU funds in July 2018. Additional measures need to be taken by Serbia to close illegal crossings. The parties have continued to largely comply with their respective obligations under the **telecoms** agreement during the reporting period.

Requests for **mutual legal assistance** are in principle being processed.

Overall, **Kosovo** has remained engaged in the dialogue. The Kosovo government needs to continue to uphold its commitments and continue implementation of past Dialogue agreements. Kosovo needs to make further substantial efforts and contribute to the establishment of a conducive environment to the conclusion of a legally binding agreement with Serbia. The EU-facilitated dialogue resumed with a virtual high-level meeting on 12 July 2020, followed by high-level meetings in Brussels on 16 July and 7 September. A number of expert level meetings took place in Brussels. Reaching a comprehensive, legally binding agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

## **6. European standards**

### **6.1. Free movement of goods**

*The free movement of goods ensures that many products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules, the principle of the free movement of goods prevents these from creating unjustified barriers to trade.*



Kosovo has **some level of preparation** on the free movement of goods. It made **some progress** during the reporting period by adopting implementing legislation on standardisation, metrology and accreditation. Efforts were made on market surveillance in the area of product safety. The administrative capacity of quality infrastructure institutions needs to be further strengthened and their structural weaknesses addressed. As the recommendations in the previous report were partly addressed and in the coming year, Kosovo should in particular:

- adopt implementing legislation on technical requirements for products and conformity assessment;
- strengthen enforcement capacity of quality infrastructure, in particular in the area of conformity assessment and market surveillance bodies;
- amend the law on chemicals in order to start implementing requirements of the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

### General principles

In the context of the **production, distribution and marketing of industrial products**, Kosovo took several steps to implement the Law on technical requirements for product and conformity assessment. It adopted an administrative instruction on the designation of conformity assessment bodies and a Regulation on the content and management of the technical regulations register. The Law on general product safety needs to be aligned as regards the “general safety requirement” and brought into line with other laws on product safety. There is a need to raise businesses’ awareness of technical requirements. As a response to COVID-19, upon joint initiative by the Permanent Secretariat of the Transport Community and the CEFTA Secretariat, Kosovo, alongside all the other governments in the Western Balkans has successfully implemented measures to facilitate the transport and trade of essential goods within the region.

### Non-harmonised area

Kosovo prepared an action plan on ensuring compliance with **Articles 34-36** of the Treaty on the Functioning of the European Union (TFEU) and this is ready for government adoption. No **technical regulations** have been **notified** to date under the recently adopted Regulation on the notification and exchange of information on technical regulations, conformity assessment procedures and standards.

### Harmonised area: quality infrastructure

The quality infrastructure legislation is partly aligned with the EU *acquis*. However, the agencies’ administrative structure and professional capacities need to be further strengthened in order to implement it.

The Kosovo **Standardisation** Agency adopted 251 European standards through licence agreements with the European Committee for Standardisation/European Committee for Electro-technical Standardisation (CEN/CENELEC). In October 2019, the Agency’s mid-term (2020-2025) strategy and implementation plan were adopted.

Implementing legislation was adopted for the Law on **accreditation**. Kosovo’s accreditation body should be enabled to manage its financial resources properly and ensure its independence. Having failed to address several non-conformities on time, it needs to resume work on its accession to relaunch the Multilateral Agreement of the European Cooperation for Accreditation. There are currently 50 accredited conformity assessment bodies in Kosovo (35 test laboratories and 15 inspection bodies), but their capacities need to be strengthened.

The Kosovo **Metrology** Agency started implementing legislation designed to be in line with the EU *acquis* on non-automatic weighing instruments and measuring instruments, but it remained understaffed and underequipped to do so fully. The Agency is a liaison organisation of the European Association of National Metrology Institutes (EURAMET).

Kosovo's **market surveillance** legislation is designed to be aligned with the EU *acquis*. Inter-institutional monitoring improved thanks to additional resources and the launch of a publicly accessible webpage (RAPEX-Kosovo), featuring Kosovo's notifications on non-food products posing serious risks to consumers, product safety news and information about major events in the area of consumer safety. Market inspectorates act at both community and central level, which makes coordination difficult.

In 2019, 105 product safety inspections identified 202 harmful products, including 4 types with serious risks; all harmful products were permanently withdrawn from the market.

#### Harmonised area: sectoral legislation

On "**new and global approach**" **product legislation**, Kosovo aligned its legislation with the EU *acquis* on machinery and protective personal equipment. The lack of capacity on the quality infrastructure and in particular for market surveillance remains a challenge for implementation.

On "**old approach**" **product legislation** and **procedural measures**, Kosovo aligned its legislation with the EU *acquis* on pre-packed product and bottles as measuring containers. The legislation on chemicals is not aligned with the EU *acquis* and requires significant amendment if Kosovo is to implement the requirements of the EU Regulation on registration, evaluation, authorisation and restriction of chemicals (REACH).

## **6.2 Movement of workers, services and right of establishment**

Citizens of one EU Member State have the right to work in another Member State and must be given the same working and social conditions as other workers. EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. Postal services are gradually being opened up to competition.

Kosovo remains **moderately prepared** for the free movement of workers, services and the right of establishment. **Limited progress** was made during the reporting period. Kosovo still needs to align its legislation with the EU *acquis* and start removing any identified barriers to the right of establishment and freedom to provide services. It needs to establish a point of single contact to allow providers and recipients of services to find all relevant information. The postal sector needs to further open its market and deliver quality services to its citizens. Kosovo needs to align legislation with the EU *acquis* on the mutual recognition of professional qualifications. As most of last report's recommendations have not been addressed yet, Kosovo should:

- remove the identified barriers to the right of establishment and freedom to provide services, by rolling out the action plan for the full implementation of the Law on services;
- align with the EU *acquis* on mutual recognition of professional qualifications;
- continue to align with the EU *acquis* on postal services and further open the postal market.

On the **free movement of workers**, between 1 February 2019 and 13 February 2020, the Employment Agency issued 181 short-term work permits. Social security agreements with Belgium and Switzerland entered into force in June and September 2019 respectively. Periods

of activity in those countries will be taken into account for entitlement to social security benefits. Kosovo also initiated negotiations for social security agreements with the Netherlands, Slovenia and Albania.

On the **freedom to provide services**, the roll-out of the 5-year action plan (adopted in 2018) for the full implementation of the EU Services Directive did not start yet, pending the establishment of an effective system to monitor the compliance of relevant sectoral legislation with the Directive. This process requires a considerable coordination effort across a range of line ministries, agencies, other public and professional bodies. The legal departments of the relevant ministries should be strengthened to ensure successful alignment. Implementation of the Directive would cut administrative burden for businesses and improve the free movement of services.

The action plan on the establishment of a Point of Single Contact under the Services Directive was adopted on 30 April 2020. It gives providers and recipients of services access to all relevant information on activities covered by the Law on services. The collection and processing of statistics on service activities should be improved and enable evidence-based policy-making.

On the **right of establishment**, the Law on services requires companies wishing to do business in Kosovo to register in the Kosovo business registry. Foreign companies are allowed to provide services only if they establish an office in Kosovo.

The new Law on **postal services** in Kosovo, which entered into force in February 2019, is partly aligned with the EU postal *acquis*, but not yet with the Regulation on cross-border parcel delivery services. In April 2019, the postal regulator (Regulatory Authority of Electronic and Postal Communications) adopted legislation on general authorisations of market entry procedures for providers offering non-universal postal services. The postal regulator, as an independent body, has started preparations for adopting a system for cost accounting and net cost calculation of universal postal services. The activities of the postal service providers are supervised, monitored and inspected by the postal regulator in the event of regulatory violations and customers' complaints. Kosovo started working on a new sectoral strategy (2021-2025) for the full liberalisation of the postal services market.

There is no clear procedure for the **mutual recognition of professional qualifications**. Kosovo has a Law on regulated professions, but has not adopted the necessary implementing legislation.

Kosovo has yet to put in place operational procedures and training for the recognition of professional qualifications. By law, the Ministry of Education, Science and Technology, the State Examination Agency and the State Council for Regulated Professions, are responsible for granting recognition of foreign professional qualifications, but the latter has not yet been established.

The National Qualifications Authority accredits and validates international qualifications. A joint working group on the recognition of professional qualifications was established in the framework of regional cooperation. Kosovo started discussions on mutual recognition for doctors of medicine, dentists, civil engineers and architects.

### **6.3 Free movement of capital**

*In the EU, capital and investments must be able to move without restriction and there are common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.*

Kosovo has **some level of preparation** in this area. The movement of capital remains largely free in Kosovo, with no restrictions on foreign ownership or on investments in the financial sector. Some restrictions remain for EU nationals acquiring real estate in Kosovo. During the reporting period, **some progress** was made notably in the area of payment services, with the entry into force of the Regulation on licencing and oversight of payment system operators. The legislative framework on the prevention of money laundering and terrorist financing still needs to be aligned with the EU *acquis*. Inter-institutional cooperation to ensure proper investigation and prosecution of offences in that area should be enforced. Although initial steps were taken, the recommendations of the previous report remain valid. In the coming year, Kosovo should therefore:

- amend the Law on property rights to grant national treatment to EU nationals acquiring real estate in Kosovo, in line with the SAA;
- increase efforts to fight economic and financial crime and align the Law on the prevention of money laundering and terrorist financing with the EU *acquis*.

The **movement of capital** is largely liberalised and aligned with the EU *acquis*. The execution of payments and money transfers is limited to banking and non-banking financial institutions licensed by the Central Bank of Kosovo. Limited progress was made with the drafting of an amendment to the law on property rights, to address the issue of real estate acquisition by foreigners focusing on the rights of EU nationals.

A new Regulation on the licensing and oversight of **payment system** operators entered into force in June 2019. It lays down conditions, requirements and procedures to grant licences to payment system operators and supervise their security, efficiency and sustainability. In addition, the Central Bank amended the Regulation on electronic payment instruments to eliminate additional charges to bank card holders.

While work started on addressing flaws in the legal and institutional framework, Kosovo did not adopt any changes to the Law on **money laundering and terrorism financing**. Changes are needed to bring the Law fully into line with the EU *acquis* and international standards, especially those of the Financial Action Task Force (FATF) and the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). More specifically, Kosovo needs to introduce additional sanctions for terrorism financing, for beneficial owner identification and implementation on targeted financial sanctions mechanisms, and identify and protect critical infrastructure. The authorities should update the sectoral risk assessments with a more stringent methodology and extend them to the sectors identified in the National Risk Assessment and the Kosovo Police's serious organised crime threat assessment. Interinstitutional cooperation in the fight against economic and financial crime needs to be strengthened (*see also section 2.2.2 - Justice, freedom and security*).

#### **6.4. Financial services**

*EU rules on banking, insurance, supplementary pensions, investment services and securities markets aim to ensure fair competition between financial institutions and their stability, namely rules. They include rules on their authorisation, operation and supervision.*

Kosovo is **moderately prepared** in the area of financial services. **Some progress** was made following the entry into force of Basel III framework related regulations on capital requirements and risk management of banks and the alignment of the taxation of the insurance sector with the remaining financial sectors. As the recommendations in the previous report have not been fully addressed, in the coming year Kosovo should in particular:

- fully implement Solvency I measures and develop the roadmap for implementation of Solvency II measures;
- further advance in implementation of the Basel III framework and review the legal framework governing microfinance institutions and non-bank financial institutions in accordance with the best practices;
- take immediate action to address the issue of uninsured, unregistered vehicles.

On **banks and financial conglomerates**, some additional progress was made in the area of capital requirements and the risk management of banks, following the entry into force of regulations on capital adequacy and leverage ratio in line with the Basel III framework.

The bank's capitalisation level remained stable and well above the required minimum capital adequacy ratio of 12%. Kosovo has not yet established an independent recovery and resolution authority. Amendments to the Law on banks to assign this function to the Central Bank must ensure that the authority has functional independence. The Central Bank revoked the licences of one micro-finance institution and one non-bank financial institution, on the grounds of non-compliance with the regulatory framework; one of the institutions has challenged the decision in court. Gaps in the legislation on micro-finance and non-bank financial institutions should be addressed to ensure alignment with best practices. The Central Bank took some measures on consumer lending price transparency. As of 2019, all credit institutions have to use the standard European consumer credit information form for loan applications, in order to ensure the adequate disclosure of credit information. Further work on consumer protection against unfair banking practices will be needed.

In response to the COVID-19 emergency, the Central Bank and the Kosovo Banking Association decided in Spring 2020 to temporarily suspend the payment of loan instalments for businesses and individuals. The Central Bank also decided to apply regulatory forbearance on loan provisions and capital requirements on reprogrammed loans. The July 2019 Law on corporate income tax eliminates the 5% tax on gross premiums that **insurance companies** had been paying, regardless of whether they are profitable, bringing their tax arrangements into line with other financial sectors. In April, the Central Bank revoked the licence of one insurance company, on the grounds of the latter's inability to maintain minimum capital requirements. Without being licenced by the Central Bank, foreign insurers are not allowed to offer or take on direct insurance attached to a person, object or liability located in the territory of Kosovo. Foreign institutions are treated like domestic undertakings, but still need to fulfill additional criteria. In May, the Central Bank further implemented Solvency I measures by amending the Regulation on the calculation of the minimum solvency threshold, capital adequacy and guarantee fund for non-life insurers and adopting a Regulation on the liquidation of insurers. Work should start on developing a roadmap for implementing Solvency II measures. In November, the Central Bank, which is competent for licensing, regulating and supervising insurance companies, went against the opinion of the Kosovo Competition Authority and increased the risk premium on compulsory motor liability insurance by 26%. The decision raised civil society concerns due to the additional financial burden it puts on car owners. In January 2020, the Central Bank amended the Regulation on the management of commissions and operational expenses of non-life insurers, reducing the limit on accounting for operational costs from 35% to 24% of total costs. The Central Bank did not take any immediate measure on price liberalisation of the insurance market.

The authorities have still not addressed the issue of uninsured and unregistered vehicles, and the associated costs for the insurance sector. As Kosovo is still not covered by the 'green card' system, insurance is required for foreign-registered vehicles entering Kosovo and

vehicles with Kosovo plates leaving Kosovo. This continues to represent a financial burden for travellers (other than those from countries with which Kosovo has bilateral vehicle insurance arrangements).

Some progress was made with the adoption and operationalisation of the manual on the on-site supervision of pension funds, but further alignment with the EU *acquis* is needed.

On **securities markets and investment services**, the market remains at an early stage of development. Most activity focuses on the government securities market, auctioned by the Central Bank. The Regulation on the repurchase of securities with the Central Bank (approved in April 2019) enables repurchase of the securities between commercial banks on the secondary market. It aims to help eligible banks to manage their liquidity efficiently in the short term.

## 6.5. Customs

*All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment, adequate implementation and enforcement capacity and access to common computerised customs systems.*

Kosovo is **moderately prepared** in the area of customs. **Some progress** was achieved as the strategy and the action plan on fighting informal economy was adopted and Kosovo continued to perform positively in enforcing customs measures, particularly for the protection of intellectual property rights (IPRs). As the recommendations in the previous report have not been fully addressed and in the coming year, Kosovo should in particular:

- adopt the revised Customs and Excise Code, so that it is aligned with EU legislation and practices, including the minimum EU tobacco excise rate;
- continue implementing and regularly assess the strategy on fighting the informal economy and its action plan and ensure coordination between Kosovo Customs and law enforcement agencies in the fight against customs fraud;
- start to phase out the use of privately owned inland customs terminals and remove the associated fees charged to exporters/importers, in accordance with EU customs legislation.

In the area of **customs legislation**, only initial steps were taken to align the Customs and Excise Code further with the Union customs code, as recommended in the previous report. Due to status issues, there was no progress on Kosovo's application to become an observer under the Common Transit Convention. Kosovo applies the provisions of the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin, without having ratified it. Kosovo Customs continue to participate in the systematic electronic exchange of excise data among Western Balkan economies. The legislation on customs measures governing intellectual property rights (IPRs) and export controls for cultural goods is aligned with the EU *acquis*, but the legislation on drug precursors requires further alignment. As regards trade facilitation, Kosovo Customs approved the first two authorised economic operators in October and continued to improve its systems, procedures and administrative capacities in this area. Inland customs terminals continue to be located in privately owned facilities, which charge a fee for every truck entering to discharge customs obligations. Such fees are not in line with the EU *acquis* and the SAA provisions and need to be abolished. Kosovo should start to phase out the use of privately owned facilities and transform existing public locations, such as the old part of Pristina Airport, into inland customs terminals.

Kosovo Customs maintains a reasonable **administrative and operational capacity**. In spite of the 5% reduction on customs revenues from certain products as a result of implementing the Stabilisation and Association Agreement, overall customs revenues increased by 4%.

Kosovo Customs management should continue improving administrative and operational capacity, e.g. by recruiting and promoting staff on merit. Despite Kosovo Customs' efforts towards a paperless approach and an e-payments system, including voluntary declarations by businesses that helped eliminate administrative barriers and lead to a streamlining of customs clearance procedures, the number of business complaints against the administration's decisions has increased by 17% in 2019 when compared to the previous year. In July 2020, Kosovo ratified the agreement to join the EU's Customs 2020 programme that focuses on implementing EU customs law and policy. Kosovo carried the blueprint to assess its readiness and gaps in administrative and operational capacity against identified targets. It approved a mid-term (2019-2023) customs strategy aimed at strengthening Kosovo Customs' capacity, modernising revenue collection and facilitating trade and the fight against tax evasion, organised crime and other illicit activities.

Kosovo Customs' performance in the fight against IPR infringements and illegal cross-border activities, including the smuggling of goods such as narcotics and hazardous materials, continues to improve. It approved its internal anti-corruption plan in April 2019, but further efforts are needed to address corruption, including more investigations and more thorough checks on asset declarations filed by customs officials.

The level of informality in the economy is still high and, despite initial steps by the customs and tax administrations, further coordination efforts between relevant institutions and law enforcement bodies are needed to fight the informal economy and customs fraud. The fiscal division of the Basic Court in Pristina should take effective actions to reduce the backlog of unresolved complaints against the customs administration.

A joint facility designed to simplify procedures and eliminate double controls at the Vërmica/Vrbnica border crossing point between Kosovo and Albania has been operational since May 2019. New premises at the Merdarë/Merdare and Mutivodë/Mutivode common crossing points with Serbia are not fully operational yet (*see section 5 – normalisation of relations between Kosovo and Serbia*). The Kosovo Customs office in the port of Durrës (Albania) is fully functional.

## 6.6 Taxation

*EU rules on taxation cover value-added tax, excise duties and aspects of corporate taxation. They also deal with cooperation between tax administrations, including the exchange of information to prevent tax evasion.*

Kosovo has **some level of preparation** in the area of taxation. There was **good progress** with the withdrawal of the decision on discriminatory excises on cigarettes, the adoption of the Law on corporate income tax and with initial steps to reforming the organisational structure of the Kosovo Tax Administration, improving business processes for debt collection management, and introducing risk compliance in high risk sectors. In the coming year, Kosovo should in particular:

- adopt the laws on personal income tax and on value added tax (VAT);
- continue implementing and regularly assess the strategy for combating the informal economy, money laundering, financing of terrorism and financial crime (2019-2023);

→ increase cooperation with the judiciary to ensure timely adjudication of tax evasion and fraud cases, with emphasis on high risk sectors.

Good progress was registered in tax collection in 2019 with overall revenue collection up by 10.4% from 2018. In addition, there was significant progress on tax debt collection, up by 44.5%. However, due to the impact of the COVID-19 crisis, it is expected that in 2020 revenues will decrease substantially and public spending will increase. Domestic revenues stand at 26% of GDP, a relatively low level in regional comparison, making Kosovo vulnerable to shocks on imports and consumption. Kosovo should review its tax policy and align its direct and indirect taxation legislation based on the recommendations of such review.

On **indirect taxation**, the VAT system is broadly aligned with the EU *acquis*. Kosovo applies a standard 18% rate and a reduced 8% rate. The reduced rate is not applied to supplies and imports of IT equipment. The Assembly has yet to approve the revised Law on VAT, which ensures further harmonisation with the EU *acquis* and other tax legislation. Progress was noted on reducing the average time of VAT refunds to 20 days, but there was no progress on reducing the average time of VAT returns filing and on improving the taxpayer's registry. No progress was noted in aligning the VAT reimbursement for goods contained in the personal luggage of travellers residing outside Kosovo with the relevant EU directives. As regards excises, in February 2020, the government withdrew a decision on a discriminatory rate for cigarettes, which was in clear violation of the EU-Kosovo Stabilisation and Association Agreement. No action was taken to address the tax treatment of evaporation and other kinds of material loss in the transportation, production or storage of excise goods. On **direct taxation**, amendments to the Law on corporate income tax were adopted and entered into force. The Law has a direct impact on the insurance market, by eliminating the 5% tax on gross premiums that insurance companies had been paying irrespective of the level of profit. An amendment to the Law on personal income tax to ensure harmonisation with other tax legislation and remove contradictory provisions was not adopted.

On **administrative cooperation and mutual assistance**, double taxation agreements with Austria and Switzerland entered into force, bringing the total number of agreements to 15. Kosovo should consider adopting the standards enshrined in the OECD/Council of Europe Convention on Mutual Administrative Assistance in Tax Matters. In July 2020, Kosovo ratified the agreement with the EU to join the Fiscalis 2020 programme, which focuses on improving the functioning of taxation systems by enhancing cooperation between participating countries, their tax authorities and their officials.

On operational capacity and computerisation, the Kosovo Tax Administration adopted a new organisational structure to improve its governance and service delivery. It should strengthen its administrative and professional capacity, and ensure merit-based and transparent selection processes. It adopted a medium-term action plan to reduce the large stock of tax debt through more effective debt collection. It also adopted a strategy on improving the number and quality of the audits. However, audit compliance processes and audit practices based on centralized risk assessment processes need to be improved and the implementation of the strategy needs to be properly monitored. To improve the quality of the tax register, stronger efforts are required to formalise data sharing arrangements across agencies (Kosovo Tax Administration, Kosovo Business Registration and Cadastre Agencies and the Credit Registry of the Central Bank). The Tax Administration has developed a good taxpayer service focus, in particular with the widespread use of e-filing and e-payment. It should continue to modernise its internal IT platform and provide more electronic services. In 2019, tax evasion to the value of EUR 5.3 million was detected, down from EUR 7 million in 2018. The number of anti-tax evasion operations fell to 176, from 306 in 2018. Tax evasion and informality continue to hamper the



economy and further efforts are needed, in particular on risk-based field inspections and inter-institutional cooperation. A modern compliance risk management methodology was introduced in the high-risk construction sector. Allegations of serious tax fraud should be investigated properly and the authorities should support the work of the law enforcement and judicial bodies. The fiscal division of the Basic Court in Pristina should take effective action to reduce the backlog of unresolved complaints against the customs administration.

## 6.7 Competition

*EU rules protect free competition. These include antitrust rules against restrictive agreements between companies and abuse of dominant position. They also include rules on concentrations between companies which would significantly impede competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive conditions are met, with a view to prevent distortion of competition.*

Kosovo is at an **early stage**/has **some level of preparation** on competition. **Some progress** was made with the adoption of additional sub-legal acts by the Competition Authority, including a strategic plan. Significant efforts are needed to further align with the EU *acquis* by implementing legislation both in competition and State aid areas.

As recommendations from the previous report remain valid, Kosovo should in particular:

- ensure the functional capacity and operational independence of the competition and State aid authorities and increase cooperation and coordination between all stakeholders, including ministries, regulators and the judiciary;
- further align the legislative framework, specifically its implementing legislation, on both competition and State aid and ensure its enforcement;
- fulfil SAA obligations by establishing a comprehensive inventory of aid schemes and by aligning these with State aid rules.

### Antitrust and mergers

The **legislative framework** is partially in line with the EU competition *acquis*. Kosovo should adopt legislation on the protection of competition to address gaps that hinder implementation and enforcement. During the reporting period, Kosovo adopted administrative instructions on technology transfer agreements and on specialisation agreements.

On the **institutional framework**, the Kosovo Competition Authority, as the responsible institution to implement competition law, has powers to initiate investigations, conduct on-site inspections, impose fines and remedies and prohibit anti-competitive mergers. In 2019, the Authority concluded memoranda of understanding in key sectors, with the Energy Regulatory Office, Kosovo Railways, the Electronic and Postal Communications Regulatory Authority, the Water Services Regulator and the Central Bank. However, cooperation and coordination with government institutions, regulators and ministries should be strengthened further. The Authority should also establish closer links with public procurement bodies to follow-up individual public procurement cases. It has adopted its Strategic Plan for the period 2020-2023.

On its **capacity to enforce competition**, the Competition Authority has recruited two more staff during the reporting period. However, its staff needs additional training to handle cases more efficiently and implement competition rules effectively. The Authority is still expected to coordinate better with sector regulators and relevant line ministries on issues such as market definition, determining companies with significant market power, establishing remedies *ex ante* or *ex post*, exchanging data, issuing advisory opinions and reporting

potential infringements. Cooperation is currently insufficient to ensure correct enforcement of competition rules in these sectors. The expertise of judges dealing with competition cases and merger control should be improved by organising *ad hoc* trainings and other learning initiatives. On **implementation**, during the reporting period, the Authority has issued 7 decisions and 10 professional opinions. Following an investigation in May 2020, the Authority imposed its largest fine for a total amount of EUR 4 million to 14 companies in the oil derivatives sector. It did not apply the leniency policy or conduct any dawn raids.

### State aid

The **legislative framework** on State aid is largely in line with the EU *acquis*. The Law on State aid broadly reflects Articles 107 and 108 TFEU. There are regulations in place on the organisation and functioning of the State Aid Commission and on the criteria, form and content of State aid notifications. Kosovo has developed State aid guidelines for ministries' and other aid-granting bodies' reporting on State aid schemes to the State Aid Department. The *de minimis* aid implementing legislation was adopted by the government in January 2020. However, it still needs to adopt implementing legislation, on general block exemption regulations and services of general economic interest.

As regards the **institutional framework**, the State Aid Department as part of Ministry of Finance, is responsible for assessing proposals for State aid, drafting assessment reports for the State Aid Commission and updating the State aid inventory. Members of the State Aid Commission were appointed in March and the Commission became operational in September 2019. Its **capacity to enforce** State aid rules remains limited.

On **implementation**, the State Aid Department prepared nine scheme assessment reports on the basis of which the State Aid Commission issued four decisions. The SAA requires Kosovo to establish a comprehensive inventory of State aid schemes, but it failed to do so by the April 2019 deadline. The State Aid Department submitted a first overview of business support schemes run by the main granting authorities. This inventory was updated by the State Aid Commission in June 2019. Beyond this State aid inventory mapping, there has been no substantive screening of existing schemes. Furthermore, there is a lack of engagement by ministries and sectoral regulators in sharing information on support schemes. A number of central and local aid measures, some involving large companies in various sectors (e.g. telecommunications), have not been notified or properly investigated. Drafting of the regional aid map is pending.

### Liberalisation

Public undertakings are subject to the Law on competition and the Law on State aid. Kosovo has monopolies of a commercial nature within the meaning of Article 37 TFEU. There is little to no awareness of the possible application of State aid rules to the activities of publicly owned enterprises. The Competition Authority's professional opinion on car homologation still needs to be implemented.

In March 2020, services provided by Kosovo Telecom have been referenced to as of special importance by government decision. The Competition Authority's opinion concluded that this decision may lead to forms of abuse of dominant position. Also, the case of Kosovo Post's direct agreements with public institutions placed competitors at a disadvantage. The Administrative Court's decision to annul Kosovo Post's direct agreement was upheld on appeal.

## **6.8 Public procurement**

*EU rules ensure that the public procurement of goods, services and works in any Member State is transparent and open to all EU companies on the basis of non-discrimination and equal treatment.*

Kosovo has **some level of preparation/is moderately prepared** in public procurement. **Some progress** in the area was recorded during the reporting period. Initial steps were taken to revise Kosovo's legal framework and address the use of e-procurement and the improved monitoring of contract implementation increasing transparency. Despite progress, public procurement remains prone to irregularities and vulnerable to corruption during the procurement process and contract implementation. To enforce procurement law, Kosovo needs an efficient remedy system with sufficient capacity including a fully staffed board of the Procurement Review Body (PRB). As most recommendations from the previous report remain valid, in the coming year Kosovo should in particular:

- further align its legislation with the EU *acquis* on public procurement, including concessions, and ensure proper implementation of the Law on public procurement;
- increase the capacity of all public procurement institutions and the cooperation between them to ensure consistent implementation of the public procurement regulatory framework;
- ensure that the PRB is fully operational, and that staff capacity limitations are addressed.

#### Institutional set-up and legal alignment

Kosovo's **legal framework** on public procurement is broadly aligned with the EU's 2004 Directives but only partly aligned with the 2014 EU Directives on classical and utilities procurement, including concessions. Kosovo took initial steps to bring the legal framework into line with the EU *acquis*, by addressing gaps in the areas of e-procurement, the implementation and monitoring of contracts and tender evaluation. It prepared implementing legislation, including rules and guidelines to help contracting authorities manage procurement and the award of contracts. New legislation adopted on defence and security procurement is partially aligned with the EU *acquis*. All legal and financial instruments used for public procurement and concessions, including inter-governmental agreements with third countries, should reflect the principles of transparency, competition, equal treatment and non-discrimination.

Kosovo has a **strategy** (covering 2017-2021) and an action plan (2017-2019) to improve the public procurement system, but is still not assessing its implementation. The 2020-2021 action plan is under preparation.

Kosovo has in place public procurement institutions in charge of the main functions of public procurement. The Central Procurement Agency (under the Ministry of Finance) is responsible for centralised purchases. The **Public Procurement Regulatory Commission (PPRC)** is mandated to monitor and coordinate public procurement, while contracting authorities manage contract award and implementation. The PRB reviews public procurement decisions and bidders' complaints. Coordination between these bodies needs to improve. A lack of continuous professional development adds to the shortcomings in procurement administration in the public sector.

#### Implementation and enforcement capacity

Kosovo's **public procurement market** was estimated at 10.7% of GDP in 2019 (based on preliminary data), compared to 9.4% in 2018. More public contracts were posted by contracting authorities on the e-procurement platform in 2019: 12,461 public contracts

registered on the platform (2018: 12,412) and around 7,650 economic operators (2018: 6,000) and 20,500 users (2018: 15,000).

From the **monitoring of contract awards and implementation**, 90% of contracts were awarded through open procedure in 2019. 99.22% of public contracts were awarded according to the lowest-price criterion with only 0.78% using the best-price-quality ratio in line with the EU Directive on public procurement. Insufficient managerial accountability and quality control throughout the public procurement cycle, and limited capacity to oversee and control contract implementation and management, create risks of mismanagement and corruption. The e-procurement platform enables stakeholders to monitor all procurement information, but the modules on the management of awarded contracts and contractors' performance evaluation are still not working. Additional efforts are needed to ensure the interoperability between the e-procurement system and other relevant government IT systems.

**The capacity to manage public procurement processes** varies between contracting authorities. All authorities lack the capacity to draft proper technical specifications; this undermines the quality, efficiency and transparency of the procurement cycle.

Kosovo has an average of five bidders per tender which reflects a good level of competition. Most contracting authorities do not fulfil their legal obligation to publish public procurement plans. Kosovo has a code of ethics for public procurement but compliance is not monitored. There were no developments as regards **integrity and conflicts of interest**.

Related to the COVID-19 crisis, the PPRC issued guidance on urgent procurement procedures in line with the flexibility provisions provided in public procurement legislation. In total, 130 contracts were signed in urgent procedure in March and April 2020 for a total amount of EUR 10 million. To mitigate the risks of fraud, it is especially important to maintain audit trails. Posting all procurement information related to COVID-19 on government portals contributes to enhanced transparency and trust.

The Anti-Fraud Unit (recently established within the National Audit Office) identified 26 cases of suspected fraud in the area of public procurement, up from 12 in 2018 (its first year of operation). All 26 cases were submitted to the Prosecutor.

Centralised procurement is mandatory for 14 categories of goods and services, listed by the Ministry of Finance and applies to agencies with fewer than 50 employees that are accountable to the Assembly. However, only 16 (out of 165) contracting authorities carry out procurement through the Central Procurement Agency. In 2019, they carried out 31 centralised procurement procedures. The Agency's limited capacity to conduct proper market research means that it does not secure the economies of scale expected from centralised procurement. The Agency continues to be understaffed and is lagging behind in implementing its procurement plan.

#### Efficient remedy system

The legislation on the **right to legal remedy** is broadly in line with the EU *acquis*. The PRB is a quasi judicial body mainly tasked with reviewing complaints from bidders. In 2019, the PRB had received 981 complaints and reviewed 535 appeals. To ensure transparency all decisions are published on its official website. The **implementation capacity** of its board is impaired by the fact that two of the five members still have to be appointed. It needs more qualified staff, especially review experts and legal officials to deal with the increased number of complaints from economic operators. Its decision-making lacks consistency and the quality needs to be improved.

The introduction of the mandatory electronic submission of complaints on the e-procurement platform is a positive development, as all complaints are now handled electronically. In addition, the PRB has launched a revamped website that includes live streaming of its sessions. This will allow for better analysis of decisions, the generation of statistical reports and greater transparency of this institution.

## 6.9 Company law

*The EU has common rules on the formation, registration and disclosure requirements of a company, with complementary rules for accounting and financial reporting, and statutory audit.*

Kosovo has **some level of preparation** in the area of company law. **Good progress** was made during the reporting period, with the adoption of implementing legislation in the area of corporate accounting and audit and by establishing the Public Audit Oversight Board, while several steps were taken to advance the implementation of the law on business organisations, fostering a level playing field in the area. In the coming year, Kosovo should pay particular attention to:

- further strengthen the institutional audit oversight structures and the professional independence and objectivity of auditors and audit firms;
- ensure further alignment with EU company law *acquis*.

On **company law**, Kosovo took concrete steps to implement the Law on business organisations. It adopted two secondary acts on business registration, a unique identification number in the registration process and a fee calculation method, to reduce the administrative burden on businesses and the administration. However, both acts still need to show their benefit in cost and time savings for businesses. Kosovo started preparations to develop a first corporate governance code. Further alignment with the EU company law *acquis* is needed, *inter alia* as regards the minimum capital requirement, shareholder rights, company takeovers, some aspects of cross-border mergers and of companies' and foreign branches' disclosure of information. The Kosovo Business Registration Agency is responsible for online business registrations and publications. However, the Agency does not publish company financial statements or information on voluntary liquidation and bankruptcy proceedings. The registration of a business can start electronically, but must be confirmed through a paper-based process. The Agency has concluded memoranda of cooperation with counterparts in Albania and North Macedonia.

The Law on financial reporting on **corporate accounting and auditing** entered into force in 2019. Implementing legislation on licensing legal auditors and (domestic and foreign) audit companies was adopted in July 2019. Administrative instructions on audit independence and disciplinary measures were adopted in December 2019. The Law still needs to be aligned with the relevant EU *acquis* on non-financial reporting. The Kosovo Council for Financial Reporting (KCFR) adopted a methodology for public audit oversight structures and organised staff training. In April 2019, the Public Audit Oversight Board (POB) was established as an executive body of the KCFR. A sustainable financing solution to enable the POB to function as the competent authority for public audit oversight, has yet to be found. Statutory auditors and audit firms are required to apply the international standards on quality control and are subject to public oversight by the POB. Ongoing training should be ensured for certified auditors. Accounting associations and statutory auditors are required to submit a copy of their code of ethics.

## 6.10 Intellectual property law

*The EU has harmonised rules for the legal protection of intellectual property rights (IPR), and for the legal protection of copyright and related rights. Rules for the legal protection of IPRs cover for instance, patents and trademarks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, computer programmes and broadcasting.*

Kosovo has **some level of preparation** in this area. **Some progress** was made by aligning the legal framework on IPR with the EU *acquis*, adopting a National Strategy to Strengthen the Copyright System and reducing the backlog of applications. However, the lack of cooperation between policy-making and enforcement institutions continues to hinder effective enforcement of intellectual property rights.

As recommendations from the previous report have only been implemented partly, in the coming year, Kosovo should in particular:

- take concrete steps to increase the capacity and coordination of policy-making institutions and law enforcement agencies to enforce intellectual, industrial and commercial property rights and further align with the EU *acquis*;
- take adequate measures to fight counterfeit goods and digital piracy;
- raise awareness of the protection of industrial property rights.

Kosovo committed to guarantee, within five years of the entry into force of the SAA, a level of protection of intellectual, industrial and commercial property rights equivalent to that applied in the EU. Effective implementation of IPRs is hampered by an overall low level of public awareness, still lengthy procedures for treating applications and limited enforcement, which deters rights-holders from pushing charges. Primary and secondary legislation on industrial property and copyrights require harmonisation.

On **copyright and related rights**, the Ministry of Culture, Youth and Sports adopted the 2019-2023 National Strategy for Strengthening the Copyright System in June 2019. Under the strategy, the Ministry has appointed the members of a Task Force against Piracy and Counterfeiting, including a representative from the State Prosecutor's Office. A commission for determining the fees to be paid by collective management organisations and cable operators for the use of copyrighted material was established in July 2019. The fees are expected to be approved in 2020.

On **industrial property rights**, Kosovo's laws and administrative instructions are partly aligned with most of the EU *acquis*. Further progress was noted with amendments to the Law on patents adopted in July 2019. Legislation on patents, topographies and industrial design are partly harmonised. New legislation is needed on trademarks, trade secrets, patents, industrial design and integrated circuit topography.

The Agency for Industrial Property has made good progress in reducing the backlog of applications for patents, trademarks and industrial designs. It recruited three new staff bringing the total to 21. Its industrial property software was updated in line with the latest version provided by the World Intellectual Property Organisation. Kosovo still needs to develop a strategy for industrial property rights. In the last year, it set up a system for geographical indications which is now ready to process applications.

The State Intellectual Property Council and the Task Force against Piracy and Counterfeiting are the main bodies tasked with coordinating **enforcement**. Coordination between police, customs and the market inspectorates needs to be strengthened. Market inspectors are still held back in their work by the need for police approval before launching investigations. The

scale of IPR litigation in Kosovo is low due to a lack of prosecutors and judges with specialised knowledge.

The main IPR issues reported by the Kosovo Police's Unit for Economic Crimes, Corruption and Cybercrime are online infringements, websites with infringing goods, broadcasting, plagiarism and new trends in IP crime.

Capacity-building, cooperation with law enforcement bodies and awareness raising are still needed if the Law on Customs Measures for the Protection of IPRs is to be implemented effectively. All police and customs officers can act *ex officio* to prevent IPR infringements. Statistics on IPR cases should be collected in a coordinated and systematic manner.

During 2019, Kosovo Customs initiated verification procedures in 379 cases for a value of EUR 3,642,702. In cooperation with rights-holders they seized infringing goods for a value of EUR 1,832,390, over 30 % more than in 2018. Substantially more counterfeit items were destroyed.

## 6.11 Social policy and employment

*EU social rules include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social dialogue at European Union level.*

Kosovo is at an **early stage of preparation** on social policy and employment. There was **limited progress** during the reporting period, in particular on amending health and safety regulations. The rate of fatal incidents at work decreased compared with last year.

As most of the previous recommendations have not been implemented, Kosovo should in particular:

- continue to implement the 2018-2022 strategy for employment and social welfare, and monitor results;
- amend and enforce the Law on labour in line with relevant EU *acquis*, in particular in relation to non-discrimination in employment and parental leave;
- amend and adopt the Law on the Economic Social Council, enforce health and safety at work rules and take measures to further reduce workplace accidents;
- ensure better targeting and delivery of social services in municipalities and of social assistance schemes.

Kosovo needs to amend the **Law on labour** in line with the EU *acquis*, including EU rules on non-discrimination in employment and social policy and maternity/paternity leave. Poor implementation of the existing Law, particularly in the private sector, remains a concern.

Around 49% of children are registered as benefiting from social assistance, but only around 10% of children with special needs. As many as 10% of children in Kosovo are involved in work, of whom 6.8% work in hazardous conditions, with the problem particularly evident among the Roma and Ashkali communities.

Kosovo aligned its regulations with the EU directives on occupational **health and safety at work** in 2019; it should now focus on their implementation, which remains limited. The majority of workers are not covered by a health insurance or insurance against work-related accidents or illnesses. The Labour Inspectorate made efforts to improve its capacity with an increased number of inspections but this did not have a significant impact on the ground. Non-compliance with health and safety measures, especially in some domains such as the

building sector, remain prevalent. There were fewer fatal accidents at work, with 11 fatalities registered during the reporting period.

On **social dialogue**, the 2014 General Collective Agreement, expired in 2017 without having been implemented. A new agreement is being negotiated. Amendments to the Law on the Economic Social Council, aiming to improve its capacities, decision-making and overall performance, have not yet been adopted. Public sector trade unions were relatively active over the past year, in particular in demanding salary increases and organising social dialogue trainings for local branches. The private sector unions are under pressure, with cases of retaliation for industrial action, and generally less organised as a result.

On **employment policy**, the 2018-2022 Sectoral Strategy (Ministry of Labour and Social Welfare) and the 2018-2020 Action Plan for Increasing Youth Employment remain key documents. Although the targets were modest, a first assessment shows a low implementation rate. Capacities for implementing, monitoring and evaluating of such strategies are still under-developed and heavily dependent on external support. For the next Sectoral Strategy, Kosovo should ensure a more strategic approach, better mid-/long-term planning and realistic but ambitious targets. The Employment Agency needs to significantly improve its monitoring capacity and more human and financial resources. For the upcoming strategic cycle, Kosovo should build internal capacity to devise and follow up strategic commitments on employment, in close coordination with other policies (education, social inclusion, economic development, innovation, etc.).

Kosovo continues to face structural labour market challenges stemming from rapid growth of the working-age population not matched by sustained job creation, persistently low participation of women and generally precarious employment opportunities (fewer than half of the employees have permanent work contracts).

Education attainment is a key predictor of employment (and activation). The employment rate is 62.2% among people with tertiary attainment but only 12.4% for those with low education. Although women tend to attain higher education levels (e.g. over 40% active women hold tertiary qualifications against 20% of active men), they remain under-represented in employment and are predominantly employed in public sectors such as education and health. Young people (15-24 years-old) remain most affected by unemployment and inactivity. In 2019, the proportion not in employment, education or training reached 32.7%. Youth unemployment remains high (49.4%), particularly among women. Demographic pressures, joblessness growth pattern, a propensity towards emigration and poor education outcomes are key factors in the precarious position of young people in Kosovo.

The overall activity rate stood at 40.5% in 2019 (40.9% in 2018) and the employment rate was still low at 30.1% (slight up from 28.8% in 2018). Unemployment was at 25.7% in 2019 down from 29.6%. It was higher among women, at 34.4% in 2019 (33.4% in 2018) and 22.6% among men (28.5% in 2018). The employment rate for women was only 14% (slightly up from 12.3% in 2018), compared to 49% for men (up from 45.3% in 2018). Improvements were noted in the relative proportion of employees with long-term contracts (45.3% in 2019, compared to 25.5% in 2018) and temporary contracts (54.7% in 2019 compared to 74.5% in 2018). The indicators that still give rise to most concerns are the high inactivity rate (59.5% in 2019) and youth unemployment (49.4% in 2019). Unemployment is even higher (over 90%) in the Roma and Ashkali communities. Members of these communities usually work in the informal sector, holding insecure, low-skilled and low-status jobs and few of them are registered as unemployed. Self-employment stood at 21.6% in 2019.

The Employment Agency is the key body implementing employment policy in Kosovo. It continued to consolidate its management and operational procedures and data management,



and to review and refine the portfolio of active labour market programmes. However, further work is needed to improve its operational capacity. Some progress has been achieved in improving the labour market information system but a fully-fledged standardised case management system is still lacking. The number of registered unemployed people declined to 74,488, compared to almost 96,000 in 2018. Although half of the unemployed have a low level of education attainment, they are under-represented among participants in the Agency's active labour market measures.

On **social inclusion and protection**, Kosovo needs to improve its targeting of the groups in need. Overall spending on social protection amounts to 6% of GDP, but this is mostly for old-age and war veterans' pensions; less than 0.5% of GDP is left for the social assistance scheme (SAS). The SAS is the only programme that targets poverty reduction and that identifies beneficiaries on the basis of household income and assets. It has many inbuilt features that severely limit its poverty reduction impact for families with children and disincentivise working-age family members, creating a substantive poverty trap. The Ministry for Labour and Social Welfare drafted a concept document to address these issues through legal amendments but work is at an early stage.

The municipalities did not allocate sustainable long-term financing for social services. An initiative to earmark funding from the general grant for social services through changes in the Law on local finance has been pending for many years. The Ministry for Labour and Social Welfare, in cooperation with several municipalities, signed memoranda of understanding on house building for families in need. Municipalities have not allocated sufficient funding for temporary social housing, particularly for victims of domestic violence and trafficking. Kosovo remains the poorest in the region, struggling with high levels of poverty and massive unemployment. It is estimated that 18% of the population lives below the poverty line (EUR 45 per month) and 5.1 percent of the population below the extreme poverty line (under USD 1.90 per day). Young people and children from poor households, the socially vulnerable (including members of the Roma and Ashkali communities) and people with disabilities, do not enjoy equal access to vital health and education services due to financial barriers, insufficient provision, parental disinterest, distance/transportation issues, and discrimination.

On **non-discrimination in employment and social policy**, Kosovo has not yet adopted implementing legislation for the Law on protection from discrimination. The authorities must address discrimination against women, particularly those belonging to minority groups, especially as regards private sector recruitment. Discrimination against pensioners, especially when it comes to social services, and persons with HIV/AIDS is another issue of concern. The Ombudsperson report notes that the legal and institutional framework on discrimination has not produced satisfactory results. The report examines in particular discrimination at work, which is often difficult to prove, especially in the private sector. The Ombudsperson notes that cases related to discrimination at work remain the same compared to previous years. Institutions continue to perform poorly when it comes to processing and investigating cases of discrimination.

On **equality between women and men**, gender-based discrimination is widespread in recruitment, promotion, pay, contract length, maternity leave and sexual harassment at work. Current regulations discourage the recruitment of women, particularly in the private sector. Limited access to childcare and flexible working arrangements are also considered barriers in this respect, as formal options for care beyond maternity leave are limited and family-friendly work schedules are often not on offer. Other challenges faced by women are a lack of care for the elderly, discriminations when it comes to access to property, and gender-based violence. The situation is even more serious in rural areas.

## 6.12 Consumer and Health Protection

*EU rules protect consumers' economic interests and in relation to product safety, dangerous imitations and liability for defective products. The EU also ensures high common standards for tobacco control, blood, tissues, cells and organs, patients' rights in cross-border healthcare, and serious cross-border health threats including communicable diseases, and medicines for human and veterinary use.*

Kosovo is at an **early stage of preparation** in this area. There was **limited** progress overall, with some progress on previous recommendations by adopting implementing legislation for the enforcement of the Law on consumer protection, and the government's recognition of independent consumer rights organisations, as well as strengthened inter-institutional coordination. There was limited progress on health, notably with the partial introduction of a basic health information system, and the establishment of free physician services in public health care institutions.

In the coming year, Kosovo should:

- amend the Law on consumer protection to remove problematic articles and increase awareness on consumers' rights and traders' obligations;
- allocate the necessary resources to allow implementation of the health sector reforms and for strengthening of the health system including further roll-out of the electronic public health information system;
- adopt and start to implement the health promotion and education strategy.

### Consumer protection

Kosovo's legislation is partly aligned with the *acquis* on consumer protection. In 2019, it adopted 9 of the 11 sub-legal acts needed to implement the Law on consumer protection. However, the Law does not comply with the EU *acquis* on mortgage credit and alternative consumer dispute resolution. It requires products to be labelled with the flag of the country of origin, which is not in line with the EU *acquis*, while technical issues prevent the application of fines in case of non-compliance.

Enforcement of consumer rights protection continues to be limited, pending the reform of the market inspectorate, but the addition of five independent consumer rights organisations to the Consumer Protection Council enhanced transparency and dialogue with civil society. The consumer rights portal was upgraded to facilitate the submission of complaints and provide real time statistics. It needs to be further upgraded as awareness of consumers' rights and traders' obligations remains low.

With regard to product safety, in May 2019 the Coordination Body for Market Surveillance launched a publicly accessible webpage (RAPEX-Kosovo) to publish alerts on non-food products posing serious risks to consumers, product safety news and consumer safety information. In 2019, 202 dangerous products were withdrawn from the market.

The provision on general safety requirement in the Law on general product safety needs to be amended.

As regards **non-safety issues**, the Law on consumer protection addresses consumers' economic interests, but it cannot be properly enforced due to the pending reform of the market inspectorate and weak consumer organisations. The Central Bank of Kosovo closed two financial institutions on the grounds that they had violated the consumer credit rights and obligations; one has contested the decision in court. Some steps were taken to consumer credit

agreements governed by the Central Bank, but more action is needed to address unfair banking and consumer lending practices and to ensure consumer price transparency.

### Public Health

In response to the **COVID-19** outbreak, the government declared a public health emergency in March 2020 and introduced containment measures, including curfews, bans on gatherings, strict restrictions on movement, closure of schools and universities, closure of restaurants, cafes and non-essential shops, suspension of public transport and closing of borders. Measures were gradually lifted from early May 2020. However, in response to increasing numbers of cases from early June, the government reintroduced in mid-July several public health measures, including obligatory wearing of facemasks, curfews and testing requirements for entry into Kosovo. On 14 August 2020, the Kosovo Assembly adopted a new Law on prevention and fight against the COVID-19 pandemic, in order to provide a solid legal framework for the required public health measures.

The pandemic has put Kosovo's health system under significant strain. Healthcare workers have been mobilised to increase the ability to treat COVID-19 patients and testing capacity.

Kosovo has positively responded to the EU's offer to the Western Balkans to access several key EU initiatives and instruments in the context of the COVID-19 response. Kosovo became member of the Joint Procurement Agreement on medical countermeasures, as well as observer in the EU Health **Security Committee**, which provides access to the EU Early Warning and Response System. Kosovo is also providing the Commission's data collection system on COVID-19 and nominated a correspondent to the European Centre for Disease Prevention and Control.

The EU secured EUR 5 million immediate support to provide medical equipment and protective equipment to strengthen the capacity of the health-care system to fight COVID-19.

On **public health** policy, Kosovo has yet to introduce a universal health coverage scheme and amend the Law on health insurance. It has not started to collect health premiums. The public health information system is still not functional and implementation of the communication strategy in support of the Law on health insurance has been further delayed. The growing emigration of health workers has a detrimental impact on the health system.

The 2020 overall budget for the health sector has been increased with 6% compared to 2019. The increase includes higher allocations for essential pharmaceuticals and for capital expenditures.

There has been little progress on the **health sector strategy**. The scale of poverty means that around one fifth of the population have very limited access to healthcare. Access to basic healthcare is free, but spending on diagnostic services and medications is not reimbursed. High reliance on private out-of-pocket expenditures (estimated at 40% of total medical costs) mean that the economically most vulnerable have limited access to the health system.

Only 65% of annual public health needs are covered by public spending, which mostly cover fixed costs, leaving less for direct patient costs (diagnosis, treatment and prevention). Health financing continues to be based predominantly on historical expenditure rather than forward-looking needs assessments. Institutional accountability has not increased and limited incentives have been introduced to improve productivity, efficiency and quality in the health sector. Positive steps on medicines for human use were the adoption of implementing legislation on price regulation and approval of a new essential medicines list. The pharmaceutical stock management module within the health information system is now operational.

**Mental health** services function as integrated services, with no notable developments in the reporting period. The comprehensive Law on **tobacco** control (in force since 2013) is still not implemented, because of a lack of political will and the poor performance of enforcement authorities. The legislation on **blood, tissues, cells and organs** is not yet fully aligned with the *acquis*. More human and financial resources are needed, and administrative and monitoring capacity should be strengthened.

In the field of **serious cross-border health threats, including communicable diseases**, immunisation coverage remains high with vaccination rates of over 93% reported among school-age children. Kosovo started work on an action plan addressing recommendation from a European Centre for Disease Prevention and Control technical assessment report, and adopted a 2019-2022 strategic action plan on antimicrobial resistance.

Legislation on **patients' rights in cross-border healthcare** is partially aligned with the *acquis*. For specialised health services that are not available in Kosovo, patients can benefit from the health insurance fund for health services abroad. Kosovo has bilateral agreements with Albania, Croatia and Turkey on certain medical services. However, available funding covers only 45% of the needs of the population and it was not increased in 2019.

There was some progress on the development and roll out across some health institutions of the **e-health** information system based on the European core health indicators. The system and its coverage should be expanded to support evidence-based health care policy. It currently captures data on patient admissions, discharges and transfers, but further functionalities (pathology, radiology, blood transfusion, vaccination and other interventions) should be added.

The 2014-2020 **cancer screening** programme is ongoing. Although additional funding has been provided for systematic screening for cervical and breast cancer, the cancer incidence data needs improvement. The necessary resources should be allocated to allow proper treatment and prevention. **Health promotion** and the prevention of **non-communicable diseases** remains weak. Kosovo has not yet adopted a 2019-2021 strategy on health promotion and education and made no progress on **nutrition and physical activity**.

As regards **health inequalities**, Kosovo does not provide universal health insurance and out-of-pocket spending on health remains high. For economic reasons, an estimated 18% of the population do not seek medical services in the event of illness. The situation of the Roma and Ashkali communities remains a source of concern given their very low immunisation levels and particular difficulties in accessing healthcare due to their difficult socio-economic conditions. The distribution of information on public services and the incidence of discrimination have not improved.

### 6.13 Education and culture

*The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policy through the open method of coordination. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.*

Kosovo is at an **early stage** of preparation in the field of education and culture. There was **no progress** over the past year and the quality of education needs to be improved considerably.

Since the previous report's recommendations have not been addressed, in the coming year, Kosovo should in particular:

→ systematically apply quality assurance mechanisms at all education levels and improve access to quality education at pre-school level and for disadvantaged groups;

- finalise the implementation of the new curricular framework for basic education with quality textbooks and by providing sustainable training to teachers;
- increase the provision of quality vocational education and training for professions in demand;
- improve quality assurance in higher education by meeting the recommendations of the European Association for Quality Assurance in Higher Education and revisiting the relevant legislation (such as the Law on higher education and the Law on Kosovo Accreditation Agency).

Public spending on education did not increase, remaining at 4.7% of GDP. As a reaction to the COVID-19 crisis, all schools in Kosovo were closed in March 2020 and remained closed until the summer holidays. Online classes, based on instructions from the Ministry of Education, Science, Technology and Innovation, are being provided for all levels of education, from pre-school to higher education.

Enrolment in **primary and lower secondary education** is universal with 100% of children attending grades 1 to 5 and 90.5% continuing to lower secondary school (grades 6 to 9). 86.8% of children attend secondary school (grades 9 to 12), which is close to the OECD average. Despite an increase, only 6.2% of children aged 0-5 attend early childhood education and care, well below the OECD average (over 87%) or the Education and Training 2020 targets (95%). Currently, there are only 44 public kindergartens, spread over 23 of the 38 municipalities. Government plans to increase this number are progressing very slowly. A higher percentage of children above 5 years old (92.5%) attend early childhood education and care (until compulsory primary education). The proportion of students in higher education remains high, but the graduation rate is still low.

The quality of education remains poor. In the 2018 OECD Programme for International Student Assessment (PISA), Kosovo again (as in 2015) ranked third from bottom. Kosovo also participated in the 2019 Trends in International Mathematics and Science Study (TIMSS), as well as in the 2021 Progress in International Reading Literacy Study (PIRLS). The authorities launched a wide-ranging curriculum reform in 2012, focusing on students and their competencies. While it was introduced to all schools in 2017, progress is hampered by a lack of suitable textbooks, teaching materials and teacher training.

Kosovo continues to have a very high relative number of students (double the EU average). In higher education, there are still many studying law and economics, but various business surveys have identified skills shortage in the areas of IT and engineering. Teacher/student ratios remain unfavourable to students (1:41 in public and 1:60 in the private universities).

Corruption and political interference remain significant problems at all levels of education, particularly in higher education. Although there have been some improvements due to public scrutiny, the recruitment and promotion of academic staff is mostly not merit-based and scientific achievements, publications and performances are often overlooked. Insufficient action was taken to address cases of academic misconduct and plagiarism.

Kosovo has not yet adopted the new Law on higher education that would strengthen institutions' autonomy and improve quality assurance and academic integrity.

The Kosovo Accreditation Agency's membership of the European Association for Quality Assurance in Higher Education (ENQA) was revoked in September 2019, following Kosovo's failure to adhere to the ENQA's rules and standards. The Agency will have to wait for two years until 2021 before it is eligible to reapply for membership. The Agency remains poorly resourced, with only four members of staff, and the board's decision to cut a vast number of

programmes for not meeting the minimal accreditation criteria was met with undue criticism. A new director was appointed in March 2020, after the Agency was managed by acting directors for a number of years.

Half of all upper secondary students (almost 53 % in 2018/2019) choose **vocational education** (VET) programmes. However, a huge proportion (97.4 %) of vocational education graduates continue to enrol in higher education. The VET system lacks practical and applied courses in most programmes and there is little cooperation between vocational schools and business entities. Where such cooperation exists, it is facilitated mainly through donor and private business projects. Teachers in VET centres have the necessary formal qualifications, but are not provided with adequate professional development opportunities. In addition, there is a lack of teaching materials and textbooks. There is still a discrepancy between the needs of the labour market and education outcomes.

More efforts are needed to give children with disabilities access to quality education. In 2018, 75 new assistants qualified for working with children/students with special needs, adding to a first group of 54. Some 53 assistants were employed in 2019.

Measures should be taken to address the high dropout rate among Roma and Ashkali children, e.g. supporting the work of the learning centres (mainly established and supported by donors). It is largely thanks to the learning centres that enrolment rates in compulsory education have increased among Roma and Ashkali children, and dropout rates have decreased. Although the government promised to contribute to their funding, it has yet to allocate budgetary resources; no funding was allocated for these centres in the 2020 budget. Efforts should be made to tackle discrimination in universities and halls of residence.

Since 2015, 2,800 students and staff from Kosovo participated in Erasmus+ exchanges. Kosovo institutions participated in 10 capacity-building projects in higher education (three as coordinating partners).

On **culture**, Kosovo should maintain efforts to meet the standards of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. Kosovo needs to progress on drafting the Law on cultural heritage, which should accurately reflect its commitments under Annex V of the Ahtisaari Plan. The frequency of Implementation and Monitoring Council meetings needs to be maintained in order to identify joint solutions to be reached between Kosovo and the Serbian Orthodox Church. Cultural cooperation with Serbia should be facilitated.

As regards Kosovo's participation in the Creative Europe programme, in 2019, three information sessions were organised in Pristina and Prizren to inform larger audiences about co-financing opportunities, calls and application procedures under the programme; however, without any successful project being funded in any action under the programme. A Creative Europe desk for Kosovo was established.

On **youth**, Kosovo chaired the Governing Board of the Regional Youth Cooperation Office (RYCO) in 2019 and two meetings were held.

Kosovo actively joined the fifth edition of the European Week of Sport (23-30 September 2019), under the framework of the Commission's initiative "European Week of Sport Beyond Borders". Sport activities were organised across Kosovo.

## **6.14 Science and research**

*The EU provides significant support for research and innovation. All Member States can benefit from the EU's research programmes, especially where there is scientific excellence and solid investment in research.*

Kosovo is at an **early stage of preparation** for science and research. **Limited progress** was made during the reporting period. In 2019, Kosovo improved its performance in Horizon 2020.

Since recommendations of the previous report were not fully addressed, Kosovo should in particular:

- develop a strategic approach to the development, prioritisation and promotion of scientific research and innovation and ensure higher government spending on research; seek to stimulate investment from the private sector by completing a Smart Specialisation Strategy;
- continue efforts on increasing participation in the EU's Horizon 2020 programme;
- provide statistical data on numbers of researchers, percentage of GDP spent on research and innovation, and performance related to the European Research Area priorities.

Kosovo's **research and innovation policy** remains underdeveloped. The legal basis consists of a Law on scientific research activities and a Law on scientific innovation, transfer of knowledge and technology. In both cases, many key provisions remain unimplemented, including the requirement to develop a Kosovo-wide research programme. As a result, there is no strategic approach to the development, prioritisation and promotion of research activities.

With the new government in place, a restructuring of governmental institutions took place with innovation being included in the portfolio of the Ministry of Education, Science, Technology and Innovation since February 2020.

Considering research infrastructures, Kosovo recently started to establish closer links to GÉANT (Europe's leading collaboration on network and e-infrastructure services), and a support project is ongoing that aims to integrate Kosovo better in the activities of this research infrastructure.

Kosovo started work on an R&D infrastructure map to collect country-level data on laboratories and researchers.

A Smart Specialisation Strategy is being developed but it is still at an early drafting stage. Innovation efforts, mainly driven by the private sector, are advancing and are well coordinated with similar efforts in other countries.

The sector continues to be under-funded, with government research spending amounting to only 0.1% of GDP, despite a 0.7% target mandated by law. The funding and efforts of the Ministry of Education are geared to providing full or partial scholarships for students to study abroad, mostly for master's courses and only very few opportunities for PhD/postgraduate research.

The quality of programmes preparing postgraduates for research careers is poor. Research is not a priority for universities, with most of the funding allocated to teaching. Private and public higher education institutions apply very uneven criteria for promotion based on scientific research and publications. The exclusion of the Kosovo Accreditation Agency from both the European Association for Quality Assurance in Higher Education and the European Quality Assurance Register for Higher Education is a setback.

There was no progress on integration into the **European Research Area**. Kosovo needs to submit reliable statistics to monitor progress in this field.

On **framework programmes**, Horizon 2020 has become the main international cooperation programme for Kosovo allowing multi-country cooperation with EU Member States and beyond.

Kosovo entities have participated 20 times to 18 collaborative actions, Marie Skłodowska-Curie actions and European Research Council actions of Horizon 2020, receiving EUR 2.5 million. Despite 2019 being by far Kosovo's best year of participation with a success rate of 20.4% above the 12% overall Horizon 2020 average, its performance could still improve. Actions have been taken in this respect, in particular, with the national contact points network becoming fully operational, engagement through more training, better linking of researchers, exchanges of best practice and mentoring with other countries. Kosovo needs to step up these efforts.

Kosovo participates in the European Cooperation in Science and Technology (COST), which enables researchers to participate easily in research and innovation meetings all over Europe.

### 6.15 Trade issues

*The EU has a common trade and commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures.*

Kosovo is at an **early stage of preparation** in this area. **Some progress** over the past year was made in strengthening the administrative capacity of the Ministry of Trade, however efforts need to continue in view of Kosovo's international and regional trade commitments. During the reporting period, the 100% tariffs on goods imports originating in Serbia and Bosnia and Herzegovina, which were in violation of the Central European Free Trade Agreement (CEFTA), hampered the development of a regional economic area (REA) in the Western Balkans. In April 2020, the tariffs were lifted and replaced by gradual trade reciprocity measures, which were subsequently abolished by the new government in June. The positive contribution of trade in services has partly offset Kosovo's trade deficit, but the increasing trade deficit in goods is a matter of concern. Kosovo has not been able to make full use of the trade preferences of the Stabilisation and Association Agreement (SAA) with the EU.

As not all recommendations from the previous report were implemented, Kosovo should in particular:

- develop a trade policy to address Kosovo's growing trade deficit on goods and to expand trade on services;
- ratify and implement CEFTA Additional Protocol 5 on trade facilitation, ratify and implement Additional Protocol 6 on trade in services and appoint a negotiator and adopt a mandate for the negotiation of Additional Protocol 7 on dispute settlement. Implement other commitments under the multi-annual action plan for the development of a regional economic area (REA).

Kosovo is at an early stage of preparation for applying for WTO observer status. In this context, a memorandum on foreign trade regime has been prepared, but not yet processed.

The overall volume of trade with the EU increased by 25% in 2019 and reached EUR 1.4 billion. Over the last 10 years, bilateral trade has grown considerably (by 111%) and the EU remains Kosovo's first trading partner, accounting for 47.5% of total trade (33% of total exports and 49% of total imports of goods). Although the overall trade balance is strongly in



favour of the EU (reaching a surplus of EUR 1.15 billion in 2019), Kosovo's exports to the EU – though modest in absolute terms – increased by 34% in 2019, i.e. at a faster rate than imports from the EU. However, a clear strategy and measures to improve its deficit on goods is lacking. It remains essential that Kosovo focuses on strengthening competitiveness and improving opportunities for Kosovo producers and exporters by making full use of trade preferences granted under the SAA.

Following the adoption of a Law on trade safeguard measures, a dedicated commission was trained and became operational. The Ministry of Trade worked on the development of a trade policy document and laws on internal and external trade, aiming at putting a comprehensive framework for domestic and international trade. The capacities of the ministry improved further thanks to relevant training, but more progress is needed in light of Kosovo's international and regional trade commitments.

In April 2020, Kosovo lifted the 100% tariff on imports from Serbia and Bosnia and Herzegovina that had been in place since November 2018 and were replaced by gradual trade reciprocity measures (revoked in June 2020). The 100% tariffs went against Kosovo's obligations under CEFTA, were not in the spirit of the SAA and undermined regional cooperation, including the Regional Economic Area. In addition to political tensions, they led to a halt of imports from Serbia and Bosnia and Herzegovina. The measure was also detrimental to the investment environment. The lifting of the 100% tariff has enabled the flow of goods with both Serbia and Bosnia and Herzegovina to be restored.

Despite the impact of the 100% tariffs on trade, the CEFTA area has remained Kosovo's main export market, accounting for 43.2% of its total exports in 2019. Together with other parties, Kosovo adopted CEFTA's Additional Protocol 6 (trade in services) in December 2019 and should proceed with its ratification. Kosovo also adopted the action plan for the establishment of the Single Point of Contact as defined by the Services Directive, which includes the establishment of the Contact Point for Services as stipulated in article 9.3 of CEFTA's Additional Protocol 6. These two mechanisms should serve the business community by reducing trade barriers. Kosovo remains the only CEFTA party that has not ratified Additional Protocol 5 (trade facilitation) and it needs to appoint a negotiator and adopt a mandate for the negotiation of Additional Protocol 7 (dispute settlement mechanism).

In June 2019, Kosovo ratified its free trade agreement with Turkey (signed in 2013), which provides for the phasing-out (over 10 years) of customs duties on a list of products and a commitment to negotiate provisions on trade in services. There were no developments on the November 2018 memorandum of cooperation with the European Free Trade Agreement countries. In July 2019, Kosovo signed an Agreement on economic cooperation agreement with the Czech Republic and in December a partnership, trade and cooperation agreement with the United Kingdom (which can enter into effect once the UK ceases to be a party to the EU-Kosovo SAA).

## 6.16 Enterprise and industrial policy

*EU enterprise and industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises (SMEs).*

Kosovo remains **moderately prepared** in this area. **Some progress** was made in further improving the business environment. There continues to be a need to further build up administrative capacity and to ensure stronger inter-ministerial coordination. The recommendations from the 2019 report were not fully implemented.

In the coming year, Kosovo should in particular:

- adopt and start implementing a strategy to support Kosovo’s business environment and industrial development;
- reorganise the Kosovo Investment and Enterprise Support Agency (KIESA) to improve its support schemes and provision of advisory services to SMEs and add an investor aftercare unit;
- enhance public-private sector dialogue through the National Council for Economic Development and make this body effective.

Kosovo’s **enterprise and industrial policy** is characterised by a piecemeal approach with poor inter-institutional coordination and no overall vision based on a solid needs assessment. It still needs to adopt a strategy to improve the business environment and promote industrial development and to earmark sufficient resources for its implementation and monitoring. The capacity of the relevant Ministry to provide industrial policy advice is limited, even though this should be its main function. The Kosovo Investment and Enterprise Support Agency (KIESA) is responsible for implementing SME support programmes, attracting foreign direct investment (FDI) and following up the Small Business Act recommendations. KIESA needs reorganisation, but this is lagging behind, despite increased resource allocation in recent years. There was no progress on setting-up a FDI after-care unit or redesigning the SME support and advisory schemes. The National Council for Economic Development (a public-private sector dialogue platform tasked with addressing “doing business” priorities) has not been able to contribute to the improvement of the business environment by eliminating barriers, supporting firms and attracting FDI. The relevant Ministry received 22 applications for the status of “strategic investor”, but only three passed the technical phase and have been evaluated.

Kosovo made some progress on improving the business environment. In May 2019, it adopted a new strategy (covering 2019-2023) to tackle the high informality levels. There was a further reduction in the average time needed to set up a business, while the introduction of a unique identifier number for companies should further help cut red tape and make the administration more transparent and efficient. Despite improvements in the legislation on bankruptcy and second chance, some challenges remain. Kosovo should develop an early warning system for SMEs in financial difficulties with a view to initiating recovery measures. It should also further reduce the average cost and duration of bankruptcy proceedings.

Despite improvements, Kosovo still lags behind in areas such as permits, access to electricity and the protection of minority investors. It took legislative steps to rationalise the number of inspection bodies and streamline procedures, but these have not been adopted yet. Further efforts are needed to boost young people and women’s entrepreneurship through tailored policies and measures to address key challenges, in particular access to finance, asset ownership and skills. The rise in public sector salaries creates risks for competitiveness that call for actions to raise productivity and open new business opportunities.

On **access to finance**, high collateral requirements remain a significant barrier to SME borrowing, so the market continues to require the expansion of credit guarantees to support loans. Kosovo continued to register a strong growth of credit to the private sector, reaching 10% in December (y-o-y) as credit standards eased, in particular due to Kosovo Credit Guarantee Fund guarantees for lending to SMEs. The Fund recorded a 36.8% increase in its SME loans portfolio between March and December. Kosovo should create satisfactory conditions for investment and commercial disputes settlement. The current dispute resolution system is characterised by unclear mandates and jurisdiction in the Basic Court of Pristina, which leads to delays in resolution of disputes and hampers the quality and consistency of

decisions. A new commercial court is expected to process commercial cases more efficiently and reduce the backlog, but it will also have implications for the entire judicial structure that have yet to be properly assessed.

On **enterprise and industrial policy instruments**, organisations from Kosovo submitted four applications to the COSME financed Enterprise Europe Network (EEN). One of them was selected to represent the EEN in Kosovo. An agreement was signed with the Kosovo Credit Guarantee Fund under the programme's Loan Guarantee Facility, supporting SMEs' access to finance. Four organisations joined the COSME Erasmus for Young Entrepreneurs network.

## 6.17 Agriculture

*The common agricultural policy (CAP) supports farmers and rural development. This requires strong management and control systems. There are also common EU rules for quality policy and organic farming.*

Kosovo has **some level of preparation** on agriculture and rural development. **Limited progress** was made overall, especially in the implementation of the annual agri-rural development programmes and its evaluation, but progress on land consolidation and land protection was insufficient.

As not all 2019 recommendations were carried out, In the coming year, Kosovo should in particular:

- perform a qualitative assessment of the effectiveness of the support measures provided under the agriculture and rural development programme;
- adopt the law on common market organisations;
- take urgent, effective measures to stop the loss of agricultural land and implement the legislation on spatial planning.

**On horizontal agricultural issues**, Kosovo's institutional set-up includes the necessary systems for the development and implementation of the agricultural and rural development policy. The sector is affected by a predominance of small farms and fragmented arable land. In 2019, the agricultural budget (direct payments and grants) rose to EUR 49.6 million. The 2020 budget for direct payments and rural development measures increased by 5 percent. Additional positions were created in the Ministry of Agriculture. The Ministry adopted the annual direct payments and rural development programme. It has yet to decouple direct payments from production and to introduce cross-compliance measures. While internal audit was strengthened, the lack of administrative capacity for evaluation, monitoring and accounting within the Agency for Agricultural Development remains a challenge. Kosovo is in the process of establishing an integrated administration and control system and upgrading its land parcel identification system; it has already established farm accountancy data network.

No progress was made in establishing **common market organisations**. The Ministry's legislative workplan provides the relevant Law to be drafted and adopted in 2020.

The agriculture and rural development programme was improved to a certain extent and now includes support for small farmers. The system for monitoring and evaluating grants and subsidies has still to be improved, and the impact and effectiveness of support measures under the programme require assessment. The programme should be reviewed and updated to improve the efficiency of investments in the sector (e.g. farms, primary food processing, rural job creation, land consolidation, irrigation).

Progress on **quality policy** was limited. The legislation still has to be aligned with the EU

*acquis* and implemented.

**Organic farming** is governed by the 2018-2021 action plan for organic agriculture, with certification by two international organisations (in the absence of a dedicated domestic agency).

Progress on land consolidation and protection was insufficient. A more strategic approach is needed on the latter. Kosovo still has to establish a clear action plan and a taskforce, involving the Ministry of Agriculture and Rural Development, the Ministry of Environment and Spatial Planning and local authorities, to address the steady loss and degradation of farm land.

### **6.18 Food safety, veterinary and phytosanitary policy**

*EU hygiene rules for food production ensure a high level of food safety. The rules ensure animal health and welfare, the safety of food of animal origin and animal nutrition, the quality of seed, plant protection material and protection against harmful organisms.*

Kosovo has **some level of preparation** in the area of food safety, veterinary and phytosanitary policy. **Some progress** was made in adopting standard operating procedures on food and feed control at all stages and in developing annual and multi-annual control plans.

As not all 2019 recommendations were carried out, in the coming year, Kosovo should in particular:

- implement an integrated food control system, including by transferring inspectors from the municipalities to the Food and Veterinary Agency;
- select the operator for managing the rendering plant and animal by-product collection system and put into operation the animal by-product collection and disposal system;
- implement disease control and surveillance programmes and inform the European Commission on the results.

Kosovo made some progress aligning the food and feed safety legislation, and developed standard operating procedures for food and feed checks and controls. It drafted 19 laws and secondary acts. It should draft various standard operating procedures and complete the legal framework so that it is in line with the *acquis*. Kosovo should transfer inspectors from municipalities to the Kosovo Food and Veterinary Agency to ensure consistent implementation of food safety legislation and EU best practices.

The control system governing the production of poultry meat products intended for export to the EU received a positive assessment, so Kosovo is placed on the list of countries approved to export poultry meat products with raw material originating from the EU. Kosovo developed new tests and is performing proficiency testing with EU reference laboratories, but has not yet obtained an accreditation.

On **veterinary policy**, the Food and Veterinary Agency should continue to design and implement a comprehensive disease monitoring and control system, in line with EU legislation and World Organisation for Animal Health requirements. The long-term planning and implementation of programmes to eradicate diseases that are endemic in Kosovo still requires to be improved. The same applies to animal health controls at farm level and on the transport of animals, transport at livestock markets and transport of stray animals. The implementation of programmes in these areas is not satisfactory, with problems mostly due to the lack of in-service training and education programmes for field veterinarians.

On **animal health**, a multi-annual animal disease control and surveillance programme is in place. As part of regional efforts to control and eradicate rabies, the Agency resumed

vaccination campaigns with EU support. However, it lacks funds and human resources, so implementation of disease surveillance and control programmes is incomplete.

The system for the collection and disposal of animal by-products is not functional despite the existence of a new, equipped rendering plant. The Agency is due to select an operator to manage the rendering plant and the collection system in 2021.

No progress was made on **animal identification and registration**, where the under-reporting of animal movements remains a challenge. The Agency has yet to adopt measures to enforce the relevant regulation at the level of livestock markets, slaughterhouses and transport.

No progress was made on identifying basic **cross-compliance measures** in the areas of food safety, animal health and welfare.

With regard to the **phytosanitary** matters, some progress was made on the completion and harmonisation of the legal framework on plant protection products, fertilisers, plant quarantine and seeds and plant breeders' rights. A total of 15 new administrative instructions, four amendments to existing administrative instructions and two legislative amendments were drafted. 15 standard operating procedures were developed for the implementation of the administrative instructions and laws. The Agency should secure sufficient funding and human resources to implement these legal acts, once adopted.

The Kosovo Institute of Agriculture (as the only scientific body supporting the phytosanitary sector) should implement the quality assurance system and complete the accreditation of the plant protection laboratory.

## 6.19 Fisheries

*The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on markets and aquaculture and support for fisheries and coastal communities.*

Kosovo is still at an **early stage** of preparation in the area of fisheries. **No progress** was made in the reporting period. Since none of the last reports' recommendations were implemented, in the coming year, Kosovo should in particular:

→ further align its market policy with the *acquis*;

→ establish an inventory of fish species.

Kosovo has no coastline, so the *acquis* on catch quotas, inspection and control is of limited applicability. For its fisheries sector (which consists of aquaculture operations), it needs to establish a **market policy** in line with the *acquis*, as well as an inventory of fish species and stronger administrative capacity for policy management, inspection and control.

The Ministry of Agriculture grants subsidies to registered producers, but these are limited and reflect neither the potential for jobs and exports nor the market value of the sector.

## 6.20 Environment and climate change

*The EU promotes strong climate action, sustainable development and protection of the environment. EU law contains provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.*

Kosovo is at an **early stage of preparation** on environment and climate change. **Limited progress** was achieved during the reporting period. There was some improvement on

environmental reporting and air quality monitoring. Stronger political will is needed to address environmental degradation and climate change challenges. Many of the recommendations from the previous report are still pending. In the coming year, Kosovo is encouraged to considerably step up ambitions towards a green transition and should in particular:

- establish an effective water monitoring system, publish data and undertake urgent and permanent measures to reduce air and water pollution;
- continue to increase the waste collection coverage, notably with the introduction of separation of waste and recycling, introduce circular economy measures to reduce waste and address the issue of illegal dumpsites;
- enforce legal provisions on environmental liability, damage and crime; implement the polluter pays principle and create and start a permanent campaign for raising public awareness on environmental protection;
- implement the climate change strategy and the action plan on climate change, prepare a roadmap for alignment with the EU climate *acquis* and start the work on an energy and climate plan, in line with the Energy Community requirements.

## Environment

As regards **horizontal issues**, Kosovo should update and implement the 2011-2021 environment strategy. Insufficient funding and administrative capacity prevent the proper implementation of the current strategic framework. The lack of alignment with the Environmental Liability Directive undermines the effectiveness of environmental protection. There has been some progress on strengthening Criminal Code provisions on environmental crime, but they have remained ineffective to date. The environmental inspectorates lack the capacity for effective enforcement. Implementation of the impact assessments law needs to be considerably improved. Interinstitutional coordination and civil society involvement remains limited. Awareness raising is mostly left to the international community and civil society organisations. Some planned investments have been cancelled or postponed due to delays in land allocation or a lack of resources for the operation and maintenance costs of infrastructure.

**Air quality** continues to pose a major threat to health. The authorities failed to adopt and implement measures to improve it, in particular through emission reduction plan. The air quality strategy is still not enforced. Uncontrolled pollution, notably from outdated thermal power plants, household heating, traffic, industrial emission and the incineration of waste and other toxic materials, calls for urgent action. Measures to enforce the ban on coal for heating are not effective and subsidies should be introduced for other forms of heating. Air quality plans have not yet been prepared for zones in which pollutants levels clearly exceed limit values. There has been some progress on the real time monitoring of air quality.

The solid **waste management** system continues to be unsustainable. The legal framework is partially aligned with the EU *acquis*, but secondary legislation is still needed on to extended producer responsibility and the polluter pays principle. The Law on waste needs to be further aligned with the Waste Framework Directive. Implementation is deficient and most waste ends up in landfills that are not properly managed, or illegal. Despite efforts to get rid of illegal dumpsites, they continued to proliferate (from 1,572 in 2017 to 2,529 in 2019) and represent a serious public health risk, in particular due to hazardous waste and groundwater contamination. Waste prevention and monitoring remain a challenge. The current collection rate is 70% and less than 40% of solid waste is disposed of in managed facilities. Kosovo

should introduce legal and practical measures to reduce waste and increase recycling and recovery in line with circular economy principles. Municipal waste management plans have not been adopted by all municipalities. The 2013-2022 waste management strategy and action plan are only partly reflected in local planning documents. The coal ash deposit lake operated by the Kosovo Electricity Company and the Mirash landfill in Obiliq/Obilić should be urgently and permanently closed and rehabilitated.

No progress was made on aligning **water** legislation with the EU *acquis*. Kosovo has a 2017-2036 water strategy, but the level of alignment with EU legislation remains very low. More needs to be done to ensure the implementation the Law on water. Water resource monitoring networks are still incomplete, in particular for groundwater, and water protection zones are not being monitored or properly managed. Urgent efforts are required to ensure that the river basin district authority becomes operational. No progress was achieved in preparing management plans for all river basins. There was some progress on cooperation with neighbouring countries on integrated water management and flood protection. Some progress was achieved with the planning and construction of wastewater treatment plants. Tariff collection needs to be improved and water losses to be reduced, especially commercial losses. Dam safety and management are inadequate, as are flood risk mapping and prevention. A lack of treatment facilities means that untreated sewage and discharge remain the main sources of water pollution. Kosovo should identify agglomerations and sensitive areas, in line with the Urban Waste Water Treatment Directive. Water reservoir dams management needs to be improved to meet water demand, especially in the light of water stress resulting from climate change. The cumulative effect of the construction of numerous small hydroelectric power plants harms the environment.

The 2016-2020 action plan for biodiversity is only partially implemented. No progress was made in the area of **nature protection**. Kosovo became a member of the International Union for Conservation of Nature and extended protected area status to more of its territory. Yet, those are polluted and poorly maintained. Kosovo has taken steps to start inventories and mapping of natural habitats and biodiversity, but the designation of Natura 2000 sites is still at a very early stage due to a lack of administrative capacity. Some progress on forestry was made on planning and management, with the adoption of relevant secondary acts. Deforestation and illegal logging remain problematic.

No developments were noted on alignment with the EU *acquis* on **industrial pollution and risk management**, which remains at an early stage. Insufficient enforcement of legislation and polluter accountability is hampering the setting-up of a system for preventing industrial and chemical accidents. Hazardous mine waste, industrial discharge into rivers and industrial dumpsites continue to pose serious threats to soil and water. No location has been established for the future hazardous waste storage facility.

No progress was registered on **chemicals**, where alignment with the EU *acquis* remains at an early stage. Kosovo is not party to the Rotterdam Convention and still needs to implement the regulatory framework on the export and import of hazardous chemicals. It has not yet established a helpdesk and a centre for the control of chemical poisoning.

Kosovo has no legislation on **noise** and there were no developments in this area.

Kosovo is not part of the **Union Civil Protection Mechanism**, but benefits from regional civil protection programmes under the Instrument for Pre-Accession Assistance. Kosovo can also benefit from certain tools under the Union Civil Protection Mechanism such as trainings, exercises, prevention and preparedness projects and exchange of experts. It has not yet established an operational centre and emergency communication system. The COVID-19 highlighted the need to strengthen the legal framework and institutional capacities as well as

human and financial resources of civil protection authorities also with regard to health emergencies. Kosovo is encouraged to participate more actively in the activities under the Union Civil Protection Mechanism (UCPM), such as trainings, exchange of experts, prevention and preparedness projects, exercises, peer reviews and advisory missions.

### Climate change

Implementation of the climate change strategy is still at an early stage. Kosovo relies heavily on coal and is not complying with the emission ceilings established under its National Emission Reduction Plan (NERP).

Kosovo made no progress on aligning with EU legislation. It still has no climate change adaptation strategy. The Council for the Environment and Climate Change and climate change coordinator took no concrete measures to mainstream climate action or raise public awareness, and there is little evidence of policies being aligned with climate change objectives. Administrative capacity and awareness-raising need to be strengthened considerably at all levels. The 2019-2028 climate change strategy and action plan are not properly implemented.

Although Kosovo is not a signatory to the UN Framework Convention on Climate Change and therefore does not have a nationally determined contribution under the 2015 Paris Agreement, full implementation of its climate change strategy should serve as a guide to achieving the objectives of the Agreement.

### **6.21 Transport policy**

*The EU has common rules for technical and safety standards, security, social standards, state aid and market liberalisation in road transport, railways, inland waterways, combined transport, aviation and maritime transport.*

Kosovo is at an **early stage/has some level of preparation** in the area of transport policy. **Limited progress** was achieved, and further efforts are needed to strengthen the administrative capacity for all transport modes. There was no progress in completing key sector reforms and the 2019 recommendations remain valid. In the coming year, Kosovo should in particular:

- secure necessary resources and improve road safety by targeting the reduction of fatalities and establish a system for continuous road crash data collection;
- strengthen the capacity of the railway regulator and ensure its financial and operational independence;
- adopt legislation on the Intelligent Transport System (ITS) and develop a strategic framework for the implementation of the ITS on core networks, ensuring sufficient capacity and resources for its implementation;
- pursue efforts to comply with the requirements under the first transitional phase of the European Common Aviation Area agreement.

On **general transport** issues, Kosovo needs to maintain its active involvement in Transport Community Treaty meetings. Kosovo's key document in this area is the 2015-2025 Multimodal Transport Strategy and action plan need to be updated in line with recent trends on the environment, greener transport projects and intelligent transport system (ITS). The legal framework remains not aligned with the EU *acquis* on summertime arrangements, and procedures and criteria for the award of public service contracts. There are master plans for each transport mode, but administrative capacities and network maintenance remain weak.



Kosovo's investigation body for air and railway accident is independent from the regulatory authority. However, it has not yet appointed a staff member in charge of investigating railways accident. Further efforts are required to transpose the ITS Directive in full and implement relevant domestic laws. Kosovo has yet to adopt an overall ITS strategy and allocate resources for ITS.

On **road transport**, efforts are ongoing to update the legal framework in relation to road safety audits, inspections and safety management. No progress was made on the adoption of a 5-year road maintenance plan. The implementation of legislation continues to face delays due to a shortage of inspectors and qualified staff the Ministry of Infrastructure. Implementation of the legislation on the transport of dangerous goods, including through checks, needs to be improved. No progress was made on following up the CONNECTA report recommendations establishing a country-wide road-crash data system nor on transposing EU *acquis* on passengers' rights. Kosovo is not a member of the Interbus Agreement. The introduction of digital tachographs continues to be held back by the fact that Kosovo does not have access to the associated digital infrastructure (country codes). Kosovo's legal framework is partially aligned with the EU *acquis* on common rules for access to the international road haulage market. There was no progress on aligning legislation on clean and energy efficient road transport vehicles or the development of an alternative fuel infrastructure.

Kosovo's legislation on **rail transport** needs to be updated, in particular in relation to accident investigation. It made no progress on the adoption of a 5-year rail maintenance plan. Significant efforts are needed to rehabilitate and extend rail transport for both freight and passengers. The fourth railway package has been partially implemented. The rehabilitation of the rail route 10 is ongoing and a pre-feasibility study has been launched for the rehabilitation of railway route 7. In November 2019, railway authorities signed the Declaration on European Railway Safety Culture, which aims to raise awareness and promote a positive safety culture throughout the industry. On **air transport**, Kosovo is part of the European common aviation area and covered by the single European sky arrangements. The sector continues to face challenges arising from the fact that Kosovo is not a member of several international civil aviation organisations. The lack of revenue from upper airspace management continues to constrain its ability to invest in training and infrastructure development. The Air Navigation Service Agency and the Civil Aviation Authority face funding difficulties and staff shortages.

Infrastructure improvements at Pristina International Airport are ongoing, including a runway extension and upgrade of the instrumental landing system.

Regarding aviation security, Kosovo is committed to fulfil EU requirements, international standards and recommended practices to prevent "Acts of Unlawful Interference".

No progress has been made on developing an **intermodal transport** strategy.

## 6.22 Energy

*EU energy policy covers energy supply, infrastructure, the internal energy market, consumers, renewable energy, energy efficiency, nuclear energy and safety, and radiation protection.*

Kosovo has **some level of preparation** in the field of energy. There was **some progress** in this area, notably on alignment with the EU *acquis* and on the increase of renewable energy investments. However, energy sector diversification is slow and Kosovo remains heavily reliant on coal, which in addition to being a dominant greenhouse gases emission source, causes serious health and environmental hazards. Kosovo needs a strategic focus on a comprehensive green agenda, in line with EU goals, including a gradual shift from coal to renewables and increased energy efficiency in all sectors.

As recommendations from the previous report were only partially addressed, in the coming year, Kosovo should:

- finalise the environmental upgrade of Kosovo B thermal power plant and prepare for decommissioning works of the Kosovo A thermal power plant;
- operationalise the Energy Efficiency Fund and start implementing energy efficiency projects in municipalities. Introduce energy efficiency incentives in residential and private sectors;
- update Kosovo's energy strategy with a main focus on renewables, energy efficiency and decarbonisation targets. Take measures to enable a cost-effective deployment of renewable energy and introduce renewable energy auctions;
- adopt a plan for the gradual adjustment of energy tariffs, reflecting expected increases in costs, and including mitigation measures for vulnerable consumers.

Kosovo's competitiveness continues to be undermined by its unreliable and undiversified energy supply. The outdated power system relies on two old lignite thermal power plants which account for around 90 % of its electricity production, but also for significant heavy air pollution and environmental problems. The energy sector is the main source of greenhouse gas emissions. The 2017-2026 energy strategy needs to be revised and steered towards decarbonisation.

Some developments took place on **security of supply**. A new Connection Agreement between the Kosovo transmission system operator (KOSTT) and the European Network of Transmission Systems Operators for electricity (ENTSO-E) has been approved, but has not yet entered into force. Its entry into force should lead to the operationalisation of the recently built 400kV interconnection line between Kosovo and Albania, which has so far remained dormant.

Despite investment and maintenance in the power transmission system, more focus is needed on the reduction of losses in electricity distribution. There was no progress in aligning with the EU *acquis* in the area of compulsory oil and petroleum reserves.

Kosovo is exploring possibilities for gas interconnectors with neighbouring countries. The impact of a gas pipeline between Kosovo and Albania (Alkogap), based on the trans-Adriatic Pipeline (TAP) project, has been assessed and a pre-feasibility study has been launched on a gas pipeline from North Macedonia to Kosovo.

The **internal energy market** continues to be undermined by insufficient regional economic integration.

The fate of the project to build a new 500 MW coal-based power plant ("Kosova e Re") is unclear, after the company selected by the Kosovo government to build the new plant announced in March 2020 that it would not proceed with the project. Several aspects of the project, including its potential impact on public finances, electricity prices for consumers, biodiversity, climate change and the environment, as well as its compatibility with state aid rules, had raised questions. The new government supports the project but there is no clarity on timelines and financing options.

Works to enhance the environmental performance of Kosovo B thermal power plant started in 2020 and are expected to bring levels of gaseous emissions into line with the EU *acquis*. Preparations are ongoing for the decommissioning of defunct units at Kosovo A. There is an urgent need to find a location for the disposal of hazardous waste. The legal framework needs to be aligned with the EU Directives on large combustion plants and industrial emissions. In

27 March 2020, the Ministerial Council of the Energy Community found that Kosovo failed to transpose these Directives.

Tariffs for households do not yet reflect costs. Wholesale prices in the electricity market are fully deregulated, but the regulation of supply prices has again been extended. In view of the expected upward price pressure, Kosovo needs to develop a programme to protect socially vulnerable customers, in line with Energy Community requirements.

The Energy Regulatory Office has been without a chairperson for the last 3 years, and its independence continues to be undermined by political interference.

There was some progress on **renewable energy sources**, notably an increase of new investments, especially in wind and solar. By the end of 2019, Kosovo had registered 76 MW of hydropower, 34 MW of wind power and 10 MW of solar power, for a total capacity of around 120 MW. Works started on a new biomass heating plant. The development of small hydropower plants faced strong public resistance due to concerns over their environmental impact. New projects should comply with the EU *acquis* on concessions and the environment, and take account of the impact on areas of high natural interest. Competitive bidding procedures for renewable energy projects are undermined by the use of excessive fixed feed-in tariffs by the Energy Regulatory Office. In January 2020, the Basic Court in Pristina suspended the Office's decision to raise the fixed feed-in tariffs for solar energy. Kosovo should introduce renewable energy auctions and enable the cost-effective deployment of renewable energy. While the legislation is partially aligned with the EU *acquis*, the electricity market should be restructured to facilitate the integration of renewable energy generation.

There was no progress on meeting the requirements for the use of biofuels in transport. An administrative instruction on biofuels and the adoption of a new Law on trade in petroleum products and renewable fuels have been pending for over four years.

There was some progress on **energy efficiency** with the adoption of implementing legislation on the energy performance of buildings and municipalities developing action plans. The capacity to monitor the implementation of energy efficiency policy remains very limited. Kosovo needs to bring into operation the monitoring and verification platform for energy savings. Implementing legislation for the Law on energy efficiency, in particular the energy efficiency action plan, is pending.

Kosovo should prioritise energy efficiency investments in residential buildings and the private sector (which account for 50% of final energy consumption). The board of directors of the new Energy Efficiency Fund was appointed in the reporting period.

There was limited progress on **nuclear safety and radiation protection**. The capacities of the Nuclear Safety and Radiation Protection Agency remain weak and it has insufficient financial resources to deliver on its mandate. Kosovo has still not found a solution for the temporary storage of radioactive waste. No developments were noted on the monitoring of radiation (e.g. from depleted uranium) and there is no radiological emergency plan. As an example of international cooperation in this area, Kosovo is finalising a memorandum of understanding for the management of radioactive waste with Montenegro.

## **6.23 Trans-European networks**

*The EU promotes trans-European networks in the areas of transport, telecommunication and energy to strengthen the internal market and contribute to growth and employment.*

In the area of trans-European networks (TENs), Kosovo has **some level of preparation**. **Some progress** was achieved, notably by implementing parts of the Transport Community Treaty and the Regional Roaming Agreement. However, many of the recommendations of the previous report are still pending, therefore the 2019 recommendations remain valid. In the coming year, Kosovo should in particular:

- proceed with harmonising the legal framework with the TEN-T and TEN-E *acquis*. Implement the pending connectivity reform measures and strengthen institutional and administrative capacities for the implementation of strategic infrastructure projects;
- improve the capacity of the Regulatory Authority of Electronic and Postal Communications to enforce telecommunications market regulations;
- sign the pending Railway Border Crossing Protocol with North Macedonia.

On **transport networks**, Kosovo needs to maintain its active involvement in Transport Community Treaty meetings. The authorities are encouraged to step up their efforts and intensify cooperation in the framework of the Treaty. The development of the trans-European Transport Network (TEN-T) is covered in Kosovo's 2015-2025 multimodal transport strategy and a 5-year action plan. As in previous years, interinstitutional capacity to implement infrastructure projects was very limited. Kosovo should complete priority projects on the extension of the core and comprehensive TEN-T, but also earmark sufficient resources for the maintenance of existing networks. It should reactivate the work of the National Investment Council and channel projects through a single project pipeline. As a reaction to the COVID-19 pandemic, green corridors were established and are functioning effectively throughout the major corridors.

Kosovo continued to develop its transport infrastructure, with the completion in May 2019 of the route 6 motorway, part of the Orient East/Med corridor linking it with North Macedonia. However, the project was criticised for a lack of transparency and excessive costs. Financing has not been secured for the works on route 7 between Pristina and Merdarë/Merdare. Works were completed on the border crossing point between Stançiq/Stančić (Kosovo) and Belanovce/Bellanoç (North Macedonia). The construction works for railway route 10 started in July 2019, but are advancing more slowly than expected. Progress was made on the rail border crossing protocols with North Macedonia, these should be finalised without further delay. Some progress was achieved on the opening of the rail market. No progress was made on the adoption of the five-year road and rail maintenance plan. Current and future infrastructure investments need to comply with EU standards on public procurement, state aid and environmental impact assessment, and be based on cost/benefit analyses carried out in line with EU best practices.

On **energy networks**, Kosovo made progress on market integration. Kosovo's and Albania's transmission system operators signed in December 2019 a bilateral agreement to establish a joint control block. However, the new 400kV transmission line and load frequency control with Albania cannot become operational until the Entso-e/KOSTT connection agreement enters into force. The impact of the Alkogap gas pipeline between Kosovo and Albania deriving from the Trans-Adriatic Pipeline (TAP) project was assessed and a pre-feasibility study was launched on a gas pipeline from North Macedonia. Kosovo remains heavily dependent on carbon intensive infrastructure and needs to develop its regional connections to unlock the potential of a broader green agenda and regional integration.

On **telecommunications networks**, no progress was made on strengthening the institutional capacity of the Electronic and Postal Communications Regulatory Authority. Kosovo engaged

constructively in the implementation from 1 July 2019 of a regional roaming agreement, aimed at substantially reduce roaming charges within the region.

## 6.24 Information society and media

*The EU supports the smooth functioning of the internal market for electronic communications, electronic commerce and audio-visual services. The rules protect consumers and support universal availability of modern services.*

Kosovo has **some level of preparation** in the area of information society and media. The legislative framework is mostly in place and there was **limited progress** on implementation. Kosovo also advanced with the implementation of the 2013-2020 Digital Agenda and the Regional Roaming Agreement. A sustainable solution for the funding of the public broadcaster still needs to be adopted. As in previous years, the Independent Media Commission did not move forward with the process of switching from analogue to digital television.

Last report's recommendations have not been addressed. In the coming year, Kosovo should in particular:

- ensure that telecoms and media regulators are given adequate resources to fulfil their mandates independently and develop a solution for the sustainable funding of the public service broadcaster;
- implement number portability to ensure effective use of numbering resources and fostering competition;
- free the first digital dividend / liberate frequencies;
- revise the Law on the independent media commission so as to increase the availability of data on the audio-visual sector and extend the regulator's regulatory, monitoring and enforcement powers.

As regards **electronic communications and information and communication technologies (ICT)**, there was no improvement in the financial and organisational independence of the Electronic and Postal Communications Regulatory Authority. The Kosovo Agency for Statistics (KAS) continued to publish data on the use of ICT. According to a survey, 93.2% of households had access to the internet (unchanged from 2018). Some 91.2% accessed the internet through fixed connections (a 1 percentage point increase from 2018), while the number accessing the internet through mobile connections increased by 15 percentage points, to 39.6%. Data on companies' ICT use show that 97.1% of businesses with more than 10 employees used the internet, but only 11.4% made sales online and 19% made purchases online.

In 2019, the telecoms regulator approved several important regulations, including a Regulation on market analysis, which is in line with the main principles of the EU regulatory framework. The authorities should ensure that markets are genuinely competitive – the key to this is number portability (enabling customers to switch operators while retaining the same number), without which numbering resources cannot be used effectively.

The public institutions are obliged only to use services provided by the publicly owned operator, Kosovo Telecom; this puts private providers at an unfair competitive disadvantage (*see section 6.7 Competition Policy*).

Kosovo continues to implement its 2013-2020 digital agenda. Following some initial delays, the new dialling code (+383), is now fully operational. The regulator reviewed pricing

policies for frequency allocation (currently used for mobile telephony services), the new frequency allocations and annual fees, resulting in major cost reductions for all categories. The authorities implemented the Regional Roaming Agreement, signed in April 2019.

As regards the **information society**, Kosovo continued to work on alignment with the Electronic Identification, Authentication and Trust Services Regulation, the Directive on the Security of Network and Information Systems and the Broadband Cost Reduction Directive. The computer security incident response team (set up in 2014) remains understaffed. Kosovo is working to get its e-government portal up and running in order to deliver electronic services to citizens and businesses.

On **audio-visual policy**, the Independent Media Commission (IMC) once again failed to make any progress in switching off analogue TV. Kosovo needs to speed up the digital switchover in full transparency and in line with EU standards. The Law on the IMC gives it sufficient regulatory, enforcement and monitoring powers to ensure pluralism and competitiveness in the market, but no market analysis has been done in recent years. Also, partly due to a lack of information on media ownership and the distribution of advertising funds, the IMC does not impose effective sanctions on broadcasters. The IMC needs adequate staffing and funding to exercise its existing powers independently, but its powers should also be extended to online audio-visual media (e.g. Catch up TV, video on demand and web TV).

Radio Television of Kosovo (RTK) remains directly state-funded, with its budget determined annually by the Assembly; this undermines its editorial independence and leaves it prone to political influence. The RTK Law should be amended in line with best practice on sustainable funding and so as to ensure the transparent and professional selection of its board members.

## 6.25 Financial control

*The EU promotes the reform of Kosovo governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the euro against counterfeiting.*

Kosovo has **some level of preparation** in the area of financial control. **Some progress** was made with the adoption of secondary legislation on public internal financial control (PIFC), as well as of a methodology on reporting on internal control systems by the Central Harmonisation Unit. However, Kosovo still needs to develop a comprehensive PIFC Policy Paper with a particular focus on the definition and implementation of managerial accountability. High level political support is needed for the implementation of PIFC at all levels of administration. The functioning of internal control and audit and the timely implementation of internal and external audit recommendations should be improved. The recommendations from last year were only very partially implemented.

In the coming year, Kosovo should in particular:

- develop a comprehensive PIFC Policy Paper focusing on definition and implementation of managerial accountability;
- define the accountability lines within and between public institutions through adequate implementation of the Law on the organisation and functioning of the state administration and independent agencies, and its secondary legislation;
- ensure more systematic and timely implementation of external audit recommendations.

## Public internal financial control

The **strategic framework** for public internal financial control (PIFC) is broadly in place but the PIFC Strategy expired at the end of December. Kosovo should start work on a comprehensive PIFC Policy Paper with a particular focus on the definition and implementation of managerial accountability. Furthermore, it should align the strategic framework for PIFC, public administration reform and public financial management in order to have an efficient system for effective strategic management, coordination, monitoring and reporting of the reforms.

Kosovo should make further efforts to embed **managerial accountability** in the administrative culture. The Regulation on financial management and control clarified the rules for delegating responsibilities, however in practice it is still under-used and managerial accountability is limited by a primary focus on compliance rather than performance. Throughout public sector management there is a need to establish individual performance objectives linked with the organisational objectives set out in institutional plans and strategy documents. In addition, the practical implementation of the concept of managerial accountability needs to be embedded in a coherent way across the central and local level. There is only a limited delegation of authorities and responsibilities by the management level, which continues to be strongly centralised. The Law on the organisation and functioning of the administration and independent agencies should clarify the lines of accountability within and between institutions and agencies. Implementation of the action plan on the rationalisation of agencies, which is aimed at reducing the high number of (semi-) independent agencies and introducing better supervision and reporting lines, has stalled since the government resignation in July (*See section on Public Administration Reform*).

The legal framework on **internal control** is harmonised with international standards. Since the entry into force of the PIFC Law in April 2018, three out of its four secondary acts have been adopted. These concern the internal audit function, the internal audit committee, and the framework and basic rules of financial management and control for all public sector entities, following the Committee of Sponsoring Organizations of the Treadway Commission (COSO) principles. Risk management as well as reporting on irregularity management needs to be strengthened and a risk-based approach to the selection of cases is under preparation.

**Internal audit practice** focuses mostly on compliance with rules and procedures and the administrative capacities of internal audit units at central and local level are still limited. Most internal audit units submit strategic and annual audit plans as required, but quality assurance should be further implemented.

The **Central Harmonisation Unit** (CHU) monitored six public sector entities specifically for the quality of their financial management and control. The Minister of Finance adopted in 2019 a methodology on monitoring and annual reporting for public-sector entities' internal control systems. The CHU prepares an annual report on the implementation of PIFC on the basis of replies to self-assessment questionnaires and its own quality reviews. Its recommendations should be more evidence-based and more systematically implemented.

## External audit

Kosovo's **constitutional and legal framework** provides for the functional, organisational and financial independence of the National Audit Office in line with the standards of the International Organisation of Supreme Audit Institutions, which the Office joined on 1 January 2020.

The Office's **institutional capacity** increased further to 170 staff, of whom 141 are audit staff. It is implementing its 2018-2021 strategic development plan, which includes objectives,

performance indicators and a monitoring framework. It has recently established an Anti-Fraud Unit currently staffed by one official.

The Office introduced audit quality control and assurance procedures and continued to implement a certification programme for auditors. It finalised 15 performance audit reports, compared to 13 in 2018 and 11 in 2017. Even if there is an ongoing effort, the Office undertakes mainly regularity audits and the number of performance audits should continue to increase. In order to improve the **impact of audit work**, especially at local level, the Office worked with civil society organisations, to organise municipality-level public debates on the audit recommendations. According to its 2018 annual report, the proportion of fully implemented recommendations rose from 34% to 39%. While its cooperation with the Assembly committees has improved, the Assembly should more systematically follow-up its recommendations. The Office should also continue its communication effort to strengthen its overall image.

#### Protection of the EU's financial interests

The degree of alignment with the *acquis* in this area still needs to be determined. Kosovo has no **anti-fraud coordination service** to facilitate effective coordination, cooperation and exchange of information with the Commission. The European Anti-Fraud Office (OLAF) has an administrative agreement with the Kosovo Police to ensure cooperation and the timely transmission of information and cooperation in cases relating to alleged fraud and other illegal activities affecting the financial interests of the EU.

#### Protection of the euro against counterfeiting

The degree of alignment in this area needs to be determined. Kosovo has designated competent authorities and established procedures for dealing with counterfeit money. The Law on the Central Bank prohibits the circulation of counterfeit money and a Regulation on cash operations lays down rules and procedures for financial institutions operating in Kosovo. The Commission has a **cooperation agreement** on coins with the Kosovo Agency on Forensics. Kosovo also participates in the actions of the Pericles 2020 programme.

### **6.26 Statistics**

*EU rules require that Member States are able to produce statistics based on professional independence, impartiality, reliability, transparency, and confidentiality. Common rules govern the methodology, production and dissemination of statistical information.*

Kosovo has **some level of preparation** in the area of statistics. **Some progress** was made in improving the methodology for data collection following Eurostat recommendations and with the ratification of the amended law on statistics. Communication between statistical institutions improved slightly but coordination at technical level and the use of available administrative data sources need to be upgraded. Alignment of sectorial statistics with European standards saw very little improvement during the reporting period. There was also a very modest increase of statistical products.

As not all 2019 recommendations were carried out, in the coming year, Kosovo should in particular:

- ensure the implementation of the amended law on statistics;
- improve statistical governance and coordination between the main statistical institutions; ensure better access to and use of available administrative data sources;
- intensify preparations for the next population census scheduled for 2021 by ensuring adequate resources and full coverage of the territory.



Kosovo's legislation on **statistical infrastructure** is broadly in line with the European Statistics Code of Practice. Kosovo should enforce recent amendments to the Law on statistics by preserving the lead role of the Kosovo Agency of Statistics (KAS) and improving statistical governance. Communication between statistical institutions improved somewhat: KAS recently signed memoranda of understanding with the Civil Registry Agency, the Ministry of Health and Kosovo Police. However, Kosovo should enhance coordination at technical level and access to and use of available administrative data sources. KAS should do more to follow up the Eurostat peer review recommendations, particularly by improving cost-effectiveness, quality management and relations with data users. It took on more staff, but still needs to improve the efficiency of its internal processes and delegation of managerial responsibilities. Its current premises are inadequate. Data transmission to Eurostat continues to improve. Despite improvements in its web-based dissemination of statistics, KAS needs to create closer relations with data users and academics. Kosovo continues to use the European classification of economic activities (NACE Rev.2), but has not improved in the use of other European classifications. It regularly updates its registers (on agriculture, business and schools/education), but the population register still needs significant improvements ahead of the forthcoming census.

On **macroeconomic statistics**, Kosovo has made limited improvements; further alignment with the European system of accounts (ESA 2010) is ongoing. KAS shortened the time taken to produce annual and quarterly national accounts, but it suffers from methodological inconsistency and changes are not adequately explained. Annual and quarterly sector accounts, supply/use tables and regional accounts are not regularly compiled. It does not issue fiscal notifications and complies only marginally with the ESA 2010 transmission table. Monthly statistics for trade in goods and annual figures for trade in services are submitted to Eurostat. The Central Bank's balance of payments data are broadly in line with the *acquis*. Government finance statistics are published on a quarterly basis. The harmonised index of consumer prices is based on EU standards (ECOICOP) but is still not published by Eurostat due to problems of aggregation consistency. Several surveys for compiling purchasing power parities are missing.

Structural **business statistics** and some short-term statistics are partially in line with the *acquis*, but their availability is limited and they are not broken down between public and private investments or by sector. Industry statistics are produced broadly in line with the relevant regulation, but no construction or service sector statistics are available. The construction cost index is produced on a quarterly basis. Industry statistics (PRODCOM survey) for 2018 were finalised and published. Foreign affiliates statistics are not available. Tourism statistics and transport statistics do not yet comply with the *acquis*. Statistics on research and development and innovation are not produced on a regular basis, but the information and communication technologies statistics for households and enterprises are now published regularly.

In the area of **social statistics**, only demographic statistics are broadly in line with the *acquis*. Preparations for the upcoming 2021 population census have been hampered by insufficient financial resources and territorial coverage. Due to the COVID-19 pandemic, the government postponed the pilot census that was to be conducted in April 2020 and which is a necessary preparatory step ahead of the general census. Statistics on income and living conditions (EU-SILC) are produced annually and data collection methods improved, but EU-SILC 2018 results were not published. Social protection and labour market statistics are only partial. Kosovo carries out regular annual and quarterly labour force surveys and the publication timeframe has improved. It still does not produce the labour cost index, structure of earnings data or job vacancy statistics. It produces partial education statistics, albeit not according to

international classification standards (ISCED 2011), but no vocational training statistics. Public health and crime statistics are not yet in line with EU standards.

As regards **agricultural statistics**, KAS publishes annual crops, livestock production and orchard statistics. The agricultural holding survey is produced regularly and in line with the *acquis*. The farm structure survey was not conducted in 2019 (due to resource limitation) and was postponed for after the general census. Agricultural price indices and economic accounts are produced on a regular basis. Supply balance sheets and the agriculture labour index are not yet produced.

Kosovo's **energy and environment statistics** are partially in line with the *acquis*. KAS brought forward the publication of energy balance results and sent more statistical products to Eurostat, but the energy and environment statistics require further improvement. Energy consumption statistics for the residential, services and transport sectors are collected, but the results are not published. Monthly data and the monthly share of renewables are not sent to Eurostat. The lack of updated energy efficiency indicators continues to be an obstacle to reporting on energy savings. Waste and water statistics are produced regularly. Greenhouse gas emission statistics are collected but not published regularly. Kosovo does not yet provide other environmental statistics, such as air emissions accounts, environment related taxes by economic activity, environmental protection expenditure and material flow balances.

## ANNEX I – RELATIONS BETWEEN THE EU AND KOSOVO

In April 2016, the EU-Kosovo **Stabilisation and Association Agreement (SAA)** entered into force. The SAA constitutes the first contractual relationship between the EU and Kosovo. It is a comprehensive agreement that provides a framework for political dialogue and covers cooperation in a wide variety of sectors, including justice and home affairs, trade, education, employment, energy, environment and a range of other policy areas. Three Stabilisation and Association Council meetings and four cycles of subcommittee meetings took place since 2016. Kosovo also participates in the ministerial dialogue between the economic and finance ministers of the EU and the candidate countries, where joint recommendations are adopted. The most recent meeting was held in May 2020.

To guide reforms under the implementation of the SAA, the Commission and Kosovo adopted in November 2016 the **European Reform Agenda (ERA)** for Kosovo. The Agenda outlines priority actions in the fields of good governance and the rule of law, competitiveness and investment climate, and employment and education. Since 2012, the Commission has issued five reports on Kosovo's progress towards **visa liberalisation** (the most recent in June 2018). In July 2018, the Commission confirmed that Kosovo has met the two outstanding requirements, thus fulfilling all benchmarks set out in the Visa Liberalisation Roadmap. The European Parliament has voted in support of the Commission proposal. The proposal is pending in the Council.

The bilateral EU support for Kosovo under the **Instrument for Pre-accession Assistance (IPA II)** in 2014-2020 amounts to EUR 573 million. The 2019 and 2020 action programmes include an EU contribution amounting to EUR 176.6 million. The assistance is implemented under direct management by the EU Office in Kosovo, as well as through budget support operations on public administration reform and public financial management.

As part of the response to the COVID-19 pandemic, EUR 5 million have been refocused for urgent medical equipment and EUR 62 million for socio-economic recovery measures under IPA II. Kosovo will also receive up to EUR 100 million in loans for macro financial assistance. Furthermore, Kosovo benefits from the IPA multi-country and regional programmes and participates in three cross-border cooperation programmes

Kosovo and **Europol** have concluded a working arrangement in July 2020. The arrangement will constitute the basis for enhanced cooperation between Kosovo Police, Europol and EU Member States, in particular in addressing terrorism and extremism as well as organised crime.

On 17 July 2017, the Council approved the Framework Agreement between the EU and Kosovo on the general principles for the participation of Kosovo in **EU programmes**. In 2018, Kosovo joined the Erasmus+, COSME, Europe for Citizens and Creative Europe programmes. In 2020, Kosovo joined the Customs 2020 and Fiscalis 2020 programmes.

The **Kosovo Specialist Chambers** and **Specialist Prosecutor's Office**, established to investigate and prosecute allegations stemming from the 2011 Council of Europe Report, which alleges serious violations of international law, continued their work.

Since 2008, the **European Rule of Law Mission in Kosovo (EULEX)** has been assisting Kosovo authorities in establishing sustainable and independent rule of law institutions. EULEX was granted a one-year technical mandate extension (July 2020-July 2021) during the COVID-19 pandemic. The Mission continues to undertake monitoring activities and has limited executive functions.

To date, according to the government, Kosovo has been recognised by 114 countries, including 23 EU Member States.

During the reporting period, the UN Secretary-General continued to provide regular updates on the implementation of the UN's mission in Kosovo (UNMIK). He notably welcomed the peaceful transition of power after the legislative elections in October 2019, and encouraged the swift resumption of the EU-facilitated Dialogue.

The NATO-led Kosovo Force (KFOR) has continued to help ensure a safe and secure environment in Kosovo. In August 2020, it had 3 419 personnel.

## STATISTICAL DATA (as of 03.04.2020)

**Kosovo**

### Basic data

	No	2007	2014	2015	2016	2017	2018
Population (thousand)		2 127	1 821be	1 805e	1 772e	1 784e	1 799e
Total area of the country (km <sup>2</sup> )	1)	10 908	10 908	10 908	10 908	10 905	10 905

### National accounts

	No	2007	2014	2015	2016	2017	2018
Gross domestic product (GDP) (million euro)		:	5 568	5 807	6 070	6 414	6 726
GDP (euro per capita)		:	3 070	3 250	3 410	3 580e	3 740e
GDP per capita (in purchasing power standards (PPS))		:	:	:	:	:	:
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		:	:	:	:	:	:
Real GDP growth rate: change on previous year of GDP volume (%)		:	1.2	4.1	4.1	4.2	3.8
Employment growth (national accounts data), relative to the previous year (%)		:	:	:	:	:	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	:	:	:	:	:
Unit labour cost growth, relative to the previous year (%)		:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2010 = 100)		:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		:	14.3	12.6	13	11.4	8.9

Industry (%)	:	19.4	20.8	21.5	21.8	21.8
Construction (%)	:	7.3	8.4	8.1	9.9	10.8
Services (%)	:	59.0	58.2	57.4	56.9	58.5
Final consumption expenditure, as a share of GDP (%)	:	102.9	100.9	100.0	97.5	99.7
Gross fixed capital formation, as a share of GDP (%)	:	23.2	25.8	25.5	27	28.1
Changes in inventories, as a share of GDP (%)	:	2.5	1.8	1.6	1.4	1.4
Exports of goods and services, relative to GDP (%)	:	22.5	21.9	23.7	26.7	26.4
Imports of goods and services, relative to GDP (%)	:	51.2	50.4	50.9	52.5	55.6
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)	:	:	:	:	:	:

## Business

	No	2007	2014	2015	2016	2017	2018
Industrial production volume index (2015 = 100)	:	:	:	:	:	:	:
Number of active enterprises (number)	:	:	31 420	35 472	33 274	34 355	31 028p
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)	:	:	9.0	11.7	9.2	8.7	:
Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)	:	:	5.3	8.3p	15.8p	:	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)	:	:	76.6	78.3	78.5	78.8	78.4p
Value added by SMEs (in the non-financial business economy) (EUR million)	:	:	:	:	:	:	:
Total value added (in the non-financial business economy) (EUR million)	:	:	:	:	:	:	:

### Inflation rate and house prices

	No	2007	2014	2015	2016	2017	2018
Harmonised consumer price index (HICP), change relative to the previous year (%)		4.4	0.4	-0.5	0.3	1.5	1.1
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

### Balance of payments

	No	2007	2014	2015	2016	2017	2018
Balance of payments: current account total (million euro)		-213.9	-384.6	-497.3	-481.4	-383.2	-508.8
Balance of payments current account: trade balance (million euro)		-1 354.4	-2 058.6	-2 109.3	-2 290.8	-2 464.2	-2 737.7
Balance of payments current account: net services (million euro)		112.2	459.9	457.1	638.8	793.5	855.8
Balance of payments current account: net balance for primary income (million euro)		186.3	113.8	92.6	74.5	126.6	113.1
Balance of payments current account: net balance for secondary income (million euro)		842.0	1 100.3	1 062.4	1 096.1	1 161.0	1 260.0
Net balance for primary and secondary income: of which government transfers (million euro)		245.1	291.2	201.9	204.2	195.8	:
**3 year backward moving average of the current account balance relative to GDP (%)		:	-5.4	-6.3	-7.8	-7.5	-7.1
**Five year change in share of world exports of goods and services (%)		:	11.5	6.0	6.8	28.7	38.5
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		431.0	123.8	271.8	177.2	212.0	:
Foreign direct investment (FDI) abroad (million euro)		9.7	27.3	37.1	42.7	43.4	:
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	:	:	:	:	:

Foreign direct investment (FDI) in the reporting economy (million euro)	440.7	151.2	308.8	220.0	255.4	:
of which FDI of the EU-27 countries in the reporting economy (million euro)	:	:	:	:	:	:
**Net international investment position, relative to GDP (%)	37.0	3.5	-0.7	-1.3	-1.8	:
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)	26.0	8.5	6.9	3.8	9.9	:

### Public finance

	No	2007	2014	2015	2016	2017	2018
***General government deficit / surplus, relative to GDP (%)	:	:	:	:	:	:	:
***General government gross debt relative to GDP (%)	0.0	10.6e	13.1e	14.6e	16.6e	17.1e	
Total government revenues, as a percentage of GDP (%)	26.1	26.3	29.6	:	:	:	
Total government expenditure, as a percentage of GDP (%)	19.1	27.1	28.0	:	:	:	

### Financial indicators

	No	2007	2014	2015	2016	2017	2018
Gross external debt of the whole economy, relative to GDP (%)	:	31.2	33.3	33.2	32.6	:	
Gross external debt of the whole economy, relative to total exports (%)	:	:	:	:	:	:	
Money supply: M1 (banknotes, coins, overnight deposits, million euro)	:	:	:	:	:	:	
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)	:	:	:	:	:	:	
Money supply: M3 (M2 plus marketable instruments, million euro)	:	:	:	:	:	:	
Total credit by monetary financial institutions to residents (consolidated) (million euro)	892.1	1 956.8	2 101.9	2 338.9	2 629.5	2 939.2	



**Annual change in financial sector liabilities (%)	:	:	:	:	:	:	:	:	:
**Private credit flow, consolidated, relative to GDP (%)	:	:	:	:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)	:	:	:	:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)	:	:	:	:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	2)	14.60	10.61	8.32	7.47	6.83	6.65		
Deposit interest rate (one year), per annum (%)	2)	3.30	1.11	0.90	1.01	1.04	1.31		
Euro exchange rates: average of period (1 euro = ... national currency)		1	1	1	1	1	1		
Trade-weighted effective exchange rate index, 42 countries (2005 = 100)		100	102	102	102	103	104		
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2005 = 100)	:	:	0.9	0.4	0.1	0.7	2.5		
Value of reserve assets (including gold) (million euro)		652.0	645.0	706.4	605.1	683.4	:		

### External trade in goods

	No	2007	2014	2015	2016	2017	2018
Value of imports: all goods, all partners (million euro)		1 576	2 538	2 635	2 789	3 047	3 347
Value of exports: all goods, all partners (million euro)		147	325	325	310	378	368
Trade balance: all goods, all partners (million euro)		-1 429	-2 214	-2 309	-2 480	-2 669	-2 980
Terms of trade (export price index / import price index * 100) (number)		:	107.2	107.1	100.6	107.3	97.9
Share of exports to EU-27 countries in value of total exports (%)		43.5	29.8	32.3	22.3	22.0	27.4
Share of imports from EU-27 countries in value of total imports (%)		37.1	42.0	41.6	42.4	42.3	42.7

### Demography

No	2007	2014	2015	2016	2017	2018

Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)	12.4	10.1be	9.2e	8.4e	8.2e	10.3e
Infant mortality rate deaths of children under one year of age (per thousand live births)	11.1	:	9.7	8.5	9.7	:
Life expectancy at birth: male (years)	:	:	:	75.9p	:	:
Life expectancy at birth: female (years)	:	:	:	81.6p	:	:

### Labour market

	No	2007	2014	2015	2016	2017	2018
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)	:		47.7	42.8	44.0	49.0	46.6
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)	:		31.3	29.1	32.3	34.4	33.2
Male employment rate for persons aged 20–64 (%)	:		48.4	44.9	49.9	54.0	52.6
Female employment rate for persons aged 20–64 (%)	:		14.5	13.2	14.6	14.6	14.1
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)	24.6		29.8	27.2	29.6	32.7	31.5
Employment by main sectors							
Agriculture, forestry and fisheries (%)		14.6	2.6	2.3	4.2	4.4	3.5
Industry (%)		14.1	17.7	18.7	18.0	17.4	14.3
Construction (%)		6.6	10.9	9.5	11.5	12.9	11.9
Services (%)		64.7	68.8	69.5	66.3	65.3	70.3
People employed in the public sector as a share of total employment, persons aged 20–64 (%)	:		31.4s	32.6	30.8	28.4	30.8
People employed in the private sector as a share of total employment, persons aged 20–64 (%)	:		68.6s	67.4	69.2	71.6	69.2

Unemployment rate: proportion of the labour force that is unemployed (%)	43.6	35.3	32.9	27.5	30.3	29.4
Male unemployment rate (%)	38.5	33.1	31.8	26.2	28.5	28.3
Female unemployment rate (%)	55.2	41.6	36.6	31.7	36.4	33.3
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)	70.0	61.0	57.7	52.4	52.7	55.4
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)	16.2	26.1	23.8	18.0	21.7	17.2
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)	:	44.0	45.5	29.6	32.5	35.8
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)	:	17.1	17.4	15.6	23.4	16.8

### Social cohesion

No	2007	2014	2015	2016	2017	2018
Average nominal monthly wages and salaries (national currency)	:	482	510	519	528	558
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2010 = 100)	:	:	:	:	:	:
GINI coefficient	:	:	:	:	:	:
Poverty gap	:	:	:	:	:	:
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)	:	16.5	14.5	12.7	12.2	9.6

### Standard of living

No	2007	2014	2015	2016	2017	2018

Number of passenger cars relative to population size (number per thousand population)	68.7	129.7b	156.1	146.8	153.6	155.9
Number of mobile phone subscriptions relative to population size (number per thousand population)	:	464.3	487.8	545.0	553.1	927.1
Mobile broadband penetration (per 100 inhabitants)	:	:	:	:	1.2	:
Fixed broadband penetration (per 100 inhabitants)	:	:	:	:	0.0	:

### Infrastructure

	No	2007	2014	2015	2016	2017	2018
Density of railway network (lines in operation per thousand km <sup>2</sup> )	:	:	30.9	30.9	30.9	30.9	30.9
Length of motorways (kilometres)	0	0	78	80	98	108	119

### Innovation and research

	No	2007	2014	2015	2016	2017	2018
Public expenditure on education relative to GDP (%)	:	:	3.7	4.5	4.6	4.4	4.5
*Gross domestic expenditure on R&D relative to GDP (%)	:	:	:	:	:	:	:
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)	:	:	:	:	:	:	:
Percentage of households who have internet access at home (%)	:	:	:	:	:	88.8	93.2

### Environment

	No	2007	2014	2015	2016	2017	2018
*Index of greenhouse gas emissions, CO <sub>2</sub> equivalent (1990 = 100)	:	:	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2010 constant prices)	:	:	447.9	489.5	503.8	458.9	445.3
Electricity generated from renewable sources relative to gross electricity consumption (%)	:	:	4.0	3.6	6.2	4.4	7.8e

Road share of inland freight transport (based on tonne-km) (%)	:	:	:	:	:	:	:
	No	2007	2014	2015	2016	2017	2018
<b>Energy</b>	te						
Primary production of all energy products (thousand TOE)		1 426	1 605	1 804	2 016	1 793	1 822
Primary production of crude oil (thousand TOE)		0	0	0	0	0	0
Primary production of solid fuels (thousand TOE)		1 251	1 342	1 536	1 640	1 412	1 428
Primary production of gas (thousand TOE)		0	0	0	0	0	0
Net imports of all energy products (thousand TOE)		595	603	697	638	769	757
Gross inland energy consumption (thousand TOE)		2 049	2 217	2 524	2 704	2 569	2 585
Gross electricity generation (GWh)		4 835	5 436	6 119	5 982	5 918	:

	No	2007	2014	2015	2016	2017	2018
<b>Agriculture</b>	te						
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)	3)	81.8	115.5	100.0	116.9	112.4	108.3
Utilised agricultural area (thousand hectares)	4)	410.4	416.3e	410.8	416.7	417.0	419.5
Livestock numbers: live bovine animals (thousand heads, end of period)	5)	321.6	269.8e	258.5	265.0	259.7	258.7
Livestock numbers: live swine (thousand heads, end of period)	6)	39.6	46.0e	44.2	42.3	41.1	40.2
Livestock numbers: live sheep and live goats (thousand heads, end of period)	5)	151.8	234.3	224.1	212.0	210.7	209.8
Raw milk available on farms (thousand tonnes)	6)	:	:	:	375.7	331.6	324.6

Harvested crop production: cereals (including rice) (thousand tonnes)		5)	294.8	464.6	443.6	562.9	477.9	441.8
	6)							
	7)							
Harvested crop production: sugar beet (thousand tonnes)			0	0	:	:	:	0
Harvested crop production: vegetables (thousand tonnes)		5)	104.1	141.8e	145.2	186.5	181.7	155.4
	6)							

**Source: Eurostat and the statistical authorities in Kosovo**

- : = not available
- b = break in series
- e = estimate
- p = provisional
- s = Eurostat estimate
- u = low reliability
- \* = Europe 2020 indicator
- \*\* = Macroeconomic Imbalance Procedure (MIP) indicator
- \*\*\* = The government deficit and debt data of enlargement countries are published on an "as is" basis and without any assurance as regards their quality and adherence to ESA rules.

#### Footnotes

- 1) The change of the total area between 2016 and 2017 reflects measurements made by the Kosovo Cadastral Agency.
- 2) 2014: includes disbursement fee charged by banks.
- 3) 2015-2018: 2015 = 100.
- 4) Including agricultural common land.

- 5) 2014: data from the 2014 agriculture census.
- 6) 2014-2018: results for four municipalities in the north of Kosovo which did not participate in the census/surveys are estimated.
- 7) Excluding rice.