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## COMMISSION STAFF WORKING DOCUMENT

### Kosovo\* 2024 Report

#### *Accompanying the document*

### COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF REGIONS

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

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# 1. INTRODUCTION<sup>1</sup>

## 1.1 CONTEXT

The EU-Kosovo Stabilisation and Association Agreement has been in force since April 2016. Kosovo submitted an application for EU membership in December 2022. The authorities remain committed to Kosovo's European path.

In the reporting period, the EU-facilitated Dialogue on normalisation of relations between Kosovo and Serbia continued. Both Parties committed to fully implement all of their respective obligations stemming from the Agreement on the Path to Normalisation and its Implementation Annex reached in 2023. Constructive engagement in the normalisation of their relations is also a requirement under the Reform and Growth Facility for the Western Balkans. In line with the 3 June 2023 statement by the High Representative on behalf of the EU, the EU has been implementing reversible measures vis-à-vis Kosovo. The High Representative has recommended the lifting of those measures.

Since 1 January 2024, holders of Kosovo passports enjoy visa-free travel to the EU.

Kosovo has actively engaged in implementing the new Growth Plan for the Western Balkans across the four pillars of: (i) gradual integration with the European Union's single market; (ii) regional economic integration; (iii) fundamental reforms; and (iv) enhanced financial support. On 9 October, Kosovo adopted its Reform Agenda as envisaged under the Reform and Growth Facility<sup>2</sup> (Growth Plan for Western Balkans). The Reform Agenda covers reform milestones in the areas of: (i) governance, public administration reform and public financial management; (ii) green and digital transition; (iii) private sector development; (iv) human capital development and retention; and (v) fundamentals and the rule of law.

## 1.2 MAIN FINDINGS OF THE REPORT<sup>3</sup>

### THE FUNDAMENTALS OF THE ACCESSION PROCESS

#### Democracy

The framework for *elections* is conducive to the organisation of democratic elections. Kosovo continued to consolidate its new electoral legal framework. On 21 April 2024, Kosovo held a mayoral recall vote that aimed to pave the way for new local elections in the north of Kosovo. Despite some challenges, the vote was generally well organised. However, it failed due to an extremely low voter turnout following the decision of political parties representing Kosovo Serbs in the north to withdraw from the process and call for a boycott. It is critical that inclusive local elections, in which Kosovo Serbs participate without preconditions, are held in all four municipalities in the north.

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<sup>1</sup> The 2024 report is presented in a renewed format and structure. Main findings of the report (previously grey assessment boxes), together with the recommendations are brought together at the beginning of the report. Furthermore, under the fundamentals, for better readability and comparability across all reports, certain data is provided (also) in the form of graphs.

<sup>2</sup> OJ L, 2024/1449, 24.5.2024.

<sup>3</sup> This report covers the period from 15 June 2023 to 1 September 2024. It is based on input from a variety of sources, including contributions from the government of Kosovo, EU Member States, European Parliament reports and information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law.

The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

The *Assembly* faces a number of challenges in the exercise of its powers. The government still holds a solid majority in the Assembly, but disagreements and lack of cooperation within the majority and with opposition parties hindered the Assembly's ability to adopt legislation, to appoint members of public bodies and to provide effective oversight. *Srpska Lista* members boycotted the Assembly's work during the reporting period. Strengthening consensus-building, transparency and oversight could improve the Assembly's performance and help bring about a more stable and efficient legislative process. The Assembly needs to improve its internal management, adopt work plans, and introduce an electronic voting and presence recording system.

The institutions in charge of the *integration* process are broadly in place. While Kosovo demonstrated strong commitment to its EU agenda, divisive domestic politics hampered implementation. The government should work to forge cross-party political support to pursue EU-related reforms more effectively. It should also include line ministries in decisions related to EU-related policies under their responsibility and increase interministerial coordination.

As regards *governance*, initiatives to change responsibilities of certain ministries were met with criticism over the lack of public consultations and disregard for potential risks associated with these reforms. Kosovo made tangible progress in improving gender equality at central and local level. Challenges in the relationship between municipalities and central institutions persisted.

*Civil society* organisations (CSOs) in Kosovo operate in a largely enabling environment. Civil society remained active and diverse, playing a meaningful role in designing, implementing and overseeing EU-related reforms. Kosovo has taken specific action to increase the transparency and accountability of public funding for CSOs, but challenges remain on the reporting and assessment of the effectiveness of allocated funds.

## Public administration reform

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Kosovo has **some level of preparation** and made **limited progress** in implementing last year's recommendations. Kosovo advanced in reducing administrative burden by simplifying procedures through implementing the related programme for 2022-2027. However, the General Law on administrative procedure remains insufficiently implemented to ensure legal certainty. In general, the sector continues to face several challenges in ensuring a well-functioning civil service recruitment and remuneration system that can retain and attract qualified staff. Delayed reforms to restructure subordinated agencies perpetuate the inefficient organisation of administration, with blurred accountability lines.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Kosovo should, in particular:

- improve the merit-based civil service system by amending the Law on public officials in line with merit principles and the Law on the independent oversight board of civil service in line with the relevant Constitutional Court ruling;
- improve the efficiency of the civil service by: (i) reducing the number of vacant positions and those of acting senior management officials and putting in place effective annual planning and monitoring of human-resource management; (ii) finalising the process of job classification and systematisation; and (iii) finalising the review of the internal organisation of public bodies at central level;
- improve the accountability and legal certainty of the public administration by: (i) speeding up the process of rationalisation of independent agencies; and (ii) continuing the reduction of administrative burden and digitalisation of services;
- revise the legislation on public financial management to align it with international standards, by particularly introducing a formal requirement to regularly prepare and publish a fiscal risk statement

as part of the budget documentation; and ensuring that the public investment methodology is integrated into the revised legislation.

## Chapter 23: Judiciary and fundamental rights

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Kosovo is **between an early stage of preparation and having some level of preparation** to apply the EU *acquis* and European standards on the judiciary and fundamental rights. Kosovo made **limited progress** by improving the functioning of the judiciary, stepping up the fight against corruption and strengthening the protection of fundamental rights.

### *Functioning of the judiciary*

Kosovo is at an **early stage of preparation** on the functioning of the judiciary and made **limited progress**. Kosovo achieved a higher clearance rate and managed to reduce the backlog in civil cases. Continuous improvements were made on the use of the Case Management Information System. The functioning of the Kosovo Judicial Council (KJC) improved in terms of communication and transparency, while the Assembly finally elected all three lay members of the Kosovo Prosecutorial Council (KPC). However, the delays and struggle to jointly design justice reforms in line with the March 2023 joint commitment statement indicates a recurring lack of willingness to strengthen the justice system. Consultations on these reforms and on amendments to the law on the KPC were rushed and did not ensure a meaningful review. Despite strong EU advice, the Venice Commission was not consulted by the government and Assembly on the final amendments to the law on the KPC and on the other key reforms. This negatively affected the quality of legislation and its alignment with European standards. Work continued on handling gender-based violence cases, but faster progress is needed.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo needs, in particular, to:

- ensure that legislation concerning integrity and accountability of the judiciary are aligned with European standards and relevant Venice Commission recommendations, and step up the use of existing mechanisms on the accountability, integrity and efficiency of the justice system, with a particular focus on the roles and responsibilities of the KPC and KJC regarding implementation and monitoring of legislation and policies;
- further reform the court administration and strengthen the management capacity of the prosecution service and the judiciary to achieve strategic goals effectively, including further reducing the backlog of cases based on a clear action plan with audits and internal control, and implementing the IT strategy;
- ensure solid criminal investigations, improve the quality of indictments and ensure effective criminal procedures, including cases of gender-based violence. To this end, strengthen the cooperation between prosecutors and police as well as the prosecutors' leading role in investigations.

### *Fight against corruption*

Kosovo is **between an early stage of preparation and having some level of preparation** in fighting corruption, and made **limited progress** overall. Additional institutions adopted integrity plans. The Assembly adopted the Law on the special prosecution office (SPO) to strengthen the criminal justice response to high-level corruption cases. There was some progress in adjudicating corruption cases, which resulted in a greater number of final court decisions and convictions. Nevertheless, results are affected by a shortage of resources and capacity and by a lack of impartiality and accountability in the prosecution service and the judiciary. Stronger commitment to establish a solid track record in fighting high-level corruption remains necessary, including by strengthening the use of anti-corruption tools such as asset declarations and public institutions' integrity plans.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- further strengthen the capacity of the Agency for the Prevention of Corruption (APC), in terms of staff and expertise, to ensure it can carry out its mandate effectively;
- further implement existing anti-corruption legislation; adopt a national strategy and action plan against corruption for 2024-2027 in line with European best practices and standards;
- strengthen the quality of investigation in high-level corruption cases, by increasing the capacity of the Special Investigative Unit of the police and ensuring its effective cooperation with the SPO.

### ***Fundamental rights***

In general, the legal framework guarantees the protection of fundamental rights and is in line with European standards. During the reporting period, Kosovo appointed a national coordinator and set up a central secretariat for combating gender-based violence. Some progress was made in implementing the Law on the rights of the child. The government adopted the Strategy for the protection and promotion of the rights of communities. Kosovo also finally implemented the judgment of the Constitutional Court on Dečani Monastery land ownership. Some progress was achieved on the verification process of diplomas from the university in North Mitrovica. However, legislation implementation needs further strengthening. Several government measures undermined the rights of non-majority communities. Adoption of the Civil Code remains pending.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Kosovo needs, in particular, to:

- address shortcomings related to protecting the rights of persons with disabilities, in particular by adopting the Law on status recognition, services and benefits, and improving their access to rights in practice;
- strengthen implementation of the Law on gender equality and the Strategy on gender-based violence; appoint a new head of the Agency for Gender Equality; and enhance gender mainstreaming of legislation, regulations and policies;
- safeguard existing mechanisms protecting the rights of non-majority communities and improve their implementation.

### ***Freedom of expression***

Kosovo has **some level of preparation** and made **limited progress**. Some improvement was made on freedom of media, including access to public documents. However, this was coupled with developments perceived as attempts by the government to exercise control over the media. A new law on the media regulator was adopted. It contributes to enhancing media regulation, but the Assembly's amendments failed to reflect most recommendations from the EU and other international partners. The functioning of the Independent Media Commission improved. The public broadcaster faced instability with a number of resignations among top management and board members. It needs to swiftly address concerns related to editorial accountability and independence. The media in Kosovo is pluralistic, but the sector still lacks transparency and financial sustainability. Data on the audiovisual market remains insufficient, including on media ownership and financing. Attacks against journalists are given due attention by the police and the judiciary, but some level of impunity remains, including because of the difficulty to investigate complex cases which occurred in the north. The environment in the north of Kosovo is restrictive and conducive to self-censorship for the public, the media and CSOs.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Kosovo should, in particular:

- improve the capacity of the prosecutorial, judicial and law-enforcement authorities to handle cases related to the freedom of expression;
- develop protocols and training on the protection and safety of journalists, including early-warning and rapid-response mechanisms; improve the working conditions of journalists and media workers; and strengthen professional reporting;
- ensure implementation of the new Law on the Independent Media Commission by ensuring full alignment with the EU *acquis* and European standards; and review the Law on the Radio -Television of Kosovo to ensure sustainable funding, preserving its independence.

#### **Chapter 24: Justice, freedom and security**

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Kosovo **has some level of preparation** and made **some progress**. The reaction to the September 2023 attack in Banjska/Banjskë showed the high level of professionalism of the Kosovo Police. The Kosovo Police recruited two new generations of Kosovo Serb officers; the Special Prosecutor's Office (SPO) recruited nine additional special prosecutors. The number of indictments in organised-crime cases has steadily increased. The new Law on the SPO makes it possible to set up multidisciplinary investigation teams in complex cases and provides a legal basis for the Special Investigation Unit of the police to handle high-level corruption cases. Kosovo adopted a new drugs strategy; the National Drug Observatory became operational. Kosovo improved migration governance and conducted an information campaign on visa-free travel to the EU which entered into force on 1 January 2024. Also, Kosovo adopted a new law on the Civil Registry Agency.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- amend the Law on money laundering and terrorism financing to fully harmonise it with the corresponding EU directives; and increase the number of final convictions for money laundering; set up a national centre for countering terrorism and violent extremism;
- continue to implement the EU Action Plan on Western Balkans for migration; implement an integrated border management system in line with the current legislation and the European best practices ; amend the Law on foreigners in line with EU standards; and progressively align its legislation with EU visa policy;
- maintain its communication campaign on rights and obligations associated with visa free travel to the EU, improve screenings at departures and engage with the most affected EU Member States to avoid unfunded asylum applications.

#### ***Fight against organised crime***

Kosovo **is between an early stage of preparation and having some level of preparation** in the fight against organised crime and made **some progress**. The cooperation with Europol advanced, with Kosovo participating in joint operations and a Kosovo liaison officer deployment in Europol. The amount of information exchanged via the Secure Information Exchange Network Application (SIENA) significantly increased. The reorganisation of the police advanced and is pending final phases of the recruitment processes. As per recommendations, the Kosovo Police is directing its activities according to intelligence-led policing principles, and assigned officers implement the community policing approach. The police is

conducting financial investigations more systematically. Some progress was achieved in the area of asset confiscation, while systemic improvement remains needed. The Ministry of Interior and its executive agencies adopted integrity plans. There was some progress in the fields of cybercrime, combating trafficking in human beings, and small arms and light weapons (SALW) control.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- find ways to ensure that police composition reflects the ethnic composition of Kosovo's municipalities;
- adopt a new organised-crime strategy; further improve the investigation and prosecution of high-profile organised crime, including money laundering; and proactively and jointly target and map organised criminal groups and networks; further strengthen the efficiency of the criminal confiscation regime, by establishing a confiscation fund and increasing use of confiscation tools by the prosecution and police;
- strengthen efforts to prevent and combat migrant smuggling and trafficking in human beings.

## ECONOMIC DEVELOPMENT AND COMPETITIVENESS

### The existence of a functioning market economy

Kosovo has **some level of preparation** and made **good progress** in developing a functioning market economy. Robust, albeit slower economic growth and a strong revenue performance underpinned a further decline in the budget deficit in 2023. Nevertheless, fiscal challenges persist given the narrow tax base, weaknesses in public investment management, and poor financial oversight and accountability of publicly-owned enterprises (POEs). Despite some progress, the labour market outcomes remained weak. The banking sector continues to be well capitalised and stable. Some progress was made in improving the business environment and reducing informality.

The Commission's recommendations from last year were partially implemented and remain largely valid. In order to improve the functioning of the market economy, Kosovo should, in particular:

- improve the quality of public spending by addressing weaknesses in public investment management;
- strengthen the revenue base by reducing loopholes and exemptions by amending tax legislation;
- reduce fiscal risks by improving financial oversight and accountability of POEs.

### The capacity to cope with competitive pressure and market forces in the EU

Kosovo is at an **early stage of preparation** and made **limited progress** in terms of its capacity to cope with competitive pressure and market forces in the EU. The education system does not sufficiently provide the necessary skills and it is not adequately aligned with labour market needs. Some progress was made in promoting renewable energy sources and digitalising the economy. The latter remains highly reliant on small and micro firms, which cannot compete internationally. Trade openness increased significantly compared with 2019.

The Commission's recommendations from last year were partially implemented and remain largely valid.

To improve competitiveness and sustain long-term growth, Kosovo should, in particular:

- align education with labour market needs through close cooperation with the business community and by revising the legal framework on vocational education and training (VET) and adult education;
- develop transparent and competitive procedures for deployment of renewable energy;

- facilitate private-sector investments and improve mechanisms to attract FDI in strategic sectors promoting adoption of higher value-added products and services and innovation.

## Chapter 5 – Public procurement

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Kosovo is **between having some level of preparation and a moderate level of preparation** and made **limited progress** in the area of public procurement. Kosovo started to increase cooperation between public procurement institutions and contracting authorities by setting up a joint coordination secretariat. Despite some regulatory initiatives by the Public Procurement Regulatory Commission (PPRC), public procurement remains prone to irregularities and vulnerable to corruption.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- adopt a new law on public procurement and a new law on concessions in line with the EU *acquis*; prepare the corresponding implementing legislation; and ensure proper implementation of this legislation;
- ensure that the Procurement Review Body (PRB) is fully operational and remains functionally independent, with a strengthened capacity to ensure that its review process is timely, effective and transparent;
- upgrade its e-procurement platform in line with the new Law on public procurement and improve its efficiency, including interconnection with other relevant government IT systems.

## Chapter 18 – Statistics

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Kosovo has **some level of preparation** in the area. Kosovo made **some progress** with the dissemination of new statistical products and improved the frequency of data transmission to Eurostat. The population and housing census was conducted and preliminary results were released in July 2024.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- ensure better access to and use of available administrative data sources, with a particular focus on improving access to data from the Tax Authorities and Customs;
- continue to increase the number of statistical products and their dissemination by Eurostat;
- fill existing vacancies and strengthen the capacity of the Kosovo Agency of Statistics (KAS).

## Chapter 32 – Financial control

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Kosovo has **some level of preparation** in this area and made **limited progress**. The implementation of the 2022-2026 public finance management strategy and its action plan related to public internal financial control (PIFC) remained slow. Implementation of internal audit recommendations and quality assurance remain low, and capacities of internal audit units and external audit remain weak. The parliamentary oversight of the management of public funds continued to be inefficient.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should:

- draft and adopt a new law on public financial management and accountability based on EU best practice and international standards; and harmonise the PIFC law with the new law on public finance management;

- improve the managerial accountability of budget users at both central and local levels by ensuring that managers are empowered and held accountable based on clear performance criteria;
- improve cooperation between the National Audit Office (NAO) and the Assembly by improving the parliamentary scrutiny of budget execution and by continuously and efficiently implementing and following up on NAO audit recommendations.

## CLUSTER 2: INTERNAL MARKET

### Chapter 1 – Free movement of goods

Kosovo is **between having some level of preparation and a moderate level of preparation** in this area. **Limited progress** was made in implementing the Law on general product safety and the Law on inspections.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- make progress on market surveillance and mutual recognition in line with the EU *acquis* and increase the enforcement capacity of the conformity assessment and market surveillance bodies;
- continue the implementation of the new Law on general product safety and Law on inspections and adopt relevant secondary legislation;
- start implementing the requirements of the EU Regulation on the registration, evaluation, authorisation and restriction of chemicals (REACH).

### Chapter 2 – Freedom of movement for workers

Kosovo has **some level of preparation** in the field of free movement for workers and made **limited progress**. Negotiations on bilateral agreements on social security with Slovenia, Croatia and Austria are ongoing.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- progress on negotiations on new bilateral agreements on social security, in particular with EU Member States;
- start work to prepare for joining the European network of employment services (EURES);
- start to work on legislation to preserve the supplementary pension rights of mobile workers who have worked abroad, including in EU Member States.

### Chapter 3 – Right of establishment and freedom to provide services

Kosovo remains **moderately prepared** and made **limited progress**. Kosovo's postal market is fully liberalised and the legal framework is in line with the EU Postal Services Directive. However, sectoral laws are still not compliant with the EU Services Directive and the related action plan expired with no satisfactory implementation. The point of single contact is not fully functional. Kosovo needs to align its legal framework with the EU *acquis* on recognition of professional qualifications.

The Commission's recommendations from last year were only partially addressed and remain largely valid. In the coming year, Kosovo should, in particular:

- remove the identified barriers to the right of establishment and the freedom to provide services; and adopt and implement a new action plan to make sectoral laws compliant with the EU Services Directive;
- align with the Regulation on cross-border parcel delivery service, and strengthen the institutional capacity to monitor and ensure compliance with the new rules in the postal market;
- align its legal framework with the EU *acquis* on mutual recognition of professional qualifications, including the Directive on recognition of professional qualifications and the Directive on a proportionality test before adopting new regulation of professions.

#### Chapter 4 – Free movement of capital

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Kosovo is **moderately prepared** and made **limited progress**, with improvements in the exchange of information and supervisory capacities in the fight against money laundering and terrorism financing.

The Commission's recommendations from last year were only partially addressed and remain largely valid. In the coming year, Kosovo should, in particular:

- further align its legal framework with the EU Payment Services Directive 2;
- step up action to fight economic and financial crime; and align the Law on the prevention of money laundering and terrorist financing with the EU *acquis*;
- continue to strengthen interinstitutional cooperation in the fight against economic and financial crime; and boost the effectiveness of confiscation of assets and proceeds of crime.

#### Chapter 6 – Company law

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Kosovo has **some level of preparation**, with **no progress** made in further aligning its legal framework with the EU *acquis* on company law.

The Commission's recommendations from last year were not implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- finalise and adopt the draft law on business organisations to further align its legal framework with the EU *acquis* on company law,
- further align with the most recent *acquis* on the use of digital tools and processes in company law and on cross-border conversions, mergers and divisions;
- further align its legal framework with the EU *acquis* on company reporting, country by country reporting, corporate sustainability reporting and transparency, as well as strengthen both the institutional audit oversight structures and the professional independence/objectivity of auditors and audit firms; and ensure that these structures are sufficiently and sustainably funded.

#### Chapter 7 – Intellectual property law

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Kosovo is **moderately prepared** in the area of intellectual property rights. **Some progress** was achieved by adopting the new Law on copyright and related rights. The Commercial Court, which is mandated to solve cases and disputes in this field, has commenced its work efficiently. Kosovo should strengthen its capacity and resources to better implement and enforce the legal framework on IPR.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- improve implementation of adopted legislation in terms of strategy and sufficient capacity;
- adopt implementing legislation of industrial property laws (topographies of semiconductor products and trade secrets).
- strengthen collaboration with the European Union Intellectual Property Office, taking advantage of its expertise, networks and specialised databases.

## Chapter 8 – Competition policy

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Kosovo has **some level of preparation** and made **limited progress** in this area. While Kosovo continued to revise the legal competition framework, it did not progress much in the area of State aid.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- set up a functional State aid commission, in line with SAA obligations;
- align the legislative framework in the area of State aid with the EU *acquis*; and ensure enforcement of competition and State aid legislation;
- guarantee the operational independence and functional capacity of competition and State aid authorities; and increase coordination between all stakeholders, including ministries, regulators and the judiciary.

## Chapter 9 – Financial services

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Kosovo is **moderately prepared** and made **some progress** on the governance of the central bank.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- align its legal framework with the Solvency II Directive; and ensure the implementation of the relevant legislation;
- continue efforts to align with the EU *acquis* related to the regulation of securities markets, investment funds, investment services, financial markets infrastructures and digital finance;
- align its legal framework with the revised versions of the EU Capital Requirements Directive, Capital Requirements Regulation, Bank Recovery and Resolution Directive and Deposit Guarantee Scheme Directive.

## Chapter 28 – Consumer and health protection

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Kosovo is at an **early stage of preparation** in this area. There was **limited progress** except for the adoption of the Law on prevention and control of communicable diseases and the Law on pricing of pharmaceutical products.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should:

- adopt the law on consumer protection and fully implement the Law on general product safety;
- introduce appropriate health financing reforms to ensure progress towards universal health coverage; and improve the efficiency and quality of health services;

- introduce measures to reduce the risk factors for non-communicable diseases / chronic conditions in order to protect human capital and ensure future economic growth.

### CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

#### Chapter 10: Digital transformation and media

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Kosovo has **some level of preparation** in the area of digital transformation and media. Kosovo made **limited progress** in preparing to align its legislation with the EU *acquis* by further strengthening its legal and strategic framework, particularly with the adoption of the e-government strategy and the cybersecurity strategy and accompanying action plan. Kosovo signed and ratified the Association Agreement with the European Commission to join the EU-funded Digital Europe Programme.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should:

- align its legislation with the European Electronic Communications Code, the EU Network and Information Security Directive (NIS2), the EU Toolbox for 5G cybersecurity, and the Digital Services Act and the Digital Markets Act;
- ensure that telecommunication and media regulators are given appropriate resources to fulfil their mandates independently; and develop a solution to ensure that the public service broadcaster is sustainably funded;
- implement number portability to ensure effective use of numbering resources and encourage competition.

#### Chapter 16 – Taxation

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Kosovo has **some level of preparation** in this area and made **some progress** in implementing risk-based audits and service digitalisation. Compliance audits and formalisation measures led to higher tax revenues.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- initiate a tax policy revision, including personal income tax, corporate income tax, value added tax and excise duties; and further align its tax legislation with the EU *acquis*;
- approve the new strategy for combating the informal economy, money laundering, financing of terrorism and financial crime (2023-2026);
- strengthen the administrative and professional capacity of the Tax Administration of Kosovo (TAK) by setting out clear rules on jobs, recruitment, performance evaluation, merit-based promotion, and transfers.

#### Chapter 17 – Economic and monetary policy

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Kosovo is **moderately prepared** and **some progress** was made in this area. A normalisation of the operations of the central bank took place following the appointment of the three deputy governors and the functional reorganisation of the central bank. Some progress was made in collecting data and transmitting it to Eurostat. However, methodological inconsistencies persisted in some areas.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- increase its capacity to report on government financial statistics according to the ESA 2010; and ensure regular monitoring of standards;
- improve the quality of macroeconomic forecasting in the budgetary process.

## Chapter 19 – Social policy and employment

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Kosovo is **between an early stage of preparation and having some level of preparation** in this area. There was **good progress**, in particular by finalising the new employment strategy, drafting of the new Law on employment, intensifying inspections in work sectors with higher risks, launching of a Youth Guarantee Scheme pilot in two municipalities, and launching of a thorough reform on social assistance. The rate of fatal occupational accidents declined compared with previous years.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming period, Kosovo should, in particular:

- prepare for a full roll-out of the Youth Guarantee scheme, based on lessons learnt during the pilot phase; adopt the Law on employment and amendments to the Law on labour to align its legal framework with the recent EU *acquis*, notably in relation to non-discrimination in employment and parental leave;
- intensify inspections in work sectors with higher risks; adopt the new Law on health and safety at work and a corresponding strategy; enforce rules and standards on health and safety at work; and strengthen social dialogue;
- continue to reform social assistance schemes to make it pro-poor; improve access to social services, in particular for children and persons with disabilities; and improve the capacity of municipalities, in particular regarding social budget execution, outsourcing of services, and quality assurance.

## Chapter 20 – Enterprise and industrial policy

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Kosovo is **moderately prepared** in the area, and the government made **some progress** by continuing to implement the 2030 strategy for industrial development and business support.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming period, Kosovo should, in particular:

- move forward with the implementation of the strategy for industrial development and business support for 2030, and the sustainable economic growth pillar of the national development strategy for 2021-2030;
- urgently improve the capacity of the Ministry of Industry, Entrepreneurship and Trade;
- complete the establishment of the two separate investment promotion and SME support agencies; and ensure that both are sufficiently resourced.

## Chapter 25 – Science and research

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Kosovo is **at an early stage of preparation**. Kosovo made **limited progress** by taking further steps towards a strategic approach to research, for instance by approving the National Science Programme for 2023-2028. Kosovo could not maintain its performance in the EU's framework programme on research and innovation.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- devise and implement a gender strategy for research at national level, as well as for full integration and promotion of women and girls in research and in science, technology, engineering and mathematics;
- intensify measures to establish a positive trend in the Horizon Europe participation and advance in developing a Smart Specialisation Strategy;
- establish a system to reliably provide research, science and technology, and innovation statistics.

## Chapter 26 – Education and culture

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Kosovo has **some level of preparation** in the field of education and culture. There was **limited progress** during the reporting period. The implementation of the new Law on early childhood education commenced with the piloting of new curricula for the 2023/2024 academic year. A reform on the recruitment of staff in the education sector, including inspectors, was approved. Despite these measures, results are not yet visible, and the quality of education still needs major improvement. Kosovo's participation in Erasmus+ is improving, confirming the positive trend of the past year. While the Law on art and culture was adopted, a culture strategy is still pending.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- implement the roadmap outlined in Kosovo's education strategy for 2022-2026; and continue to follow up on the recommendations under the European Training Foundation Rapid Education Diagnosis, such as on VET governance and quality assessment of teachers and schools;
- finalise the implementation of the new curricular framework for basic education; complete the revision of current textbooks and provide sustainable training to teachers; and systematically apply quality assurance mechanisms at all education levels;
- continue work to strengthen VET governance and increase the quality of VET for professions in demand in view of the Youth Guarantee.

## Chapter 29 – Customs union

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Kosovo is **moderately prepared** and made **good progress** by adopting the new Customs and Excise Code, expanding the use of publicly operated customs terminals, and significantly reducing customs terminal fees. The number of authorised economic operators increased. Significant steps were initiated to strengthen the administrative and professional capacity of Kosovo customs.

The Commission's recommendations from last year were implemented. In the coming year, Kosovo should, in particular:

- draft and approve the implementing legislation for the new Customs and Excise Code;
- continue to strengthen the administrative and professional capacity of its customs by finalising and implementing the new Administrative Instruction, and by implementing the Customs and Excise Code rules on jobs, performance evaluation, merit-based promotion and transfers;
- abolish all fees charged to exporters/importers at public, publicly operated and private inland customs terminals.

## Chapter 14 – Transport policy

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Kosovo is at an **early stage of preparation** in the area and made **some progress** by adopting the action plan for the implementation of the multimodal transport strategy, approving the strategy on an intelligent transport system, and opening new air corridors with Albania. More action is needed to implement the EU *acquis*. Last year's recommendations remain partly valid.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should:

- adopt the new Law on roads; invest in road maintenance and inspections; continue prevention campaigns; and set up a systematic monitoring mechanism for collecting crash data;
- align its legal framework with the EU rail *acquis*, particularly the 4<sup>th</sup> railway package for both the market and technical pillar;
- adopt the action plan for the intelligent transport system strategy and ensure sufficient capacity and resources are made available for its implementation; and harmonise the legislative framework with the EU passenger rights *acquis* across all modes of transport.

## Chapter 15 – Energy

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Kosovo has **some level of preparation** in the area of energy. Kosovo made **some progress** in this area by adopting the Law on renewable energy sources, launching of the day-ahead market coupling with Albania, successfully concluded the first solar auction and making further investments in increasing energy efficiency in public and residential buildings. However, Kosovo remains heavily reliant on outdated coal-fired power plants and needs to accelerate the deployment of renewable energy sources in line with its new energy strategy. The Kosovo transmission system operator, KOSTT, should ensure compliance with its obligation under the Connection Agreement with ENTSO-E, with no deviation from the grid. Kosovo needs to adopt as soon as possible its national energy and climate plan (NECP), in line with the Energy Community Secretariat recommendations.

The Commission's recommendations from last year were partially addressed and remain largely valid. In the coming year, Kosovo should, in particular:

- adopt the amended package of energy laws to ensure alignment with the Electricity Integration Package and Clean Energy Package; and launch the first wind auction;
- speed up the environmental upgrade of the Kosovo B thermal power plant and the works for the decommissioning of the non-working parts of the Kosovo A thermal power plant;
- improve the implementation of energy efficiency legislation including in the area of energy performance of buildings; and continue the roll-out of energy efficiency investments in public and residential buildings.

## Chapter 21 – Trans-European Networks

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Kosovo has **some level of preparation** in the area. **Limited progress** in this area was made by continuing works on Rail Route 10 and initiating the day-ahead electricity market coupling with Albania. The Commission's recommendations from last year were partially addressed and remain largely valid. In the coming year, Kosovo should:

- implement the pending connectivity projects; and strengthen its institutional and administrative capacity to implement strategic infrastructure projects;

- proceed with the signalling works; and complete the first phase of Rail Route 10;
- improve the capacity of the regulatory authority for electronic and postal communications to enforce telecommunications market regulations.

## Chapter 27 – Environment and climate change

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Kosovo is at an **early stage of preparation** in the area and made **limited progress**, with the adoption of the Law on climate change in December 2023 being the only significant development. Administrative and human-resource capacities in the whole sector are at a critically low level and represent a significant obstacle to its proper and progressive development.

The Commission's recommendations from last year were partially addressed and remain largely valid. In the coming year, Kosovo should, in particular:

- demonstrate political commitment by significantly strengthening the administrative capacity of the environment and climate sectors at both local and central levels;
- amend the Law and the integrated strategy on waste management; and ensure that appropriate measures are taken for the *de facto* prevention of pollution of protected areas and the management of protected areas;
- adopt the NECP as soon as possible, and implement the Law on climate change, in particular the framework for the monitoring, reporting, verification and accreditation of greenhouse gas emissions, with a view to introducing carbon pricing to align the legal framework with the EU emissions trading system.

## CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

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### Chapter 11 – Agriculture

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Kosovo has **some level of preparation** in agriculture and rural development. Kosovo made **some progress** in this area with the adoption of the Law on market organisation for agricultural products, the national programme for agriculture and rural development for 2023-2027, the strategic plan of the Kosovo advisory system for agriculture and rural development for 2023-2027 and the national organic action plan for 2023-2026.

The Commission's recommendations from last year were partially addressed and remain largely valid. In the coming year, Kosovo should, in particular:

- strengthen the administrative and technical capacity of both the Department of Rural Development Policy (managing authority) and the Agency for Agricultural Development (paying agency);
- adopt the Law on agriculture and rural development advisory services and the implementing legislation on the market organisation for agricultural products;
- amend or repeal the Law on agricultural land; and take urgent and effective measures to stop the loss of agricultural land.

### Chapter 12 – Food safety, veterinary and phytosanitary policy

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Kosovo is **between having some level of preparation and a moderate level of preparation** in this area. **Good progress** was made. In particular, Kosovo took over the responsibility of fully financing the oral

rabies vaccination campaigns and finalised the laboratory information management system and the food control and traceability management system, which is a prerequisite for a competitive agri-food sector.

The Commission's recommendations from last year were partially addressed and remain largely valid. In the coming year, Kosovo should, in particular:

- ensure the sustainability of the food control and traceability management system and of the laboratory information management system; and strengthen the administrative capacity of the implementing bodies by increasing the number and expertise of the staff;
- adopt the draft law on animal health; approve the 5-year development plan for disease monitoring and control; and ensure appropriate financial and human resources for their implementation;
- start work on the harmonisation and adoption of legislation in the area of phytosanitary policy, in line with the EU *acquis*.

### Chapter 13 – Fisheries and aquaculture

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Kosovo remains at an **early stage of preparation** in this chapter and made **no progress**.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Kosovo should, in particular:

- adopt a multiannual strategy dedicated to aquaculture; and strengthen the administrative capacity of the implementing bodies by increasing the number and expertise of the staff;
- draft a law on fisheries and aquaculture and further align its market policy with the *acquis*;
- create an inventory of fish species covering the entire territory of Kosovo.

### Chapter 22 – Regional policy and coordination of structural instruments

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Kosovo remains at an **early stage of preparation** in the area of regional policy and coordination of structural instruments. **Some progress** was made by improving the legislative and strategic framework, programming and monitoring.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Kosovo should, in particular:

- further improve the administrative capacity for programming, management, monitoring and evaluation of EU funds, particularly in line ministries;
- strengthen public investment management as a matter of urgency by adopting: (i) updated single and sector project pipelines, based on sound, transparent and inclusive public investment selection; and (ii) a methodology for effective and transparent management of the government expenditures for public infrastructure;
- create a structured and inclusive sector-based policy dialogue to improve and guide the programming of EU funds and the coordination of donor support.

## CLUSTER 6: EXTERNAL RELATIONS

### Chapter 30 – External relations

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Kosovo is at an **early stage of preparation** in the area of external relations, with **limited progress** made. Despite progress in implementing the Common Regional Market (CRM) Action Plan for 2021-2024, Kosovo has still not ratified the Central European Free Trade Agreement (CEFTA) additional protocols on trade facilitation and trade in services. Kosovo should abstain from taking further unilateral trade measures without justification and prior consultation with the Commission, in line with its SAA commitments. Kosovo showed a constructive attitude in the process to unblock CEFTA decision making which has led to 12 agreements being adopted. While there was an increase in exports, the trade deficit remained high, and Kosovo has yet to adopt a comprehensive trade policy.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Kosovo should, in particular:

- continue to implement commitments under the CRM Action Plan for 2021-2024 and implement actions under the new action plan for 2025-2028, ratify and implement the CEFTA Additional Protocol (AP) 5 on trade facilitation, AP 6 on trade in services and take the necessary steps to implement and finalise AP 7 on dispute settlement;
- approve the Regulation on the establishment of the trade facilitation enquiry point;
- start the process of establishing a development and humanitarian aid policy.

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## 2. THE FUNDAMENTALS OF THE ACCESSION PROCESS

### 2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

#### 2.1.1 Democracy

The functioning of democratic institutions is affected by some challenges. The government still holds a solid majority in the Assembly, but disagreements and lack of cooperation within the majority and with opposition parties continue to prevent significant progress on EU-related reforms. These disagreements hinder the Assembly's ability to adopt legislation, to appoint members of public bodies and to provide effective oversight. Additionally, *Srpska Lista* members of the Assembly boycotted the Assembly's work during the reporting period. Lastly, the centralisation of executive decision-making and lack of interministerial coordination also negatively affected the delivery of reforms.

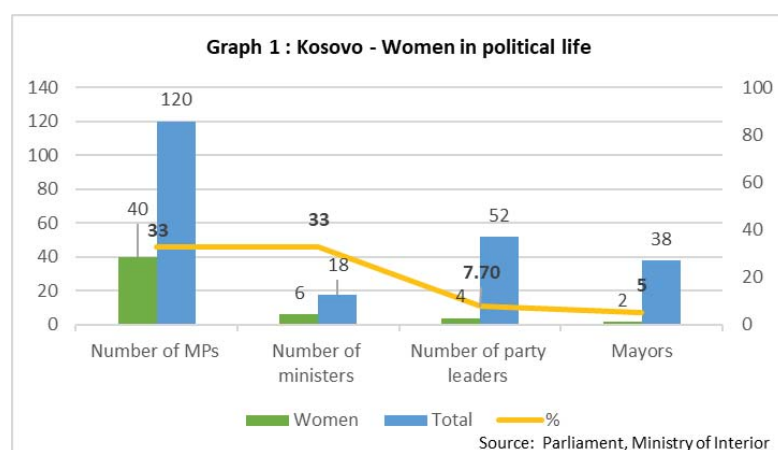
#### Elections

There were no general or regular local elections during the reporting period. Kosovo held a recall vote for mayors in the municipalities of Mitrovica North, Zvecan, Leposavic and Zubin Potok. The organisation of the recall vote was not free from challenges (including, for the first time, the installation of security cameras in polling stations). On 7 April 2024, *Srpska Lista* decided to withdraw from the process and call for a boycott of the recall vote. This resulted in a series of difficulties, including some polling station committees being set up without any Kosovo Serb members. Additionally, directors of Serbian-curriculum schools in the north of Kosovo decided not to allow the use of schools as polling stations, which created serious challenges for the Central Election Commission (CEC). As this decision was made only a few days before the voting day, the CEC faced difficulties in providing the public with accurate information about the new location of polling stations. Voter turnout was extremely low (approximately 0.5%), making the recall vote unsuccessful.

Kosovo continued to consolidate its new electoral legal framework adopted in 2023, which implements recommendations from successive EU election observation missions. The CEC needs to: ensure that secondary legislation, decisions and procedures are aligned with the new Law on general elections; guarantee secret voting; regulate out-of-country voting; and lay down rules for election campaigns. In

January 2024, the CEC approved an internal regulation regarding political party finances for which a dedicated budget should be allocated.

While still under-represented, women play an increasing role in decision-making. The electoral legal framework mandates a gender quota of at least 30% for the Assembly, while the equal representation rule of the Law on gender equality provides for a 50% quota. The Ombudsperson sent the new election law to the Constitutional Court to clarify this



discrepancy.

#### Parliament

The Assembly struggled to maintain decision-making quorum, resulting in delays and significant backlogs. Of 129 draft laws, 80 were adopted, including 25 international agreements that were ratified. Several laws and a dozen international agreements are being carried over from one session to another.

The majority frequently opted for extraordinary sessions and fast-track procedures to adopt key legislation. The Assembly disregarded procedural deadlines for the adoption of 18 laws and missed deadlines set by the Constitutional Court to revise laws. Members of Parliament from *Srpska Lista* continued to boycott the work of the Assembly, further reducing its ability to pass legislation and adopt constitutional amendments.

The refusal of the government to respond to parliamentary questions significantly weakened the Assembly's oversight role. The Assembly remained slow in reviewing annual reports of independent agencies; a dozen of them have been under review since 2022. This hindered the Assembly's ability to hold agencies accountable and to evaluate their performance. At the initiative of the opposition, the Assembly set up several parliamentary inquiry committees. However, the Assembly was unable to make effective use of them.

Strengthening consensus-building, transparency and oversight could improve the Assembly's performance and help bring about a more stable and efficient legislative process. The Assembly needs to improve its internal management, adopt work plans for its two sessions, and introduce an electronic voting and presence recording system.

## **EU integration**

Despite a strong commitment to its European path, divisive domestic politics hampered the implementation of Kosovo's EU agenda. Responsibility for the overall EU agenda lies with the First Deputy Prime Minister, which underlines how important this agenda is for the government. However, this level of centralisation also limits political ownership in line ministries and slows down coordination and decision-making. The absence of permanent interministerial coordination bodies at expert level is another challenge. EU integration activities were also negatively affected by weak administrative capacity and the fact that a number of key positions in the public administration are held by officials who are serving in an acting capacity.

In April 2024, the government approved the 2024-2028 National Programme for European Integration (NPEI). Kosovo regularly published reports on implementation of the NPEI and the European Reform Agenda and discussed progress in the Assembly.

In line with the 3 June 2023 statement by the High Representative on behalf of the EU, the EU is implementing reversible measures vis-à-vis Kosovo. This includes putting on hold the work of the Stabilisation and Association Agreement bodies.

## **Governance**

There has been no major change to the governance structure, but certain ministries and departments' responsibilities have been streamlined.

Municipalities made progress in strengthening their operations and service delivery. Despite their reliance on government grants, municipal budgets increased with the overall budget growth. In 2024, municipal funding increased by 12% compared with 2023. The relationship between municipalities (mostly led by opposition mayors) and central institutions did not improve.

Kosovo made progress in improving gender equality at local level, as 16 municipalities developed sector-specific gender analyses and operationalised a gender-inclusive mid-term budget framework and 16 action plans.

## **Civil society**

Civil society remains active and diverse, playing a meaningful role in designing, implementing and overseeing EU-related reforms. Mechanisms for involving civil society in decision-making are in place and most proposals, including draft laws, strategies and concept documents, were accessible for public consultation on an online platform. Nonetheless, consultations with civil society fall short of the relevant

regulation. The government needs to comply with the consultation period, provide full information to enable participation, provide feedback, and publish all updated draft proposals and final reports. Participation of persons with disabilities and their representative organisations should be systematically facilitated and consultations at local level and in rural areas should be improved. Greater consultation with CSOs advocating for women's rights would be beneficial.

The Regulation on **public funding** for CSOs is being implemented, but comprehensive, accurate and timely reports on public funding are lacking, as is the evaluation of the effectiveness of allocated funds.

### 2.1.2 Public administration reform

#### Strategic framework for public administration reform (PAR)

The **strategic framework for public administration** is in place, but not efficiently implemented. The strategy remains not well coordinated with other strategies relevant to the PAR agenda, such as the Administrative Burden Prevention and Reduction Programme and the e-government strategy. The related governance structure on PAR, such as the Ministerial Council, needs to ensure effective coordination between the political and technical levels across key bodies. The Ministry of Internal Affairs needs to increase its capacity to manage and monitor cross-cutting and politically sensitive reforms. The PAR-monitoring platform is functional. However, there are delays in uploading reliable and quality data. The annual monitoring report on PAR for 2023 was adopted in June 2024. The financial sustainability of the action plan on public administration remains uncertain.

#### Policy development and coordination

On the **policy-making system**, Kosovo authorities need to develop a harmonised and credible medium-term and annual **policy planning** that effectively integrates the policy and budget planning processes. In May 2024, the government adopted new rules on government procedures, that clarify and reinforce different aspects of policy development and coordination. However, different instruction and guidance manuals still need to be developed for the policy-making system to become more effective. The annual and medium-term policy and budgeting processes remain not well-integrated and inter-institutional coordination remains a challenge. Therefore, the alignment of the new government rules of procedure and the ongoing improvement of the new Law on public finance management needs to be ensured. The capacity of the Strategic Planning Office in the Office of the Prime Minister to conduct planning, monitoring, reporting, and *ex-ante* impact assessments improved. However, coordination between the Strategic Planning Office and the Ministry of Finance needs to be strengthened. The monitoring and reporting on sectoral strategies as well as the medium-term expenditure framework remain weakly interlinked in the administration and the planning on costing unrealistic. The timely implementation of the NPEI commitments needs to be improved. There was no progress on incorporating gender considerations into all policies, or inclusive and evidence-based policy and legislative development.

The effective use of regulatory impact assessments (RIA) and public consultations as tools of **evidence-based policymaking** remains a challenge. Legal minimum requirements for organising the public consultation process with civil society or regular feedback are not complied within practice.

#### Public financial management

**Public financial management (PFM)** is broadly in place but needs to be further improved. The Ministry of Finance, Labour and Transfers adopted the 2023 monitoring report on the implementation of the PFM strategy. Gender-responsive budgeting rules required by budget-related circular letters are not incorporated into legislation and are not publicly available. In the area of public investment, the design and the implementation of investment projects continue to lack consistent feasibility studies and assessments of costs and benefits. Kosovo still needs to improve the quality of project information in the public investment programme system and this system's links with the Kosovo Financial Management Information System. High levels of tax arrears continue to pose a challenge. Some progress was made in

preparing fiscal risk statements. However, fiscal risk assessment provisions need to be incorporated into the new Law on PFM. On public procurement, contract management and commitment controls remain weak. On **budget transparency**, information booklets for the public or reader-friendly budgets and budget implementation reports are systematically published. In-year budget reports, published monthly and quarterly, provide information for both aggregate and individual first-level budget users (*see chapters on public procurement, taxation, customs and financial control*).

#### Public service and human-resource management

**The public service and human-resource management system** needs to be improved. The Law on public officials entered into force in September 2023. In March 2024, the government proposed amendments to the Law on public officials to address the Constitutional Court ruling finding some of its articles unconstitutional, which is pending approval in assembly.

**Merit-based recruitment, promotion and dismissal of civil servants** remained inefficient. The quality of management in the institutions continued to be undermined by delays in effectively filling regular vacancies and a high number of senior management positions filled by acting officials. Slow implementation of the regulation on job classification and the delayed review of the internal organisation of public bodies is still pending. Such delays risk undermining the transparency of data on human-resource needs. In this regard, a credible and realistic annual recruitment plan for the civil service and a related annual monitoring report still need to be developed. The civil service has attracted a low number of outside candidates, which is also visible in the increased number of failed senior management recruitments. The new Law on public officials and the related secondary legislation risk undermining the **professionalisation and stability of the civil service**. The law introduces fixed tenures and mandates for managers at all levels, undermining stability in the civil service, which is needed to build professional experience. The law does not provide stable career prospects as promotions are not possible and competitions for acceding to managerial positions are all to be open on equal footing to internal and external candidates. The system for effective performance management is not ensured, as the law does not clearly specify the performance-based criteria for demotion or extension of terms. Recruitment procedures do not ensure a ranking based on objective criteria. The law is silent on the professional qualifications required of members of admission committees, which makes it hard to assess their quality and independence. Representation of non-majority communities in the central administration and the number of women in senior positions are unsatisfactory.

The current system of **remuneration** of public officials is unified under the new Law on salaries. However, assessment of salary levels is not yet based on clear job requirements. Due to unclear linkages between job evaluation and payment its wider effects are unclear. The Constitutional Court ruling on the Law on salaries has not been fully addressed yet. Instead, sub-legal acts were adopted to clarify and amend some of the coefficients introduced, the fiscal impact of which is yet unknown.

The **capacity** of the Ministry of Internal Affairs in terms of human-resource management (HRM) policy remains limited. Increased training, transfer of knowledge and dissemination of methodological tools are needed across HRM units. The Human Resource Management Information System needs to be updated for better data reliability. This system is not linked to the payroll system.

**Professional development** of civil servants is not efficient. Despite development of personnel plans on training, professional development, is largely dependent on donors' support and ineffective due to also limited budgetary and staffing capacities of the Kosovo Institute of Public Administration (KIPA). The Independent Civil Service Oversight Board (IOBCS) has insufficient capacity to manage, decide and report on appeals of civil servants. The proposed government amendments to the Law on the IOBCS were called unconstitutional. Once such amendments are invalidated, the effective oversight of civil service and preserving the right of all civil servants to appeal will be guaranteed again. The Constitutional Court ruling of June 2024 considers these amendments unconstitutional and requests that they are withdrawn.

**Integrity** in the public service remains a challenge (*see Chapter 23 – Judiciary and fundamental rights*).

### Accountability of the administration

**The accountability of the public sector** is insufficient. The government embarked on a new sectoral approach to rationalise agencies by developing proposals for the set-up, merger and dissolution of agencies, and the first action plan covering two sectors was adopted in September 2024. Accountability lines between supervisory and subordinated bodies remain weak. Despite improvements in approving a higher number of performance plans for sub-ordinated agencies than in the previous year, a performance management system according to the newly adopted rules in 2023, needs to be put in place effectively. The efficient implementation of the Law on **access to public documents** remains a challenge. A new Law on administrative disputes was adopted in January 2024 to improve the administrative justice framework and increase the level of protection of the rights of individuals. The legal framework on the **right to seek compensation** is not coherent and its implementation is not effective.

### Service delivery to the public and businesses

**Service delivery to the public and businesses** is gradually improving but not yet efficient. Some progress was made in implementing the Administrative Burden Prevention and Reduction Programme (2022-2030), with continuous progress on simplified services at central and local level. Implementation of the Law on general administrative procedures is still insufficient. The government's e-Kosovo portal further improved the online delivery of services to the public, as it increased the number of services available in the e-catalogue. Service delivery to those in vulnerable situations, including persons with disabilities, remains inefficient. The government adopted an e-government strategy that covers the digital transformation of public administration, with a special focus on redesigning service delivery, aligning it with people's needs.

## **2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS**

### **2.2.1 Chapter 23: Judiciary and fundamental rights**

*The EU's founding values include the rule of law and respect for human rights. An effective (independent, high-quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is respect of fundamental rights in law and in practice.*

#### **Functioning of the judiciary**

##### Strategic documents

Kosovo has a strategy on rule of law for 2021-2026, but the action plan for 2024-2026 is overdue. Implementation and monitoring of strategic documents need improvement. The Kosovo Prosecutorial Council (KPC) adopted the Communication Strategy for 2024-2027. The Kosovo Judicial Council (KJC) adopted the IT Strategic Plan for 2024-2029 for the implementation of the European Commission for the Efficiency of Justice (CEPEJ) digital justice tools. The implementation of the strategic plans of the KJC and the KPC needs to further improve, including by setting up stronger monitoring mechanisms. The implementation of the Joint Commitment Statement, signed by heads of justice system institutions in March 2023, experienced serious obstacles and delays. The drafting process of these key reform laws did not ensure a meaningful consultation of relevant national and international stakeholders. Despite strong EU advice, the Venice Commission was not consulted by the government on the legislative reform package. This negatively affected their quality and alignment with European standards. Such key legislation requires assessment by the Venice Commission. Notably the proposed draft law on performance evaluation, integrity control, and status of judges and prosecutors lacks in clarity and concerns remain that their scope is not in line with European standards.

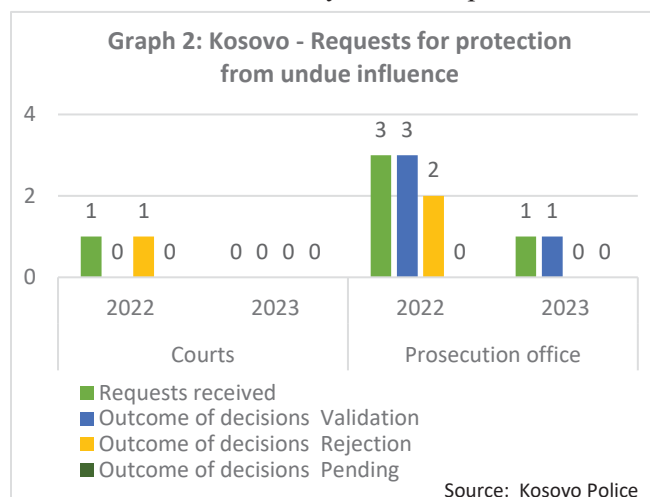
##### Management bodies

The functioning of the KJC and the KPC is adequate, but their full composition should be consistently ensured. The KPC and the KJC appointed new Deputy Chairpersons, both women. Planning of activities and appropriate use of resources must be improved. Overall management practices need to be improved, especially within the KPC, by improving decision-making and communication and increasing consistency.

The KJC increased transparency and improved communication with the public. The Assembly finally elected the three lay members within the KPC. In July 2024, Parliament adopted a new Law on the KPC with an aim to reduce corporatism within the KPC. The law failed to ensure alignment with European standards and the authorities failed to consult the Venice Commission on the latest draft, despite repeated advice by the EU. The KPC must swiftly repeat the process for the selection of the Chief State Prosecutor, respecting the principles of transparency and meritocracy.

### Independence and impartiality

Independence and impartiality of the judiciary and the prosecution service are guaranteed by the Constitution and the law, yet their implementation requires improvement. Government officials tend to



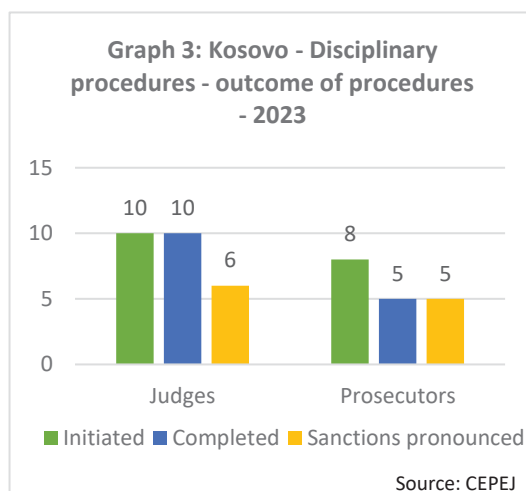
criticise decisions in individual cases or even target specific judges or prosecutors, which is of concern. Further training is needed for judges to conduct trials in a professional and impartial manner. The Constitutional Court issued a decision on the Law on public salaries, raising issues over the independence of the judiciary and constitutionally independent bodies; the Assembly is yet to address this decision. A small number of requests for close protection were filed with the police.

The established **Case Management Information System (CMIS)** enables the random assignment of cases to judges and prosecutors, with limited exceptions laid down

in the relevant regulations. Although the Law on the National Centralised Criminal Records System provides full access to the Ministry of Justice, appropriate use respecting the separation of powers needs to be ensured in practice. Work should continue on digitalising the justice system.

### Accountability

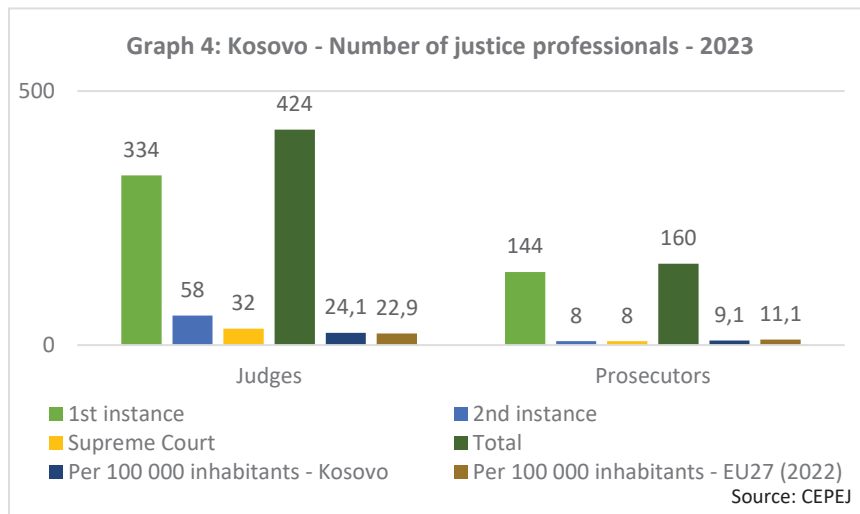
The accountability of the judiciary needs to be improved. Codes of ethics for judges, prosecutors and attorneys are in place. The KJC and the KPC have set up ethics committees serving as advisory bodies. The KJC and the KPC have functioning systems for disciplinary proceedings, but their efficiency and quality should be improved, including by revising the legislative framework. The current legislative amendments should be aligned with European Standards, in particular concerning the competencies to decide on initiating or rejecting disciplinary proceedings. Judges and prosecutors declare their assets annually. Further improvements are necessary, particularly to ensure the regular and effective full verification of the asset declarations of judges and prosecutors, strengthen the legislative framework and provide training programmes on



judicial ethics.

The introduction of an outstanding process of integrity checks for senior officials in the judiciary and prosecution is pending adoption by the Assembly, as the proposal failed to gather the majority required for constitutional amendments.

### Quality of justice



The quality of justice improved but remains insufficient. The steady recruitment of new judges and prosecutors has the potential to increase the level of professionalism and competence of judges and prosecutors. However, the quality of indictments and judgments in criminal law remains insufficient. The creation of the specialised Commercial Court continued to help improve the quality of cases adjudicated, reducing

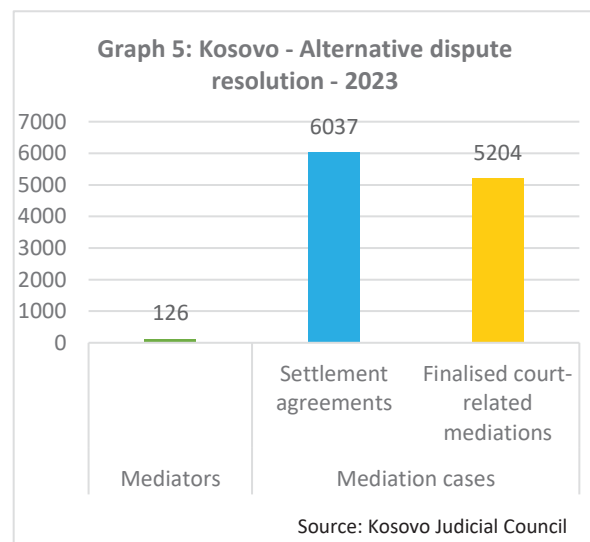
the number of referrals and the disposition time (the time a judicial system takes to resolve a case). Collaboration between the police, the prosecution service and the judiciary to ensure efficient handling of cases, in particular high-level cases of corruption and organised crime, should be strengthened. The Supreme Court plays a key role in achieving uniformity of court practice; this can be improved through consistent and timely publication of judgments by the KJC. Despite an increasing trend, the budget of the judiciary remains insufficient. Poor performance by defence lawyers should be addressed by the Bar Association and by the KJC, including by better implementing the Criminal Procedure Code.

Courts struggle to comply with the requirement of the Law on languages to publish judgments in both official languages due to a lack of Serbian translators. The availability and quality of interpretation in court proceedings remains a challenge.

The status and functioning of the Kosovo Justice Academy are generally in line with European standards. However, amendments to the law on the Academy are currently pending and full alignment with European Standards must be ensured. The Academy suffers from insufficient resources. The KJC and the KPC continued to organise recruitment of judges and prosecutors based on merit-based criteria. Recruitment from non-majority communities remains a challenge, with only few applications.

The performance evaluation system for judges and prosecutors should be further improved to ensure a process based on objective criteria – with due weight given to qualitative indicators – and effective follow-up.

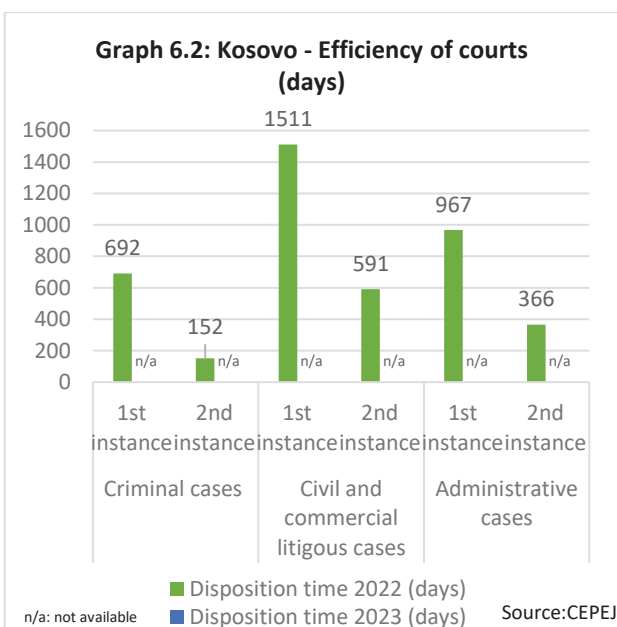
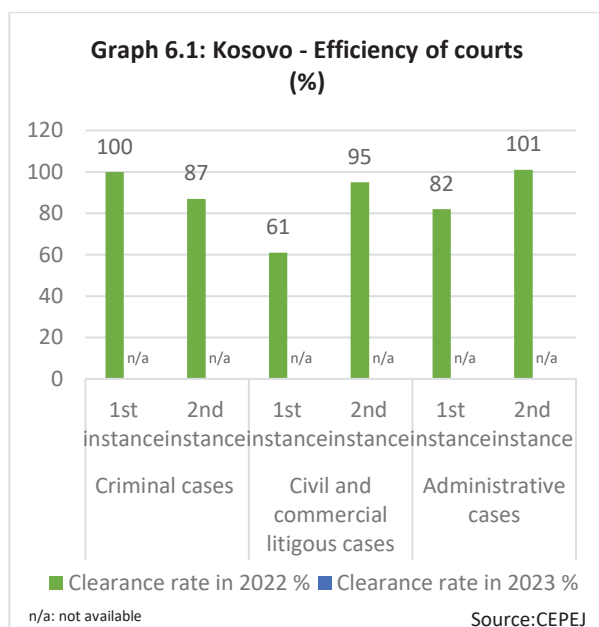
### Efficiency



The efficiency of justice needs to be improved. While there was progress on the clearance rate in civil cases, the ability of the judiciary and the prosecution service to handle cases in a timely manner remains limited, particularly in high-level corruption cases. Trials continue to be delayed by frequent adjournment of hearings, often due to unjustified reasons and inefficient case management. Although the KJC and the Supreme Court introduced a mechanism to minimise the number of retrials, this practice continued and the number of retrials even increased. This increased the backlog of cases and often lengthens pre-trial detention. Trial panels need to make better use of tools to penalise parties for unjustified absence from hearings. Swift adoption of the Civil Code and Civil Procedure Code is essential to improve the efficiency of civil justice. The Assembly adopted the new Law on administrative disputes, aiming to improve the administrative justice framework and citizens' rights protection. The Law on the administrative court, which is pending adoption, also has the potential to reduce backlog. It needs to be assessed by the Venice Commission.

The resignation of Kosovo Serb judges, prosecutors and administrative staff in the north of Kosovo in November 2022 continued to cause delays, despite reassignments and transfers of cases. The number of Kosovo Serb judges and prosecutors remains insufficient.

Significant improvements were made on the sustainability and accuracy of data fed into the CMIS. The National Centralised Criminal Records System is operational. However, the two systems are yet to be made fully interoperable.



### Domestic handling of war crime cases and missing persons

The legal framework on handling war crimes is satisfactory, but its implementation is hampered by the limited capacity of the prosecution service. The Special Prosecution Office (SPO) filed several war crime indictments *in absentia*. Kosovo also achieved progress in investigating and prosecuting sexual violence crimes. The new war crime strategy is pending adoption. The number of prosecutors assigned to the SPO's war crimes department was increased, but the department still struggles to process the significant case backlog. War crime processing remains hindered by a lack of mutual legal assistance between Kosovo and Serbia.

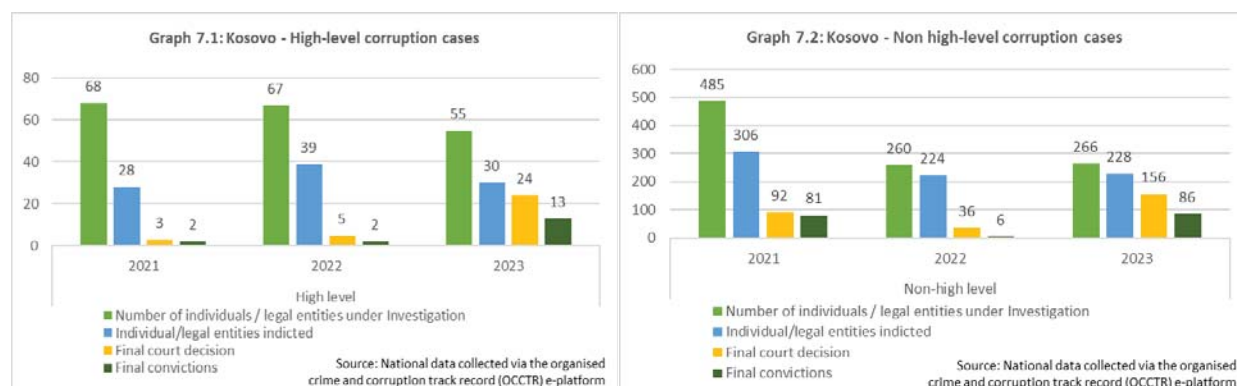
The unresolved fate of **missing persons** remains a challenge. There are still 1 612 missing persons. Only ten cases were solved between June 2023 and June 2024. The Transitional Justice Strategy was adopted in June. Its adoption is a positive step. Nevertheless, the strategy fails to be fully inclusive and to incorporate

important reconciliation aspects. Kosovo needs to address these shortcomings in the next review of the Action Plan. A new Institute for Crimes Committed During the War in Kosovo became operational. Civil society is actively engaged in truth-seeking, reconciliation and memorialisation initiatives.

## Fight against corruption

### Track record

The track record in fighting corruption improved, in particular regarding the number of final judgements and final convictions, including in high-level corruption cases.



Criminal asset confiscation increased in total value, but more systemic progress is needed (*see chapter 24 on asset confiscation and recovery*).

In 2023, the Agency for the Prevention of Corruption (APC) handled 66 cases under preliminary investigation for suspicion of corruption-related offences, of which 59 were referred to the prosecution and 7 cases terminated. 4 698 of the 4 709 officials (99.8%) submitted regular annual declarations of assets. The APC handled 216 cases of suspicion of conflict of interest.

### Institutional framework

The institutional framework on the fight against corruption is in place and is partially satisfactory. Implementation and monitoring of the framework need to be further improved. The APC carried out an important project to identify the areas most vulnerable to corruption. It is essential to strengthen the budget, staffing, and expertise capacity of the APC to match the increase in the number of subjects required to declare their assets. The Assembly has not yet endorsed the 2023 annual report of the APC.

Kosovo's specialised institutions to fight corruption are functional. The Special Investigation Unit of the Kosovo Police was previously operating without a clear legal mandate. The new Law on the Special Prosecution Office (SPO) fills this gap. However, a sub-legal act is needed to set out organisational arrangements and arrangements for cooperation with the SPO. Both the SPO and the Special Investigation Unit should ensure effective cooperation and maintain sufficient investigation capacity to fulfil their functions effectively.

### Strategic documents

The necessary strategic framework is not in place. The national strategy and action plan against corruption for 2024-2027 are pending. It is essential that they meet EU best practice and standards. The KPC, the KJC and the SPO should continue to prioritise the handling of corruption and organised-crime cases in their annual plans.

### Legal framework

The legal framework on the fight against corruption is in place and is satisfactory, yet its implementation needs improvement. Kosovo is not a party to international anti-corruption conventions. Nevertheless,

Kosovo’s legislation is generally aligned with these instruments and in line with relevant European standards. The Criminal Code appropriately criminalises corruption-related offences.

In November 2023, the Assembly adopted the Law on the SPO, which clarifies its jurisdiction by more clearly defining what amounts to high-level corruption.

Fundamental rights

General framework

The general framework for fundamental rights is broadly satisfactory. Legislation is in place, but major challenges with its effective implementation remain.

International human rights instruments

Kosovo is not yet a member of a number of international organisations, but the Constitution incorporates the main international human rights instruments. The incorporation of the UN Convention on the Rights of Persons with Disabilities is pending. Kosovo’s application for Council of Europe membership is pending a decision by its Committee of Ministers.

Promotion and enforcement of human rights

Kosovo continued to improve interinstitutional coordination on human rights. The Ombudsperson Institution (OI) and the Office of Good Governance of the Office of Prime Minister intensified their cooperation.

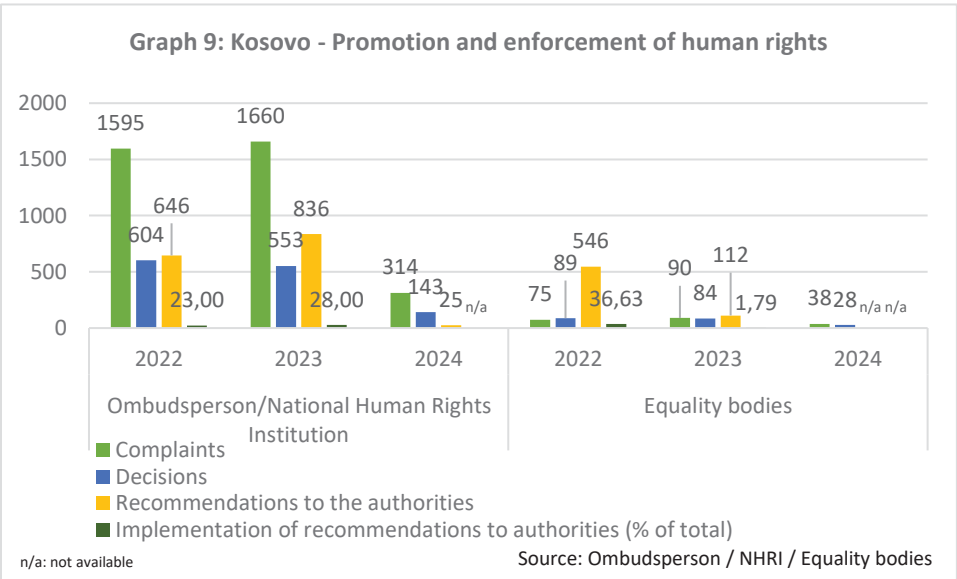
Nonetheless, key institutions’ human and financial resources remain limited. The OI continued to play a key role in promoting and enforcing human rights; it remains essential to safeguard its independence, in line with the Paris and Venice Principles. The OI’s annual report for 2023 showed a small increase in the implementation of

recommendations, but the rate remains very low, particularly regarding equality/discrimination. The Assembly should address this issue by improving its oversight role. The government should ensure

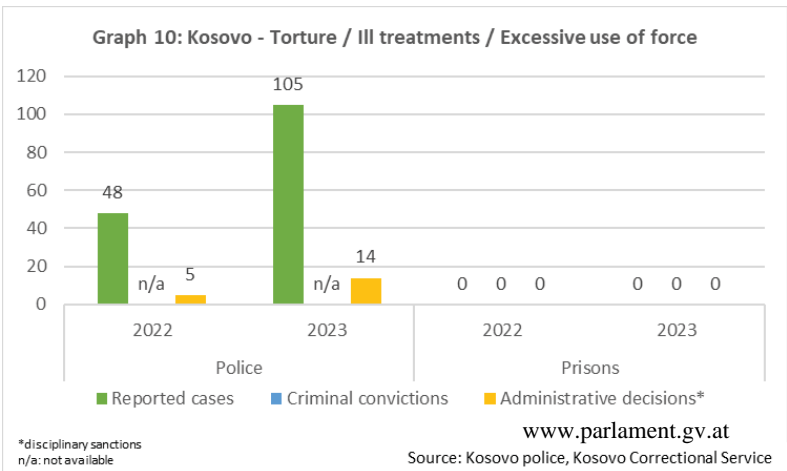
continuation of human rights policies by preparing timely follow-up to policy documents.

Prevention of torture and ill treatment

Kosovo authorities show commitment to the prevention of torture and ill treatment. The

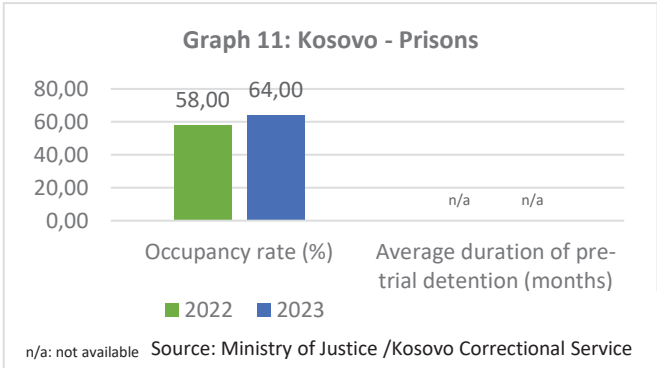


Main themes: Ombudsperson - right to fair trial, legal remedies; Equality body - discrimination linked to ethnicity, gender, age.



National Preventive Mechanism operates under the umbrella of the OI. In 2023, it received 59 complaints on excessive use of force by the police; 25 were deemed admissible and were investigated further. No cases of ill treatment of prisoners were identified. The prison system broadly complies with UN Standard Minimum Rules, but further action is needed to safeguard the rights of prisoners, especially women, girls, non-majority community members and mentally ill prisoners. No overcrowding was reported, but the OI has recommended to improve the conditions in some correctional centres. The Kosovo Probation Service supervised an increasing number of alternative measures and punishments. From January to June 2024, 1 438 persons were supervised under alternative measures and sanctions, along with 532 individuals on conditional release.

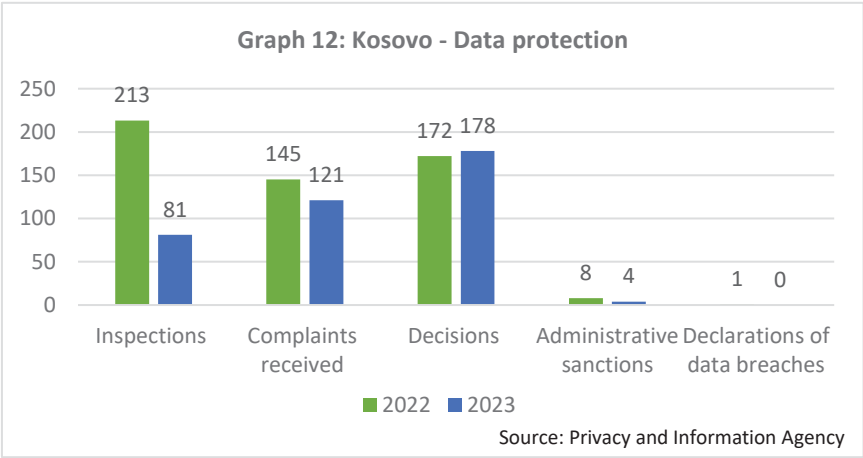
Execution of criminal sanctions



The legislation is generally in line with EU *acquis*. Two implementing acts are still pending approval to implement the Law on the Kosovo Correctional Service (KCS) and the Law on the execution of criminal sanctions. The KCS adopted an organisational strategy for 2023-2027. An agreement to incarcerate prisoners from Denmark (non-Danish citizens with an expulsion order) in Kosovo was ratified by the Assembly. Danish legislation on execution of criminal sanctions will apply.

Protection of personal data

The laws in force are broadly in line with the EU General Data Protection Regulation and the Law Enforcement Directive. The Information and Privacy Agency adopted sub-legal acts and increased its staffing capacity. The Agency is processing complaints on access to public documents and on data protection in an independent and efficient manner. The responsiveness of public and private institutions to the Agency’s decisions improved, including thanks to awareness raising. The Agency is not systematically consulted on the drafting of legislation with an impact on personal data protection.



Freedom of religion or belief

The Constitution guarantees freedom of thought, conscience and religion. The Law on freedom of religion is pending adoption. Several events raised concerns about freedom of religion. The Kosovo Police deported a Serbian Orthodox Church (SOC) monk who served as an abbot for 13 years, quoting ‘reasons of national security’. Acts of desecration against the SOC and attempts to misappropriate and undermine the identity of religious sites took place. Finally, the authorities failed to use the SOC’s full constitutional name in public statements.

## **Freedom of expression**

### Protection of journalists

In 2023, the Association of Journalists of Kosovo (AJK) reported a total of 72 cases of attacks and threats against journalists, media workers and media organisations, which denotes a significant increase. Almost half of cases occurred in May/June 2023, against Albanian-speaking journalists covering protests in the north of Kosovo. Up to September, the AJK has reported 36 cases of attacks against journalist. In 2023, the police registered 32 cases where complainants were journalists and registered 27 criminal cases. Women journalists are more often targeted by attacks than male journalists. Civil society reported on cases of strategic lawsuits against public participation (SLAPP) but systematic research on the issue is lacking.

### Legislative environment

Legislation is generally in line with international standards, but requires improvement, including to ensure media ownership transparency. The law on the IMC was adopted by the Assembly in July. It contributes to enhancing media regulation and the IMC's performance. Nonetheless, the Assembly's amendments failed to reflect a majority of the EU and other international partners' recommendations. Concerns remain over the independence, powers and financing of the IMC and over the lack of clarity and proportionality of the law. The opposition referred the Law to the Constitutional Court for review. The Law on Radio Television of Kosovo (RTK) and the Law on the protection of journalists' sources are still pending. Access to public information is guaranteed by legislation. The Agency for Information and Privacy improved its performance, but in practice, journalists still face regular delays or denials when asking public institutions for access to documents. Serbian-language media continue to face challenges in accessing information because public institutions fail to comply with the requirements of the Law on the use of languages.

### Implementation of legislation/institutions

Overall, the functioning and transparency of the IMC significantly improved. Its independence in decision-making needs to be strictly ensured, including by political stakeholders. The IMC Media Appeals Board was largely dysfunctional due to a lack of quorum.

### Public service broadcaster

There was no progress in finding a long-term, sustainable and independent financing model for the public service broadcaster RTK. In July 2024, the General Director of RTK resigned, citing political interference and disagreement with the Board. It is crucial that the next director be appointed through a merit-based process, in order to ensure institutional autonomy and editorial independence. Later in the year the RTK came under wide public criticism for publishing a foreign article targeting two Kosovo news portals. This led to the resignation of the board chairperson and another two board members. It is essential that the board quickly becomes operational again. The RTK needs to swiftly address concerns related to editorial accountability and independence. Three complaints were lodged against the management for gender discrimination; these are still pending.

Several court decisions played a role in safeguarding freedom of the media. The Basic Court of Pristina annulled a controversial decision by the IMC from 2021. The Commercial Court annulled a governmental decision suspending Klan Kosova's business certificate, which had raised concerns about media independence.

### Economic factors

The media sector continues to suffer from a lack of transparency of ownership and financing, and a lack of financial sustainability, making it vulnerable to political influence and financial pressure. The

government does not advertise in private media, but public companies and local government authorities do.

#### Internet

There is no restrictive legislation on the functioning of the online media nor on the freedom of expression online, and no restriction was noted during the reporting period.

#### Professional organisations and working conditions

The Press Council remains functional but requires broader financial and professional support to perform its duties effectively. The public broadcaster is the only media that has a trade union. Overall working conditions of journalists remain poor: journalists are often working with insufficient salaries, short-term contracts or unclear legal status, undermining editorial independence.

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#### Freedom of assembly and association

The Constitution and laws guarantee freedom of assembly and association; their implementation is satisfactory. In June 2024, the LGBTIQ Pride Parade held in Pristina encountered no recorded incidents. The Law on freedom of association and its implementing legislation overall meet international human rights law standards. Amendments to the law set up a new Appeals Commission for decisions related to freedom of association in non-governmental organisations; it is essential to ensure the Appeals Commission's independence from executive power.

Issues of labour and trade union rights are covered in *Chapter 19 on social policy and employment*.

#### Property rights

Kosovo adopted the Law on public property and the Law on the cadastre of immovable property to strengthen the cadastral system and ensure reliability of property registration. In March 2024, the Kosovo Cadastral Agency fully implemented the Constitutional Court judgment on Dečani Monastery land ownership, by registering the Monastery as the owner. Concerns were triggered by the government's decision to carry out expropriation processes without following legal procedures, affecting non-majority communities in several municipalities. Several court rulings have ruled in favour of Kosovo Serb complainants, finding among other things that the government failed to provide justification in the form of a legitimate public purpose. The new draft law on expropriation needs to reflect the principles deriving from the Ahtisaari plan.

The government continued affirmative measures for registration of joint property ownership by spouses in the property rights registry, aiming to increase the number of women property owners. However, the proportion of women property owners remains quite low (19.82% of registered properties).

#### Non-discrimination

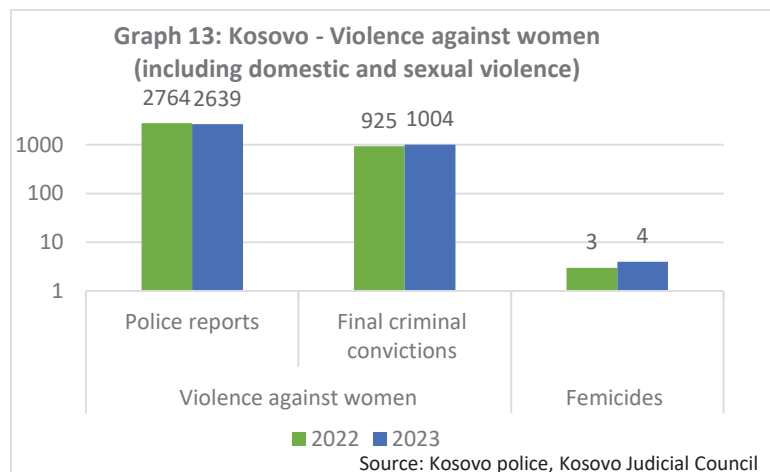
The legislation on protection from discrimination is broadly in line with European and international standards, yet implementation is limited due to weak institutional capacity. Discrimination predominantly affects rights related to employment, education and access to social services and healthcare, and the right to use an official language. Several OI reports highlighted the occurrence of discrimination based on age and disability, including widespread issues related to access to public buildings and services, as well as hate speech in public discourse. Collecting judicial statistics on discrimination cases remains a challenge due to inappropriate identification and categorisation.

Overall, legislation on hate crimes and hate speech is in line with the EU *acquis*. In 2023, the Kosovo Police recorded 31 cases of hate crime and hate speech with potential ethnic motivation, and three cases of hate crime and hate speech based on sexual orientation, an increase from 2022. Of particular concern

are social media posts with denigrating and threatening language by public figures, including members of Parliament.

### Gender equality

The legal framework on gender equality is generally in line with international texts and the EU *acquis*. The appointment of a director for the Agency for Gender Equality has been pending since April 2023. The Agency's capacity to adopt and monitor policies is insufficient; no action plan was adopted for 2023-2024. Timely monitoring and evaluation of the 2020-2024 Programme needs to be ensured. Kosovo should also adopt a new Program and a new Action Plan implementing the UNSCR 1325 resolution on Women, Peace and Security. Gender mainstreaming in laws and policy documents is inconsistent.



Coordination between the Agency and gender equality officers improved, but their ability to influence policies is uneven. The President of Kosovo continued to give high political visibility to gender equality, women's rights and the rights of victims of sexual violence, including through the second Women, Peace and Security Forum. Women rights' CSOs continued to play a critical role in advancing gender equality. Women from minorities – especially Roma<sup>4</sup>, Ashkali and Egyptian communities – suffer multiple discrimination,

especially in relation to education, employment, and access to health. Early marriage mostly affects girls from these communities.

Domestic violence remains the most prominent form of gender-based violence. The legal, policy and institutional framework is in line with European standards, but its implementation remains uneven. Kosovo is yet to adopt implementing legislation envisaged by the Law on domestic violence, violence against women and gender-based violence. Implementation of the Strategy for 2022-2026 progressed well. The Minister of Justice was appointed National Coordinator against Domestic Violence. Kosovo put in place a new programme for the rehabilitation of perpetrators, and adopted amendments to criminal legislation increasing punishment and introducing safeguards for law application. In accordance with the Istanbul Convention, Kosovo set up a central secretariat for combating gender-based violence; sufficient funding and staffing should be ensured. In 2024, the government increased the funds allocated to shelters for victims of domestic violence and trafficking in human beings and ensured timely disbursement of these funds.

Despite institutional efforts, the system still fails to ensure appropriate prevention and combating of domestic violence, as well as protection and reintegration of victims. Cases of femicide and rape caused public outrage. Reporting of domestic violence declined in 2023. Judges and prosecutors still do not handle cases appropriately, often failing to properly apply the law. Discriminatory language and verbal attacks continued, including against women in public life such as Assembly members.

### Rights of the child

<sup>4</sup> In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

Kosovo's legal framework on the rights of the child is largely in line with EU *acquis* and international standards, but implementation remains limited. Progress was made in the adoption of sub-legal acts on the Law on the rights of the child, although one remains pending. Work on implementing the Law should continue. Kosovo has yet to set up the helpline and the protection houses envisaged by the Law on child protection. An integrated child protection system remains lacking. Centres for Social Welfare are still not equipped with appropriate professional, infrastructural and financial resources. Kosovo lacks capacity to provide appropriate foster care for children without parental care; the government should prioritize reducing the number of children residing in residential care. Children with disabilities face discrimination in access to preschool institutions and few attend the school system. There is a need for systemic improvements in Kosovo's juvenile justice system, in particular over the execution of diversion measures by juvenile prosecutors. Early marriage remains prevalent, affecting the lives and education of children in Kosovo, particularly in Roma, Ashkali and Egyptian communities.

#### Persons with disabilities

There remains a clear lack of harmonisation of legislation and policies with international texts and the EU *acquis* on the rights of persons with disabilities. Persons with disabilities face discrimination and barriers to accessing healthcare, rehabilitation, social services, education and assistive equipment and physical infrastructure. The adoption of the Law on the rights, evaluation, treatment and status recognition of and services and benefits for persons with disabilities is overdue. A new regulation adopted in July is expected to improve the accountability of the Commission for the Evaluation and Recognition of the Status and Rights of Paraplegic and Tetraplegic Persons and to exclude unnecessary re-evaluation of disability. Health services for persons with disabilities need to improve in general and in particular for women and girls. More than 88% of children with disabilities remain outside the education process; those who attend school lack appropriate conditions and services. According to legislation, only persons with mental disabilities can be placed in care institutions. In practice, there are no such institutions. Kosovo needs to ensure implementation of the provisions of the UN Convention on the Rights of Persons with Disabilities.

#### LGBTIQ persons

The Constitution and laws are mostly in line with international and European standards. In practice, lesbian, gay, bisexual, trans, non-binary, intersex and queer (LGBTIQ) persons continue to face discrimination and have limited access to services, including health, psychosocial and legal services. Kosovo has not adopted a strategy and action plan on the rights of LGBTIQ persons, nor conducted any awareness-raising campaigns. The government showed public support to the Pride Week and the Pride Parade. The institutional response to online hate speech and homophobia is inconsistent. The Civil Code, which may open the possibility of legislation on same-sex unions, is pending adoption. Parliamentary debates around the subject triggered discriminatory language and hate speech. No progress was made in setting up a planned shelter for LGBTIQ victims of family violence. The Law on civil status opening the possibility of legal gender recognition is pending adoption.

#### Procedural rights and victims' rights

The Constitution and the law set out the procedural rights of persons suspected of crime and the rights of victims of crime. Amendments to the Criminal Procedure Code addressed some shortcomings related to compliance with procedural deadlines and defence representation. Remaining issues of concern include: (i) delayed and excessively prolonged court proceedings; (ii) lack of professional interpreters/translators and consequences on the rights of victims of crime; (iii) excessive use of pre-trial detention; and (iv) insufficient consideration of alternative measures. Despite the extension of free legal aid to all women victims of gender-based violence, very few are represented in court proceedings. The Ministry of Justice initiated an information campaign to inform stakeholders about the new Law on compensation for victims of crime. The budget for 2024 increased significantly, in response to the growing number of requests.

### Protection of minorities

On the protection of minorities, the legal and institutional framework for the protection of non-majority communities is in place and mostly aligned with the EU *acquis*, yet legal safeguards are not sufficiently respected. The government took some decisions advancing the rights of non-majority communities, but other decisions seriously affected their rights and living conditions.

The government adopted the Strategy for the protection and promotion of the rights of communities and their members for 2023-2027. The government extended the mandate of the Commission for the Verification of Diplomas issued by the Serbia financed University in North Mitrovica to include Serbian-curriculum high-school diplomas issued in Kosovo. A steady increase in the number of university diplomas presented for verification could be noted.

The position of the Director of the Office for Community Affairs has been vacant since February 2021. Institutional compliance with obligations deriving from the Law on the use of languages remains insufficient. Study programmes in Bosnian, Turkish and Serbian languages offered by public higher education institutions continue to face challenges in ensuring re-accreditation due to a lack of professors. The number of qualified translators and interpreters in government and municipal-level institutions remains very low, further limiting these institutions' capacity to apply legal provisions.

Relations between the government and the Kosovo Serb community remain difficult. The adoption of the central bank's regulation on cash operations, while aiming to enhance the transparency of financial flows, to ensure financial stability and to combat money laundering and counterfeiting, negatively affected the possibility for the Kosovo Serb population and other non-majority communities throughout Kosovo to access salaries, pensions and social assistance received from Serbia, thus severely constraining their income. The absence of prior consultations on the regulation and the lack of appropriate information campaigns and a proper transition period posed further challenges. Access to illegally occupied property of non-majority communities remains widely unaddressed. The authorities launched construction works on the properties of non-majority communities without following expropriation procedures in four municipalities. The participation of non-majority communities in the census was extremely low, negatively affected by their underrepresentation among administrators conducting the census, and by the boycott of most Kosovo Serb political representatives in the four northern Kosovo municipalities. Participation of Kosovo Roma, Kosovo Ashkali, and Kosovo Egyptian communities varied, with some areas seeing higher participation due to NGO support while others faced challenges due to ineffective information campaigns and fear of retribution in case of participation.

In the north of Kosovo, the government removed various community symbols, flags, and road signs (some bilingual signs were put in place). Special police conducted operations to close a community centre run by a Kosovo Serb non-governmental organisation in Pristina as well as offices of institutions supported by Serbia providing assistance to non-majority communities in other municipalities. The ban on the import of goods of Serbian origin, due to a 'temporary operational security measure' issued by Kosovo's Ministry of Internal Affairs in June 2023, disproportionately affected businesses in the Kosovo Serb community.

Reported security incidents affecting non-majority communities gradually declined but remain concerning. Accounts of excessive use of force were reported by civil society following the deployment of specialised police units, composed mainly of Kosovo Albanian officers, in the north of Kosovo.

### Roma, Ashkali and Egyptians

Two municipalities with Romani as a language in official use made further progress in promoting the rights of Roma and Ashkali. The government showed commitment by creating an interinstitutional working group on the prevention of early marriage in the Roma, Ashkali and Egyptian communities and organising a donor conference to address housing issues. Almost all municipalities have set up municipal action committees but only eight have approved local action plans. Access to quality education, school

dropout, early marriage, data collection, and access to employment remain the main concerns affecting these communities. The implementation of the Poznan commitments requires improvement. The anti-discrimination law remains largely ineffective in combating anti-gypsyism; its implementation requires improvement.

### Cultural rights

The Kosovo Cadastral Agency registered land belonging to the Dečani Monastery, finally implementing the 2016 Constitutional Court decision. Nonetheless, relations between the Serbian Orthodox Church and the government remain poor. The Implementation and Monitoring Council, which facilitates the resolution of disputes about the implementation of the Law on Special Protective Zones, has convened for the first time since 2020, in an extraordinary meeting. It is important that regular meetings resume shortly as well. The agreement on the management of the Special Protective Zone of Dečani remains unimplemented. The Law on cultural heritage is still pending.

## **2.2.2 Chapter 24: Justice, freedom and security**

*The EU has common rules for border control, visas, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. There is also cooperation in the fight against organised crime and terrorism, and judicial, police and customs cooperation, , all with the support of the EU Justice and Home Affairs agencies.*

### **Fight against organised crime**

Kosovo continued to work on aligning its legal framework on organised crime with the EU *acquis*.

#### Institutional set-up and legal alignment

The legal framework on the **fight against organised crime** is broadly aligned with the EU *acquis*. Kosovo further aligned its strategic framework with the EU *acquis* on fighting organised crime. To this end, in March 2024, the government adopted the strategy and action plan on control of Small Arms Light Weapons (SALW) and explosives (in line with the Western Balkans Regional Roadmap on SALW Control and in June 2024 the national strategy and action plan against drugs. Kosovo still needs to amend the Law on firearms and the Law on civil use of explosives. The Financial Intelligence Unit and the Kosovo Police have developed guidance on terrorist financing typologies, but the amendment to the Law on money laundering and terrorism financing to fully harmonise it with the relevant EU directives is pending adoption. The Law on registering beneficial ownership was adopted in November 2023, but no register has been set up yet.

The Law on extended powers of confiscation gives additional means to prosecutors to confiscate assets acquired through criminal activity. Legislation also provides for sufficient prevention tools but the authorities need to step up efforts. The Law on the State Bureau for Verification and Confiscation of Unjustified Assets, which aimed to introduce a civil (non-conviction-based) model of confiscation, was rejected by the Constitutional Court in July. A new draft-law was subsequently adopted by the government, unfortunately without a public consultation process. Consultations need to be ensured by Parliament before adoption to ensure alignment with EU *acquis* and European standards. The Agency for the Management of Sequestered and Confiscated Assets lacks capacity, including human resources and management capacity, to appropriately exercise its powers.

Legislation on cybercrime is in line with the EU *acquis*. In December 2023, the Assembly adopted amendments to the Criminal Code and Criminal Procedure Code, implementing the Budapest Convention and its First Protocol. In addition, the Second Additional Protocol is addressed in the cybersecurity strategy. The Directorate for Cybercrimes continued to tackle child abuse, initiating 12 cases. The legislation on trafficking in human beings is broadly aligned with the relevant EU *acquis* and its implementation improved, although continued action is needed.

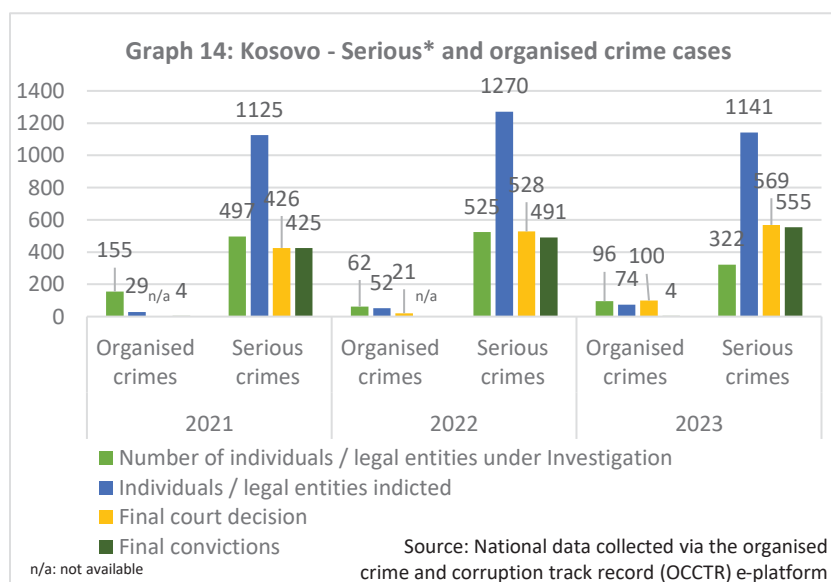
The Kosovo Police has 478 police officers per 100 000 inhabitants (compared with an EU average of 341): 85% of officers are men, while 15% are women, and 91% are Kosovo Albanians, while 9% belong to other communities. In a call to recruit non-majority officers following the resignation of Kosovo Serb officers in November 2022, 150 officers from non-majority communities, including 75 Kosovo Serbs, joined the Kosovo Police. The Kosovo Police needs to ensure that police composition reflects municipalities' ethnic composition. The Kosovo Police made progress in its reorganisation.

The SPO was reinforced with nine additional prosecutors. The new Law on the SPO, adopted in October 2023, includes a provision on multiagency investigation teams. An Asset Recovery Office within the Office of the Chief Prosecutor was set up, replacing the previous office within the Kosovo Police. In January 2024, Kosovo adopted the Law on the Civil Registry Agency transferring the Agency's inspectorate to the Ministry of Interior, strengthening its oversight. Despite the good legal framework in the area of IT infrastructure, the interoperability of the central registry with other databases is weak. Challenges related to the recognition of civil status documents and authentication of personal documents in the northern municipalities of Kosovo remain, due to absence of cooperation between Kosovo and Serbia.

### Implementation and enforcement capacity

The number of organised-crime indictments and sentences has been steadily growing, but the prosecution service and the police need to step up their action to proactively and jointly map and target organised criminal groups and networks. The Kosovo Police's operational capacity has increased following the reorganisation and an upgrade of the Department of Intelligence and Analysis. The amount of collected intelligence has significantly increased; it is essential to continue training analysts to improve the quality of analytical products. Regionally assigned police officers continued with the community policing activities, i.e. conducting a considerable number of outreach, awareness-raising and preventive campaigns and leading the local public safety committees. The police's operational independence must be preserved. The Ministry of Internal Affairs and its agencies adopted integrity plans for 2024-2026. During 2023, the police inspectorate investigated 156 officers, which resulted in the suspension of 71 police officers and in 74 criminal charges.

The Kosovo Police continued to fight organised crime. The security situation in the northern municipalities required considerable resources from the Kosovo Police. The investigation of the Banjska/Banjskë attack is the largest in the history of the Kosovo Police, with more than 300 000 pieces of evidence and numerous confiscated vehicles, properties and weapons. The police intensified the fight against smuggling and organised crime in the north. Financial investigations have improved and are largely performed in accordance with the standard operating procedure, which is to centralise all aspects of financial investigations. The Law on the SPO laid the legal basis for the Special Investigation Unit of



\*Data on serious crime cases stem from the aggregation of cases of money laundering, cybercrime, production and trafficking of drugs, firearms related offenses, terrorism, trafficking in human beings and smuggling of persons. Corruption cases are showcased in Chapter 23.

the Kosovo Police. A better understanding of stand-alone money laundering without identifying a predicate offence is needed.

**Criminal asset confiscation** has increased in total value but the number of cases remained similar despite a fairly advanced legal system, requiring further systemic progress. During 2023, the total value of assets confiscated by prosecution offices was EUR 23 594 636, representing a significant increase comparing to EUR 670 000 in 2022. Nevertheless, the increase is attributable to a small number of cases and does not indicate systematic use of confiscation tools. While the Law on extended powers of confiscation is in force, it is not consistently applied. In February 2024, the KPC established the Asset Recovery Office with a view to improve coordination of law enforcement agencies. A better understanding of the use of confiscation without a conviction e.g., when confiscating unexplained wealth is necessary.

The cooperation with Europol has advanced since a Kosovo liaison officer was deployed to Europol in March 2023. The Kosovo Police expanded the access points to SIENA and the information exchanged has increased considerably. In particular, cooperation was developed in the field of high-risk criminal groups and organised property crime, through EMPACT, the European Multidisciplinary Platform Against Criminal Threats. The police has 104 international police cooperation agreements, including with 11 EU Member States and five EU agencies. The Kosovo Police mutually exchanges liaison officers with seven countries.

Kosovo progressed in its efforts to combat trafficking of SALW. Kosovo has a high level of harmonisation with the rules of the UN Firearms Protocol; the Firearm Focal Point is well equipped in terms of operationality and digitalisation. Kosovo is active in tracing weapons through international police cooperation (EMPACT). Confiscation and destruction of illicit SALW continued. The police's upgraded cybercrime directorate continued to increase its human resources and its capacity.

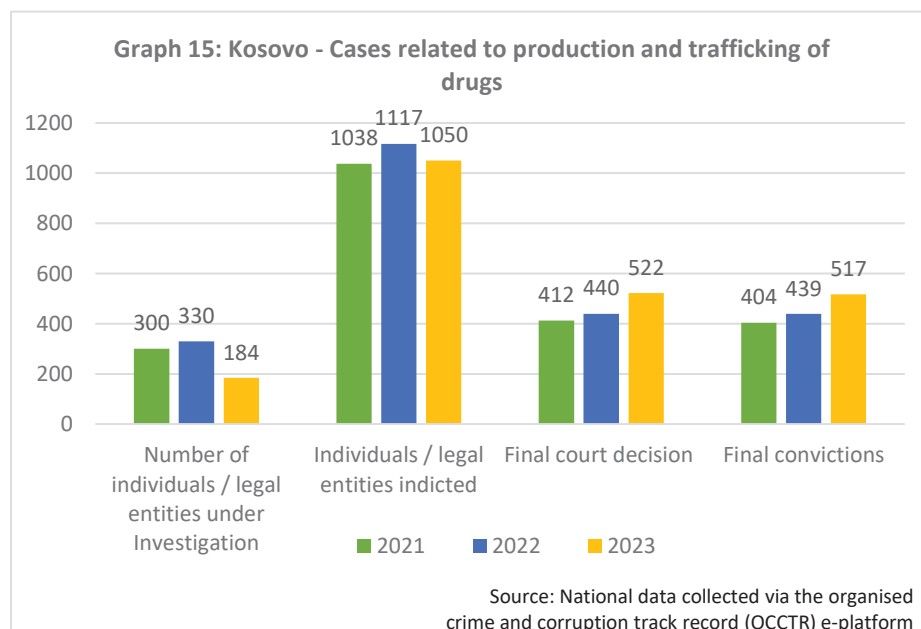
Victims of **trafficking in human beings** are being transported from, through and to Kosovo, for both sexual and labour exploitation. The number of indictments and the number of identified victims slowly increased. Victims are referred to services in accordance with the standard operating procedure. Low sentencing for related crimes remains an issue.

### Cooperation in the field of drugs

Cooperation in the field of drugs needs to be improved.

#### Institutional set-up and legal alignment

The legal framework in the field of drugs is outdated and should be amended.



In June 2024, the government adopted the national drug strategy for 2024-2028. It outlines measures to increase Kosovo's capabilities to investigate and combat drug crimes, and to provide treatment for people who use drugs. There is a need for a comprehensive law to combat illicit drug production and trafficking aligned with recent European

standards. The appointment of a dedicated officer as a National Drug Observatory (NDO) within the Ministry of Internal Affairs strengthened cooperation on related matters. There was progress on drug-related data collection, largely attributed to the newly appointed NDO. The early-warning system on new psychoactive substances has not yet been set up.

#### Implementation and enforcement capacity

Kosovo is a nexus for trafficking routes, primarily for cannabis and heroin, with lesser but still notable activity involving cocaine and synthetic drugs. During 2023, there was a shift in the trend of drug seizures, with a decline in heroin confiscations and an uptick in cocaine seizures. In the first quarter of 2024, the seizure of heroin saw a resurgence. Through four operations, the Kosovo Police seized around 30 kg of heroin and conducted operations against drug laboratories. The Directorate of Narcotics of the Kosovo Police was reinforced. The analytical work conducted by the new Department for Intelligence and Analysis resulted in better understanding of the local drug market. This is expected to further improve with the recruitment of additional analysts.

#### **Fight against terrorism**

While the legal framework needs further alignment, Kosovo continues to implement the bilateral implementing arrangement with the EU on counter terrorism.

#### Institutional set-up and legal alignment

Kosovo's legal framework on anti-terrorism is partly aligned with the EU *acquis* and international instruments. Legislation on critical infrastructure protection, as well as on anti-money laundering and countering the financing of terrorism is yet to be aligned with the EU *acquis*. Kosovo adopted and is implementing its new strategy and action plan against terrorism and violent extremism (2023-2028), which is in line with the EU's counter-terrorism strategy. The authorities continue to implement the bilateral implementing arrangement with the EU for the joint action plan on counterterrorism for the Western Balkans. The Kosovo Police is in process of finalising a Terrorism Situation and Trend Report.

The Minister for Internal Affairs is the National Coordinator for the Prevention of Violent Extremism and the Fight against Terrorism, but given the nature of the Minister's other tasks, the focus on interinstitutional coordination remains limited. Despite policy support provided through the EU Radicalisation Awareness Network to set up a national centre for countering terrorism and countering and preventing violent extremism and radicalisation, the process has stalled. However, joint threat assessment by the security institutions has become a regular practice.

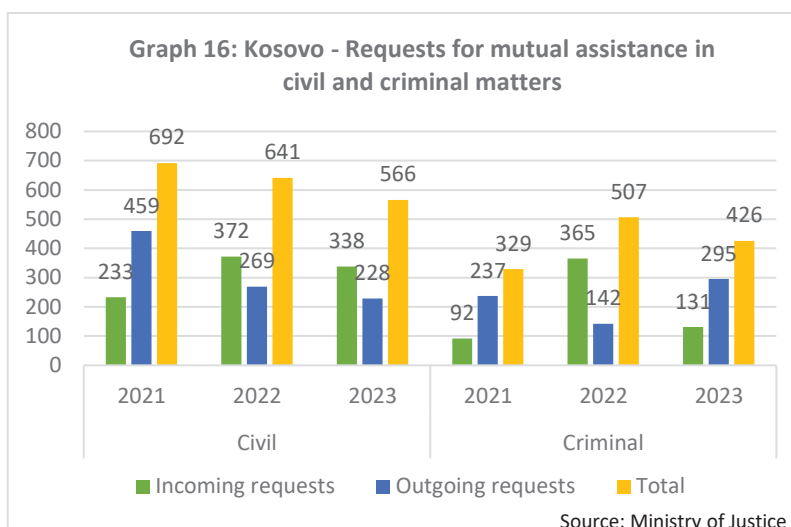
#### Implementation and enforcement capacity

A total of 11 inmates are serving prison sentences for terrorism-related crimes. The Correctional and Probation Service's work on disengagement and rehabilitation should be intensified. A number of incidents show that the threat of militant Salafist ideology has not ceased to exist, and the ethnonational and far-right movements are of growing concern. Continuous work is needed on implementing preventive, rehabilitation and reintegration measures.

Kosovo needs to stay alert to new threats and developments and revise the existing programmes and strategic documents accordingly. Authorities took a leading role in the rehabilitation and reintegration of returnees from foreign conflicts. There were no further repatriations of individuals from the region due to logistical challenges. The authorities need to focus on education, training and preparedness of local practitioners dealing with returnees. After piloting the local multidisciplinary mechanism in 2023, it was further expanded to cover four more municipalities. The authorities should improve their capacity to address terrorist content online and to develop effective counter-narratives and strategic communication to counter disinformation.

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

The legal framework on judicial cooperation in civil and criminal matters is fully aligned with the EU *acquis* and international conventions, yet cooperation needs to be improved. The cooperation between Kosovo and Eurojust is good and joint investigation teams have been set up between Kosovo and other partners within this framework. Three new bilateral treaties related to judicial cooperation entered into force. In July 2024, Kosovo received a request for mutual legal assistance from Serbia related to the attack in Banjska/Banjskë.



## Legal and irregular migration

The management of legal and irregular migration is satisfactory.

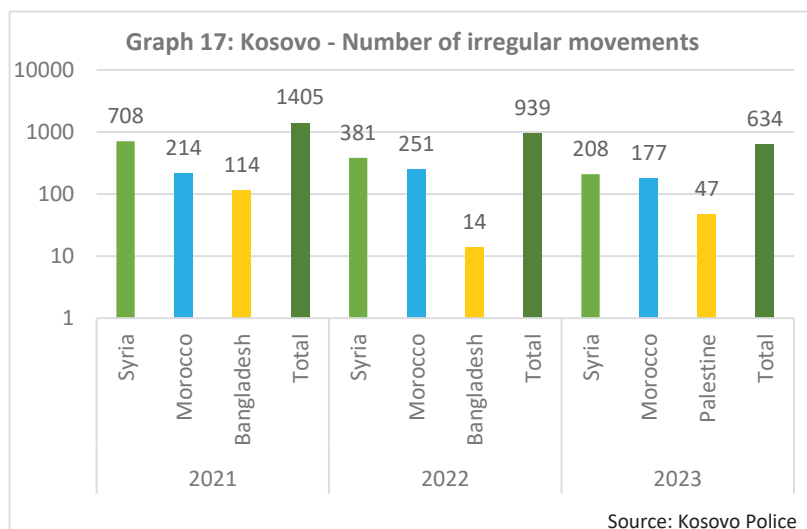
### Institutional set-up and legal alignment

The institutional structure and legal framework are largely in line with the EU *acquis*. Relevant strategic and legal documents are implemented effectively. The new Law on foreigners is pending adoption by the Assembly. The law should ensure judicial overview of detention of migrants decided by police authorities. The current fragmented policy approach should be replaced by a cross-sectoral migration strategy covering all relevant policy areas.

Concerning **institutional set-up**, the Government Authority on Migration is an advisory mechanism in the field of migration. The institutions have steadily improved their capacity to regulate and manage migration (budget, training and coordination); however, there is room for improvement in capacity development, collection and analysis of data, and training/recruitment of staff.

Kosovo has **readmission agreements** with 24 countries, including 20 EU Member States and Schengen members. The readmission agreements are implemented satisfactorily. There is currently no readmission agreement in place with the EU. Negotiations of a readmission agreement were concluded with Lithuania, and continued with Latvia, Portugal, Poland, Ireland, the UK, Pakistan, Côte d'Ivoire, the United States, Jordan, Egypt, Libya, Chad and Australia.

### Implementation and enforcement capacity



In 2023, the number of new migrant arrivals continued to decline (by 31.6% compared with 2022).

The number of Kosovo migrants returned by force continued to decline.

There are two **reception centres**, with a total capacity of up to 350 beds [Magure (100) and Vranidoll (250)]. Meanwhile, preparations for

the construction of a new facility are ongoing to accommodate 70 additional migrants by the end of 2024. There has been an increase in the emigration of citizens of Kosovo, predominantly for economic purposes. This, in turn, has resulted in an increase in the immigration of foreigners to Kosovo to fill the gaps in the labour market.

## Asylum

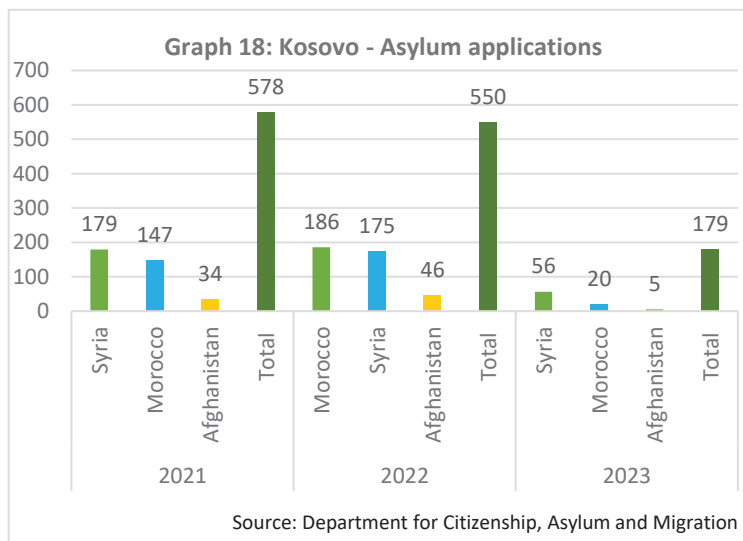
The management of asylum is satisfactory.

### Institutional set-up and legal alignment

Kosovo's legal and institutional framework is mostly in line with the EU *acquis*. The EU Agency for Asylum and Kosovo continued to implement a bilateral roadmap for cooperation to strengthen the asylum system. The administrative capacity of the Department for Citizenship, Asylum and Migration of the Ministry of Internal Affairs as well as the quality of the refugee status determination procedure should be strengthened.

### Implementation and enforcement capacity

In 2023, the number of applicants for **international protection** declined by 67% compared with 2022. These applicants were accommodated at the temporary reception centre for migrants and provided with certificates and identity cards. In 2023, a total of 221 final decisions were made, a decline of 58% compared with 2022. A total of 49 people were granted international protection, representing an increase compared with 2022, resulting in a higher recognition rate (close to 25% in 2023). Limited capacity in terms of biometric devices and a lack of data interoperability affect the efficiency of the registration and further processing of asylum claims.



A total of 2 174 Ukrainians transited through Kosovo in 2023. Kosovo hosts 24 Ukrainians, 15 with temporary protection (13 journalists and two children) and nine with subsidiary protection.

Appropriate **reception conditions** were maintained through the functioning of the temporary reception centre for migrants. Registration is still carried out outside the centre, lacking appropriate profiling and referrals. The quality of the refugee status determination procedure needs to be further improved, in particular regarding the country-of-origin information. Free legal aid is available to refugees, stateless persons and asylum seekers, subject to availability of translation.

The authorities continue supporting those granted international protection. In 2024, the budget for support increased by 35.4%. Frontex will assist Kosovo in developing and upgrading IT and communication infrastructure for the identification and registration of mixed migration flows. Kosovo should demonstrate political commitment by aligning its legislation with the EU *acquis* and making preparations for future integration into the EURODAC system.

## Visa policy

Kosovo's visa regime is still to be aligned with that of the EU. Kosovo grants visa-free travel for 90 days within a 6-month period to 110 countries, 16 of which do not have a visa-free regime with the Schengen

area. In August 2024, Kosovo terminated three of its visa free regime with countries that are visa-bound in the EU. Kosovo should continue to terminate visa free regimes that are not in line with the EU *acquis* with at least one country per year between 2025 and 2027. Since 1 January 2024, holders of Kosovo passports enjoy visa-free travel to the EU. Kosovo rolled out an information campaign on the rights and obligations connected to visa-free travel. The European Parliament and the Council adopted an amendment to the Visa Regulation in April 2024 exempting holders of passports issued by the Serbian Coordination Directorate (the amendment entered into force on 13 October 2024). It allows all Western Balkan citizens to travel visa-free to the EU.

According to Eurostat, 3 045 nationals of Kosovo applied for asylum in the EU27 in 2023 (slight decrease of 4% compared to 3 185 in 2022). Since the entry into force of the visa free regime for Kosovo passport holders on 1 January 2024, 1 960 asylum applications have been lodged in EU27 in the first four months of 2024 (+68% compared to the same period of 2023). Kosovo authorities have shown responsiveness in monitoring and addressing this trend. This effort should continue by maintaining the communication campaign on rights and obligations, improved screenings at departures and engaging with the most affected EU Member States.

### **Schengen and external borders**

The legislative framework for the management of external borders is largely aligned with the EU *acquis*.

#### Institutional set-up and legal alignment

The Kosovo Border Police has approximately 1 400 staff. The gaps in staffing should be addressed. Overall, the National Centre for Border Management is functioning well. Kosovo needs to set up a national coordination centre in accordance with the Frontex Regulation.

Amendments drafted to the Law on state border control and surveillance aim to further improve the legislative framework which is largely in line with the EU *acquis* and international standards. The Law on the cooperation between the authorities involved in the integrated border management is in force and well implemented. Currently, the legislative framework and its implementation is at a level that meets the EU's minimum requirements for border control. The strategy and action plan for the integrated border management were updated and are pending adoption. Kosovo signed the draft of the updated working arrangement with Frontex in spring 2023. It has yet to be ratified by Frontex.

#### Implementation and enforcement capacity

The Kosovo Police is able to fulfil its border security tasks mostly in accordance with European standards. The interagency task force created by the integrated border management institutions to combat cross-border crime improved interinstitutional cooperation. A database update of the border management system is ongoing. Kosovo's border infrastructure, as well as the size and quality of the equipment used, need strengthening. Kosovo needs to improve the multiannual planning procedure including life cycle management, the maintenance and the overall planning of the border security system.

Kosovo's cooperation with EU agencies is effective. Frontex deploys experts to the border-crossing points. In addition to the national point of contact, three local coordinators are employed at Kosovo's biggest border-crossing points to facilitate cooperation with Frontex. The authorities participate in implementing the contingency planning in accordance with the Frontex Regulation. Kosovo participates in the Western Balkans risk analysis network and in other regional initiatives. Cooperation with all neighbours is good, except with Serbia. The border police appointed focal points in charge of international cooperation. Joint patrolling agreements with Albania, North Macedonia and Montenegro are in force, and joint activities are conducted regularly. The Interim Common Crossing-Points (CCPs) between Kosovo and Serbia continue to be operational. Only two of the six permanent CCPs have been established (Merdare and Mutivodë/Mutivode).

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

Kosovo has competent authorities and procedures in place to deal with counterfeit money. Kosovo has also taken part in Pericles activities. The Criminal Code needs to be further aligned with the EU Directive on the protection of the euro and other currencies against counterfeiting.

## 2.3. ECONOMIC DEVELOPMENT AND COMPETITIVENESS

| <i>Table 4.1:</i>   | 2015-20 | 2021 | 2022  | 2023 |
|---|---------|------|-------|------|
| <b>Kosovo - Key economic figures</b>                              | average |      |       |      |
| <b>GDP per capita</b> (% of EU-27 in PPS)                         | 22      | 24   | 24    | 25   |
| <b>Real GDP growth</b>  | 3.2     | 10.7 | 4.3   | 3.3  |
| <b>Activity rate of the population aged 15-64 (%)</b> , total     | 39.8    | 39.3 | 38.6  | 40.7 |
| <i>female</i>   | 19.5    | 22.0 | 22.0  | 24.2 |
| <i>male</i>   | 59.9    | 56.6 | 55.5  | 57.8 |
| <b>Unemployment rate of the population aged 15-64 (%)</b> , total | 28.7    | 20.7 | 12.6  | 10.9 |
| <i>female</i>   | 34.2    | 25.0 | 16.5  | 18.2 |
| <i>male</i>   | 23.0    | 19.0 | 11.0  | 7.7  |
| <b>Employment of the population aged 15-64</b> (annual growth %)  | 1.4     | 10.4 | 5.4   | 5.4  |
| <b>Nominal wages</b> (annual growth %)                            | 2.5     | 3.9  | 7.6   |      |
| <b>Consumer price index</b> (annual growth %)                     | 0.9     | 3.3  | 11.6  | 4.9  |
| <b>Exchange rate against EUR*</b>                                 | 1.0     | 1.0  | 1.0   | 1.0  |
| <b>Current account balance</b> (% of GDP)                         | -7.1    | -8.7 | -10.2 | -7.6 |
| <b>Net foreign direct investment, FDI</b> (% of GDP)              | 3.6     | 4.0  | 6.3   | 6.8  |
| <b>General government balance</b> (% of GDP)                      | -2.9    | -1.2 | -0.5  | -0.2 |
| <b>General government debt</b> (% of GDP)                         | 16.8    | 21.5 | 20.0  | 17.5 |

\* The euro is used as a *de facto* domestic currency

Source: Kosovo Agency of Statistics, World Bank and IMF

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

#### Economic governance

**Overall, Kosovo's economic policies remained prudent.** In 2023, fiscal consolidation continued, despite one-off transfers to basic pension and child allowance<sup>5</sup> beneficiaries, totalling around 0.7% of GDP, and significantly increased public capital spending. The government took a fiscally prudent decision by adopting, in July 2023, the law that decouples war veterans' pensions from the minimum wage. The law came into force in August 2024, following a review by the Constitutional Court. The public wage bill did not exceed its legal ceiling for the year as a whole. The implementation of the Stand-By-Arrangement (SBA) with the International Monetary Fund (IMF) advanced well, and progress was also made in implementing Kosovo's green agenda, supported by the IMF's Resilience and Sustainability Facility.

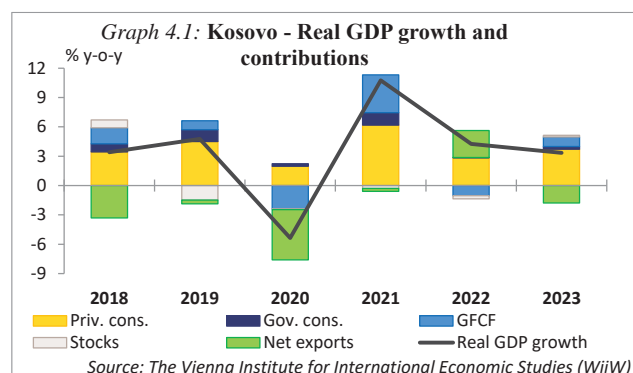
**The policy guidance set out in the conclusions of the Economic and Financial Dialogue of 16 May 2023 has been partially implemented.** The measures to mitigate the impact of the energy crisis on vulnerable households and businesses were mostly well targeted. Tax revenue grew strongly, partly due to some formalisation gains. Nevertheless, the tax base continues to be weakened by numerous tax

<sup>5</sup> In July 2024, the government decided to allocate an additional amount of EUR 50 million, reaching a total of EUR 100 million annually for child allowance.

exemptions, preferential tax rates and special regimes, while public spending is burdened by category-based specific transfers, leaving little space for means-tested benefits and employment policies. Financial oversight of POEs improved but work to set up a fiscal oversight body has not advanced. For 2024-2026, Kosovo's Economic Reform Programme (ERP) aims to maintain stable public finances and comply with fiscal rules, while supporting economic growth mainly through higher capital spending.

### Macroeconomic stability

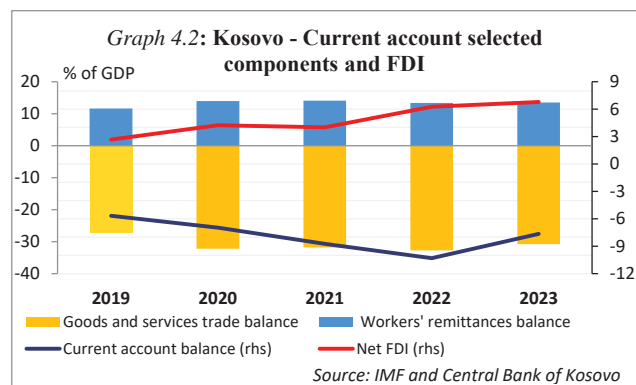
**Kosovo's economic growth moderated in 2023, mainly due to weaker external demand.** Real GDP growth eased to a still buoyant 3.3% (down from 4.3% in 2022), marginally above the average rate of 3.2% of GDP growth in 2015-2020. The key



factor behind the economic slowdown was the negative contribution of net exports to growth, mainly due to a notable deceleration in real exports growth. Economic growth was driven by a pick-up in household consumption growth on the back of rising real wages, higher bank lending as well as a slight increase in remittances as a share of GDP. Further support came from the recovery of gross fixed capital formation, reflecting a strong increase in public investment, as well as from the acceleration in public consumption growth, largely

due to higher public-sector wages. Economic activity picked-up notably in the first quarter of 2024, with real GDP growth accelerating to 5.6% year-on-year, up from 4% in the preceding quarter. Kosovo's per capita GDP remains the lowest in the Western Balkans region, standing at 25% of the EU average in 2023, only slightly higher than the average of 22% in 2015-2020.

**In 2023, Kosovo witnessed a significant improvement in its external position.** The current account deficit fell to 7.6% of GDP, down from 10.3% in 2022. The key drivers were the lower merchandise trade deficit thanks to a better energy balance, combined with the continued rebound of services exports. This



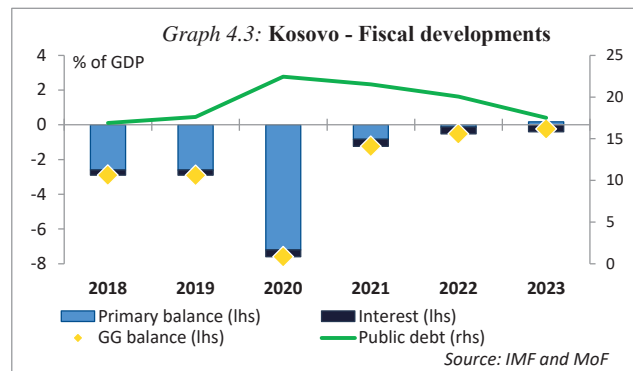
resulted in a decrease in the overall trade deficit to a still very sizeable 30.8% of GDP from 32.8% a year before. Remittances slightly increased to nearly 14% of GDP in 2023, while the primary income surplus rose to 1.9% of GDP. Further unofficial services exports and remittances were reflected by large errors and omissions in the balance of payments (equivalent to 2.9% of GDP) in 2023. In the first quarter of 2024, the current account deficit deteriorated, with its rolling 4-quarter total widening to 8.5% of GDP. In 2023, the current account deficit was mainly financed by net foreign direct investment (FDI) inflows, which

increased by 0.5 percentage points (pps) to 6.8% of GDP, with the bulk directed to real estate as well as financial and insurance activities. In the same period, official reserve assets amounted to 2 months of imports of goods and services.

**In 2023, inflation fell significantly, after peaking in 2022.** Consumer price inflation decelerated significantly to 4.9% on average in 2023, markedly lower than the 11.6% rate registered in 2022, and declined further to 2.1% year-on-year in the first eight months of 2024. The main disinflationary force was lower global commodity prices. In 2023, the government continued to support vulnerable households and firms by subsidising electricity bills to alleviate the impact of tariff increases. It also subsidised monthly electricity bills of around 200 000 households that consumed less energy compared with the

same period a year before.

**Fiscal consolidation continued in 2023 with a further reduction in the headline deficit on the back of high revenue growth and despite a surge in public capital spending.** The headline budget deficit fell to 0.2% of GDP in 2023, down from 0.5% in 2022, which corresponds to a surplus of 0.5% of GDP



under the fiscal rule's definition<sup>6</sup>. The fall in the government deficit resulted primarily from a strong increase in revenues (14.5% year-on-year), partly due to improved tax compliance. Public expenditure grew by 13.3% year-on-year. The largest increase (32%) took place in capital spending, even if only reaching around 68% of the budget allocation, reflecting overoptimistic targets and remaining weaknesses in implementation capacity. Roughly in line with the budget plan, current expenditure grew by 9.3% year-on-year, mainly on the back of increased spending on

goods and services (18%) and wages (17.5%). This increased spending on wages was due to the new Law on salaries in the public sector, which has been implemented since February 2023. Transfers and subsidies grew by only 1.3% year-on-year, reflecting the gradual withdrawal of energy crisis-related support. Government deposits fell to 2.4% of GDP, down from 3.2% in 2022.

**On the back of a robust fiscal performance and high nominal GDP growth in 2023, the public debt-to-GDP ratio declined, but the domestic investor base for government debt remains narrow.** The public debt ratio fell to 17.5% of GDP at end-2023 from a revised 20% a year earlier and further to 15.8% of GDP in June 2024. These figures do not include the state's liability for COVID-19-related tax-free withdrawals of 10% of pension savings from the Kosovo Pension Savings Trust (KPST), which the government started reimbursing in 2023<sup>7</sup>. In 2023, domestic debt, which is held by a narrow investor base, declined significantly by almost 13% year-on-year, partly due to the lack of an operating Board at the KPST in the first half of the year. In June 2024, the share of domestic debt held by the KPST stood at 48%, while the Central Bank of Kosovo and commercial banks held a further 21% and 22%, respectively. Foreign debt, owed mostly to international donors, rose by around 8% in 2023. This includes loans from the International Monetary Fund, the World Bank, and the European Investment Bank. In April 2024, Kosovo obtained a sovereign credit rating for the first time, 'BB-', with a stable outlook, from Fitch Ratings. This could help Kosovo access international bond markets in near future.

**There has been some progress in addressing fiscal risks and improving transparency.** Government initiatives to improve project implementation resulted in a significant increase in public capital spending in 2023. However, the recurring under-execution of the capital budget points to still weak planning and implementation capacity. The spending overrun on war veteran pensions has not been resolved due to the absence of a reclassification of beneficiaries. The 2024 budget includes significantly lower blanket allocations compared with the previous year's one, improving fiscal transparency. A stand-alone fiscal risk analysis of POEs, limited to high-risk POEs, was published in November 2023. In December 2023, the distribution company KEDS and the company Elektroever signed a commercial contract. This was a

<sup>6</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 2026, provided the public debt ratio remains below 30% of GDP. A further rule provides that the increase in the public wage bill cannot exceed nominal GDP growth. Government deposits used as fiscal buffers are legally required to stay at 4.5% of GDP as long as the government uses privatisation proceeds. The debt rule requires that public and publicly guaranteed debt cannot exceed 40% of GDP.

<sup>7</sup> The IMF estimates the liability to the Kosovo Pension Savings Trust at 1.8% of 2020 GDP.

major milestone in the implementation of the Energy Roadmap agreed in June 2022 between Kosovo and Serbia under the EU-facilitated Dialogue. The conclusion of this contract enabled the start of supply and billing in four municipalities in the north of Kosovo, thus reducing fiscal risks.

**Three years of substantial fiscal consolidation created space for a planned strong fiscal impulse in 2024.** The 2024 budget expects the headline deficit to rise to 2.7% of GDP, implying a strong fiscal stimulus mainly through a very ambitious surge in public investment. However, the deficit (according to the fiscal rule definition) would not exceed the prescribed ceiling of 2% of GDP, which is appropriate given the need to maintain the credibility of Kosovo's well-functioning set of fiscal rules.

### Functioning of product markets

#### *Business environment*

**Some progress was made in improving the business environment.** In November 2023, the government approved the Law on the Register of Beneficial Owners, which is pending adoption by the Assembly. The law lays down the obligations of natural persons and entities recording beneficial ownership information in the Register of Beneficial Owners and specifies penalties for non-compliance. There were also positive developments in settling commercial disputes. By March 2024, 2 126 first-instance judgments and 3 027 second-instance judgments of the Commercial Court, which became operational in August 2022, had been published. In August 2024, the new Law on sustainable investment came into force, following a review by the Constitutional Court. The purpose of the Law is to create a comprehensive legal framework on protection, promotion and encouragement of sustainable investments in Kosovo.

**The authorities intensified efforts to reduce the informal sector.** In July 2023, the Tax Administration of Kosovo adopted a new annual action plan to reduce the informal economy, with a focus on addressing incorrect or non-declaration and non-payment of personal income tax and identifying high-income taxpayers who do not file or incorrectly file personal income tax declarations. In December 2023, the Assembly adopted the Law on the administration of tax procedures, which amended the legal requirements related to a number of issues impacting the formalisation of economic activities or undeclared work. It also regulated information gathering and information sharing with third parties, such as commercial banks and partner countries. Other amendments include a EUR 300 limit for cash transactions. According to Transparency International's corruption perceptions index, Kosovo improved its score in 2023, ranking 83rd, one position higher than in 2022.

#### *State influence on product markets*

**Kosovo needs to further align its State aid policy framework with EU rules and principles.** The current framework lacks a coherent approach to State aid or a comprehensive strategy and cost-benefit evaluations for aid and subsidies granted, while the Assembly has still not appointed the State Aid Commission.

#### *Privatisation and restructuring*

**Kosovo took further steps to set up a sovereign fund.** In mid-December 2023, the Assembly adopted the Law on the establishment of a sovereign fund, but it is being reviewed by the Constitutional Court, following a request by two opposition parties. The fund is expected to take over socially owned enterprises<sup>8</sup> and assets managed by the Privatisation Agency of Kosovo as well as some POEs managed by the Ministry of Economy, after they improve their financial performance. However, setting up the fund will not be sufficient to address the long-standing issues of POEs' poor financial performance and management. During the reporting period, a comprehensive review of the assets of the Privatisation Agency of Kosovo was initiated, identifying properties suitable for the sovereign fund.

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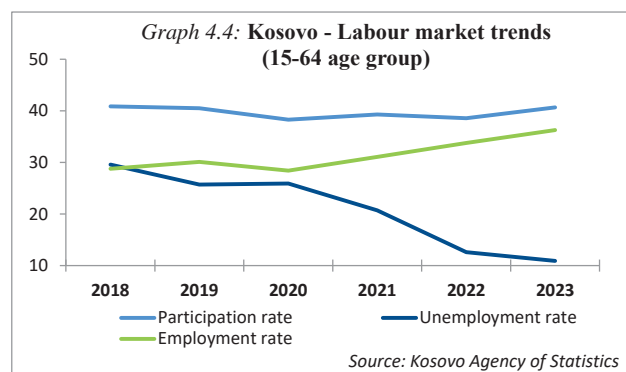
<sup>8</sup> The ownership of socially owned enterprises was considered as shared social property in the former Yugoslavia.

### Functioning of the financial market

**The banking sector remained resilient and continued to expand at a robust pace.** The banking sector's profitability slightly declined, with the average return-on-equity ratio falling to 19.7% in 2023, down from 20.6% in 2022, and further to 19.3% in July 2024. At the end of 2023, the non-performing loans ratio stood at a historically low level of 2%, while it edged up to 2.1% at end-July 2024. Still, asset quality should be monitored closely against the background of higher interest rates and tighter liquidity. The ratio of banks' regulatory capital to risk-weighted assets increased to 15.8% in 2023 and further to 15.9% in July 2024, comfortably exceeding the regulatory minimum of 12%. Real credit growth accelerated to an average of 9.2% in 2023, from 5.8% in 2022, and further to 10.6% year-on-year in the first half of 2024, with lending to households growing at a much faster rate than lending to businesses. Deposits' growth in real terms averaged 9% in 2023, compared to a decrease of around 1% in 2022, before slowing to 6% year-on-year in the first half of 2024. Despite expansion and portfolio diversification of the Kosovo Credit Guarantee Fund, the lack of easily accessible and affordable credit remains a barrier to small to medium-sized enterprise (SME) growth.

### Functioning of the labour market

**Despite some progress, the labour market continues to suffer from very low participation, high unemployment, and large gender gaps.** Labour force survey results continue to be published with large delays. The latest available data refers to 2023 as a whole. In line with buoyant economic activity, the employment rate increased to 36.3%, up from nearly 34% in 2022. Meanwhile, the unemployment rate declined to 10.9% from 12.6%, and despite the increase in the labour force participation rate to 40.7% from 38.6% in the same period. The gender employment gap (rates are 53.4% for men and 19.8% for women) widened. In 2023, the share of young people (aged 15-24) not in employment, education or training (NEET) increased slightly to 33.4%, from 33% in



in 2022, which is however the highest in the Western Balkans region. To improve the situation, the government launched the piloting phase of the Youth Guarantee scheme in two municipalities, while also reforming public employment services. Weak labour market outcomes contribute to continuously high emigration rates. Supported by a World Bank loan and technical assistance, the authorities announced, in May 2024, the start of a pilot means-tested social assistance scheme to thoroughly reform the system and make it better targeted over a 5-year period.

## **2.3.2. The capacity to cope with competitive pressure and market forces in the EU**

### Education and innovation

**Improving the quality of education and aligning it with labour market needs remains a key challenge.** To address the insufficient participation in early childhood education, the Assembly, in July 2023, approved Kosovo's first Law on early childhood education. The quality and relevance of education are undermined by an absence of quality learning materials in schools, a lack of initial training and continuous professional development for teachers, and an insufficient number of inspectors for teachers' assessment. This is evidenced by Kosovo ranking 81st and last in the 2022 cycle of the Programme for International Student Assessment (PISA) of the Organisation for Economic Co-operation and Development (OECD) and the still high unemployment among tertiary education graduates. At end-March 2024, the Ministry of Internal Affairs approved the Regulation for the selection procedures and the appointment of staff in public educational and training institutions of pre-university education. To

facilitate the transition from school to the labour market, Kosovo started implementing the dual education approach in the 2023/2024 school year.

**Kosovo's research and innovation performance is lagging.** In 2024, the budget allocated for research and development amounts to EUR 15 million (0.1% of GDP), far below the 0.7% of GDP required by law. There was some progress in implementing the Horizon Europe programme for research and innovation, with a total of 35 project proposals submitted in 2023, and six of them receiving a total EU funding of around EUR 0.7 million. In July 2023, the government approved the National Science Programme for 2023-2028, which is the main strategic document on science and research.

#### Physical capital and quality of infrastructure

**Kosovo made limited progress in improving road and railway infrastructure.** During the reporting period, there has been no progress on the Pristina – Merdare motorway or the 'Peace Highway'. The rehabilitation works for Rail Route 10 continued at a slow pace. The tendering of signalling systems and telecommunications, which is of utmost priority, is still delayed, due to lack of financing. The transport system still faces several challenges in terms of safety, insufficient maintenance, and weak administrative capacity of regulatory institutions.

**Despite recent efforts to diversify the energy supply, the energy sector remains a key bottleneck for Kosovo's economic development.** The lack of energy security, due to the unreliability of the old lignite-fired units, gives rise to significant costs for business and represents one of the biggest obstacles to attracting high-quality FDI. Energy demand and consumption continue to grow quickly and have doubled since 2000. Kosovo also suffers from major technical and commercial losses in the distribution and transmission grids due to poor infrastructure (more than 20% in total). In December 2023, the Assembly adopted the Law on renewable energy sources, which provides for a competitive bidding process to support renewable energy projects, replacing the previous system of feed-in tariffs. In March 2024, Kosovo successfully concluded its first solar auction.

**The digital transformation of the economy is advancing, but the digitalisation of public services is still at an early stage.** According to the OECD<sup>9</sup> (2024), Kosovo is the leader in the Western Balkans region with 98.6% of households having some form of internet access in 2023, surpassing the EU average of 93.08%. However, fixed broadband uptake falls below the regional average, due to lower-quality infrastructure, unavailability of networks in some regions, affordability and low demand. More needs to be done to train skilled workers in the rapidly growing information and communication technology (ICT) sector, where demand for employees outstrips supply. The Digital Agenda 2030, in place since June 2023, provides a comprehensive framework for digital transformation, including 5G technologies and the digitalisation of businesses and public services. The digitalisation of the latter is still at an early stage as only 10% of all public services are offered online, and most of them are informative (OECD, 2024).

#### Sectoral and enterprise structure

**The services sector continued to dominate economic activity in 2023, providing 46% of gross value added (GVA).** The sectoral structure of GVA shows a gradual increase in the share of wholesale and retail trade, to 14.2% in 2023, up from less than 13% in 2019, while the share of construction remained unchanged at 8.2% compared with 5 years before. These contributions partly reflect investment, which, despite being high over the last decade, has not supported the growth of the domestic production base or the tradable sector (OECD<sup>10</sup>, 2021). The share of agriculture in GVA slightly grew to 7.8% in 2023, up from 7.2% in 2019. At the same time, the share of real estate activities fell by 1.1 pps to 5.9% compared with 2019, followed by shrinking contributions from public administration and education.

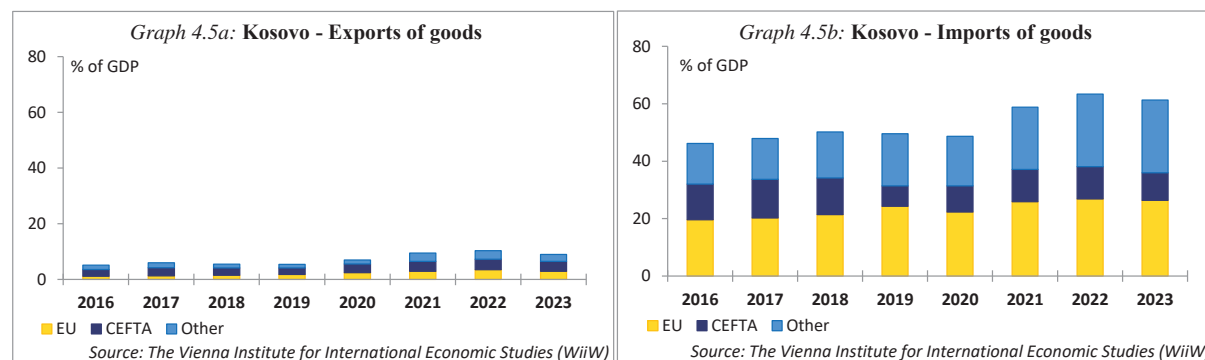
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<sup>9</sup> OECD (2024), *Western Balkans Competitiveness Outlook 2024*.

<sup>10</sup> OECD (2021), *Competitiveness in South East Europe: A Policy Outlook*.

**SMEs represent over 99% of registered businesses and have difficult access to finance.** SMEs and family-run businesses account for 80.4% of employment in non-financial businesses and generate 81% of Kosovo's total value added. According to the OECD<sup>11</sup> (2022), Kosovo has made progress in implementing the Small Business Act, with main achievements in support services for SMEs, internationalisation of SMEs, public procurement, and standards and technical regulations. Access to finance remains an obstacle to growth due to banks' stringent loan requirements, affecting mostly smaller businesses. In almost 8 years, the Kosovo Credit Guarantee Fund portfolio has reached a cumulative value of approved loans of around EUR 664 million (7% of GDP), while the value guaranteed by the fund has reached EUR 348 million, distributed in over 15 000 loans.

### Economic integration with the EU and price competitiveness



**The EU remained Kosovo's largest trading partner and services exports have expanded rapidly.** In 2023, the EU accounted for 42.4% of Kosovo's total imports of goods, lower than in 2019 (49.1%), while the CEFTA partners' share increased by almost 2 pps to 16.3%. Imports of Serbian goods have been prohibited since mid-June 2023, excluding raw materials, semi-finished products, mineral fertilisers, animal feed, machinery and equipment. The EU's share in Kosovo's merchandise exports declined to 32.3% in 2023, down from 33.2% in 2019, while the CEFTA countries' share fell to nearly 40%, down from 43% in 2019. Trade openness (i.e. the total value of exports and imports) remained at 110.2% of GDP in 2023, significantly higher than in 2019 (85.8%) thanks to a much higher value of both goods and services trade. Services exports are significantly larger than goods exports. They are dominated by fast growing travel services (mainly related to diaspora tourism from Western Europe), followed by ICT service exports, which have risen even faster in recent years.

**EU Member States remain the main investors in Kosovo.** Net FDI inflows rose by around 18% in 2023, mainly on the back of significant diaspora investment in real estate, followed by financial and insurance activities. Heavy concentration in these sectors (82% of FDI inflows) does little to improve Kosovo's export capacity. The EU's share in Kosovo's net FDI stock reached 42.4% in 2023, up from 34.2% in 2019. The shares of Germany and Switzerland (two countries with large diasporas from Kosovo) increased to 18.6% and 18.2%, respectively, in 2023, up from 12.8% and 12.1% in 2019.

## **2.4. PUBLIC PROCUREMENT, STATISTICS, FINANCIAL CONTROL**

### **Chapter 5 – 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.*

<sup>11</sup> OECD (2022), *SME Policy Index: Western Balkans and Turkey 2022*.

### Institutional set-up and legal alignment

The **legal framework** on public procurement remains partially aligned with the EU public procurement *acquis*. A new draft law on public procurement has been pending approval by the Ministry of Finance, Labour and Transfers for three years. Implementing legislation of the new law has not been drafted yet. A new Law on public-private partnerships and concessions is still pending adoption.

The functional independence of the Procurement Review Body (PRB) underlined by the EU *acquis* needs to be reflected in the new Law on public procurement. The review body should be operational, increase its capacity and manage the review process in a timely, effective and transparent manner.

Cooperation between the Public Procurement Regulatory Commission (PPRC), the PRB, the Kosovo National Audit Office, the Agency for Prevention of Corruption and the Kosovo Competition Authority has been strengthened and formalised to reduce risks in this area. However, the PPRC continues to operate with insufficient technical and human capacities. In 2023, the Commission started its preventive *ex ante* monitoring activities on procurement procedures, identifying cases of legal violations and discriminatory criteria. As of January 2024, this risk-based monitoring has been automatised and rolled out via the e-procurement platform with no discretion of the contracting authority.

### Implementation and enforcement capacity

Kosovo's **public procurement market** was estimated at 8.23% of GDP in 2023, compared with 6.5% in 2022. In 2023, 10 183 public contracts were signed, compared with 10 290 in 2022. In terms of value, the contracts signed in 2023 were worth EUR 810 million, up from EUR 559 million in 2022.

In 2023, the total value of contracts signed using the best price-quality ratio amounted to EUR 114 million, or 14.19% (up from 5.66% in 2022 and 1% in 2021). The use of this criterion is encouraged and supported through training by the PPRC. The lowest price criterion remains dominant representing 85.81% of public contracts awarded, as compared with 94.34% in 2022. A good average of 3.5 economic operators per tender submitted bids in 2023.

Kosovo should improve its planning and reduce the use of negotiated procurement procedures. To reduce the risks of misuse and fraud, it is important to ensure full transparency, provide robust reasoning explaining the award decision, and maintain audit trails. In 2023, the negotiated procedures without publishing a contract notice stood at 13.5%, with a majority of contracts concluded by the Kosovo Energy Cooperation. Interconnection between the e-procurement system and other relevant government IT systems, such as the Kosovo Financial Management and Information System is not operational.

The **capacity of the contracting authorities to manage public procurement processes** varies. In 2023, training was organised for 136 officials from 62 contracting authorities on market research and the use of the best price-quality ratio and needs to continue on contract planning and implementation.

### Efficient remedy system

Kosovo's legislation on the **right to legal remedy** is broadly in line with the EU *acquis*. Appeals to contest procurement awards can be lodged through the e-procurement platform. However, Kosovo needs to ensure that the PRB remains functionally independent to manage the complaints in a timely, effective and transparent manner. The use of short-term external expertise is only recommended to review specific cases and should be replaced with long-term qualified legal review experts, that ensure timely and quality decisions on complaints. The PRB board is still incomplete.

## **Chapter 18 – Statistics**

*European statistics are developed, produced and disseminated by EU Member States, guided by the principles and quality criteria elaborated in the Regulation on European statistics, such as professional independence, impartiality, reliability, transparency, and confidentiality. Common rules are in place for*

*the methodology, production and dissemination of statistical information, which are further specified in sectoral legislation that constitute the EU acquis on statistics.*

On **statistical infrastructure**, the implementation of the legal framework still needs to intensify. The Kosovo Agency of Statistics (KAS) should strengthen its role as the main official statistics body, improve statistical governance and coordination between the institutions of the national statistical system, and ensure better access to administrative data sources. KAS office infrastructure and capacities are in constant need of upgrade, and its internal systems, processes and delegated management remain a challenge. Data transmission to Eurostat continues to improve. KAS launched its new website in July 2023, which should be further improved with more content.

On **classifications and registers**, Kosovo continues to use the European classification of economic activities (NACE Rev. 2). The agriculture, business and household registers are updated regularly, but the population register remains outdated.

On **macroeconomic statistics**, the reporting period saw some improvements with publishing, for the first time, GDP by the income approach for 2021-2022 and regional GDP by statistical regions in Kosovo for 2018-2021 in December 2023. Methodological inconsistencies remain. Quarterly sector accounts are not regularly compiled. The number of European System of Accounts 2010 (ESA 2010) transmission tables sent to Eurostat has continued to increase and data has improved. As regards government finance statistics and the excessive deficit procedure, further work is needed to fully comply with ESA 2010, including by improving the coverage and timeliness of the excessive deficit procedure tables and completing the questionnaire. Qualitative aspects of the government finance statistics tables provided to Eurostat still need to improve. Monthly statistics for international trade in goods are submitted to Eurostat.

Structural **business statistics** are limited in availability and lack distinction between public and private investments or by sectors. Tourism and transport statistics are not aligned with the *acquis*. ICT statistics for households are published regularly. The 2022 ICT statistics for enterprises were published in November 2023. HICP is compliant with transmission deadlines. Some national short-term business statistics exist, but are not compliant with European Business Statistics requirements.

On **social statistics**, the population and housing census was conducted between 5 April and 24 May 2024. KAS received some criticism for delays in the preparation and concerns about an insufficient public awareness and communication campaign, particularly in relation to non-majority communities. Communities in the four municipalities in the north boycotted the census again, while minority populations in other parts of Kosovo took part. The census drew heavily on KAS' human resources, leading to delays in other areas of work. The latest statistics on income and living conditions for the year 2022 were published in December 2023. Social welfare statistics are produced on a monthly basis whereas labour market statistics are only partially produced. Kosovo still does not publish statistics on the labour cost index, the structure of earnings data or job vacancies. Education statistics are aligned with the international standard education classification. Public health and crime statistics are not yet in line with EU standards. KAS should improve the collection and compilation of data disaggregated by sex. Kosovo does not have a Gender Equality Index.

Regarding **agricultural statistics**, the preparation of the agricultural holding survey was done in line with the EU *acquis*, despite delays. There were no changes regarding the production of agricultural price indices and economic accounts for agriculture, the production of supply balance sheets and the agriculture labour index, and the transmission of agriculture statistics to Eurostat.

**Energy and environment statistics** remain partially in line with the *acquis*. Energy consumption statistics are collected and published regularly. The lack of energy efficiency indicators is an obstacle to reporting on energy savings. Kosovo regularly submits data concerning municipal waste. There has been progress on air emission accounts and environmental taxes, though not yet meeting the requirements for compliance.

## Chapter 32 – Financial control

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

### Public internal financial control

Kosovo continues to have a public internal financial control (PIFC) policy framework integrated in the PFM strategy for 2022-2026. However, the implementation rate of PIFC activities has remained slow. The work on the development of a new Law on public finance management is ongoing and the PIFC legislation should be harmonised to the new Law on PFM once adopted and to the government rules of procedures and other relevant legislation on public administration. The central harmonisation unit develops a PIFC report annually but its timely publication and adoption remains a challenge. Efficient implementation of **managerial accountability** remains a challenge for budget users at both central and local level. The lines of delegation and accountability need to be better embedded in the administrative practices and culture of the public administration.

The legal framework on **internal control** continues to be insufficiently implemented and capacities of the central harmonisation unit remain weak. An administrative Instruction for the National Training Program for the Certification of the Internal Auditors in the Public Sector is adopted. Ensuring adequate number of staff in internal audit units remains a challenge, either due to non- regular filling of vacancies or retirement of officials. Despite adoption of a monitoring methodology for ensuring the quality of internal audit in public sector entities, the quality assurance scheme remains ineffective due to weak staff capacities and expertise in internal audit units. The implementation of internal audit recommendations by budgetary organisations needs to be improved. Reporting of irregularities continues to not be properly used as a management tool and as the rules for reporting cases of potential fraud require. Despite implementation of commitment control, its functioning remains ineffective, as many public institutions continue to have payment arrears (*see Section 2.1.2*).

### External audit

In 2023, the NAO developed a new Law on the Auditor General, in line with the INTOSAI principles to enable NAO to operate more effectively and independently. However, its adoption remains pending. NAO functioning should be ensured in practice and strengthened for all budget users. Additionally, administrative capacities of NAO remain weak. Quality management practices remain ineffectively implemented. NAO still needs to increase the number of and improve practices on **performance audit**, as well as improve the monitoring and follow-up systems. The implementation of NAO recommendations remains to be improved. Additionally, NAO adopted the 2023-2026 Communication Strategy to improve its outreach, but citizens' awareness on its audit work remains low.

### Protection of the EU's financial interests

The establishment of an anti-fraud coordination service (AFCOS) unit and an AFCOS network remains pending. As per a decision of the Office of the Prime Minister, AFCOS is planned to become a coordination body with no investigative powers under the Treasury at the Ministry of Finance. There is no further progress undertaken in the implementation of the relevant legislation.

### Protection of the euro against counterfeiting

There is partial **alignment with the EU *acquis*** concerning the system for the fight against the counterfeiting of the euro through the Law on the Central Bank of Kosovo (CBK) and the Criminal Code. The CBK adopted a Regulation on cash operations with the stated aim to consolidate the payment system in order for the CBK to become a member of the Single Euro Payments Area and to have access to Target Instant Payment Settlement (*see 'Normalisation of relations between Kosovo and Serbia'*). The CBK

made some progress with stopping the circulation of counterfeit and tackling the increased number of euro coins confirmed as counterfeit. Further efforts are needed in strengthening the coordination and timely exchange of data among key institutions, and in strengthening the capacities of the Agency for Forensics under the Ministry of Internal Affairs and Public Administration.

### 3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Good neighbourly relations and regional cooperation form an essential part of Kosovo's European integration process. They help bring about stability, reconciliation and a climate conducive to constructively addressing open bilateral issues and legacies of the past.

Kosovo maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the South-East European Cooperation Process, and the Regional Cooperation Council.

The fourth annual EU-Western Balkans Summit took place in Brussels in December 2023, reaffirming the EU membership perspective of the Western Balkans and exploring measures to further advance gradual integration.

Kosovo has actively engaged in the regional dimension of the Growth Plan for the Western Balkans, actively participating in both ministerial and leaders' meetings.

On the Common Regional Market, in October 2023, the Berlin Process Summit took place for the first time in the region, in Tirana. An additional agreement was adopted on the recognition of professional qualifications for nurses, veterinary surgeons, pharmacists and midwives. The roadmap for roaming between the Western Balkans and the EU entered the first phase of implementation. Kosovo has ratified all four mobility agreements and has deposited the related notification instruments. Twelve major decisions were agreed at the CEFTA Joint Committee in October 2024. The ban on goods of Serbian origin, introduced in June 2023, was lifted in October 2024 and is replaced by a system of manual checks.

The unresolved fate of **missing persons** who disappeared during the conflicts of the 1990s remains a key issue to be solved in the Western Balkans. Kosovo authorities resolved ten cases between June 2023 and June 2024. As of September 2024, there were still 1 612 missing persons as a result of the conflict.

During the reporting period, the combined work of the European Union Rule of Law Mission in Kosovo (EULEX) and local forensic experts resulted in 64 field operations, 11 exhumations, and collection of 32 sets of human remains. In August 2023, forensic experts from Serbia participated in a joint forensic inspection of four cases at the Institute of Forensic Medicine in Pristina, which is a positive development.

Since April 2021, there has been no session of the Belgrade-Pristina Working Group on Missing Persons, which is led by the International Committee of the Red Cross, as the Kosovo Delegation is refusing to hold meetings until Serbia changes its Head of Delegation. On 31 January 2024, an ad hoc meeting of the Working Group at the level of Deputy Heads of Delegation was held in Geneva. Despite this positive development, Kosovo-Serbia cooperation under the Working Group was again hampered by unconstructive behaviour of both Parties.

Implementation of the Declaration on Missing Persons endorsed at the high-level EU-facilitated Dialogue meeting of 2 May 2023 has not started as the Parties are still negotiating – under the EU-facilitated Dialogue – the terms of reference for the Joint Commission, which is envisaged to support efforts to resolve the fate of remaining Missing Persons.

Kosovo has close relations with **Albania**. Political consultations between the two Ministries of Foreign Affairs took place in April 2024, under the lead of the Deputy Foreign Ministers of both sides. During the reporting period, no intergovernmental meetings were held. The agreement on the abolition of ID and passport checks on the common border came into force in May 2024.

Kosovo has good neighbourly relations with **Montenegro**. The two Ministries of Foreign Affairs held political consultations in March 2024. Also in March 2024, Kosovo and Montenegro signed a bilateral agreement for the Instrument for Pre-accession Assistance (IPA) III cross-border cooperation programme for 2021-2027.

Kosovo maintains overall good relations with **North Macedonia**. Several high-level meetings took place during the reporting period. Ahead of the presidential and parliamentary elections in North Macedonia in May 2024, Prime Minister Kurti engaged with representatives of opposition parties.

There are no official relations with **Bosnia and Herzegovina**, which does not recognise Kosovo's independence and the two maintain a strict visa regime. Bilateral meetings took place occasionally in the margins of regional and multilateral summits. Kosovo advocated that Bosnia and Herzegovina should ratify the regional mobility agreement to allow free travel with ID cards.

Kosovo continues to maintain cordial relations with **Türkiye**, including in the political, defence, economic and cultural sectors. Kosovo's President visited Türkiye to attend the Antalya Diplomatic Forum on 2 March 2024 and met with President Recep Tayyip Erdoğan. Türkiye and Kosovo signed a military cooperation agreement in January 2024.

**Georgia, Republic of Moldova and Ukraine** do not recognise Kosovo's independence.

#### 4. NORMALISATION OF RELATIONS BETWEEN KOSOVO AND SERBIA

The EU-facilitated Dialogue on **normalisation of relations between Kosovo and Serbia** continued in the reporting period with regular Dialogue meetings. The latest High-level Meeting between the leaders took place on 26 June 2024.

Following the Chief Negotiators' meeting on 17 September 2024, both Parties officially pledged to engage constructively and to quickly take forward the normalisation process. In this context both Kosovo and Serbia committed to fully implement all of their respective obligations stemming from the Agreement on the Path to Normalisation and its Implementation Annex, as well as all past Dialogue agreements.

This follows earlier progress in the normalisation of relations between Kosovo and Serbia, with the milestone **Agreement on the Path to Normalisation** reached in Brussels on 27 February 2023 and its **Implementation Annex** agreed in Ohrid on 18 March 2023, preparatory steps towards establishing the Association/Community of Serb-majority Municipalities in Kosovo; advancements on the implementation of the Energy Roadmap; mutual recognition of licence plates and commitments to addressing the missing persons issue. In line with the Implementation Annex, the Agreement has formally become part of the respective EU accession processes of Kosovo and Serbia.

Both Kosovo and Serbia are expected to implement their respective obligations stemming from the Agreement on the Path to Normalisation. This includes the establishment of the Association/Community of Serb Majority Municipalities (A/CSM). Kosovo is expected to start the process leading to the establishment of the A/CSM based on the European proposal presented to the Parties on 21 October 2023. Serbia is expected to start delivering on its obligations from the Agreement in parallel by initiating the recognition of Kosovo's documents, symbols and institutions. The Agreement is valid and legally binding for the parties and any formalities, including related to its adoption or "formalisation", should not stand in the way of making progress in its implementation. The Parties also have an obligation to fully implement all past Dialogue Agreements. The constructiveness of the Parties will be assessed based solely on their own implementation performance. Normalisation of relations remains an essential condition on the European path of both Parties and both risk losing important opportunities in the absence of progress.

During the reporting period, tensions in the north of Kosovo remained high. Kosovo repeatedly conducted activities contrary to its obligations under the Dialogue, including police operations against Serbia-

supported offices and services in the north, the adoption of a regulation by the Central Bank of Kosovo on cash operations banning transactions in any currency other than Euro as of 1 February 2024, as well as the closure of the offices of the Serbian Postal Bank and the Serbian Post in the north of Kosovo. The EU repeatedly expressed concerns about the recurrent lack of coordination by Kosovo and the negative impact on people on the ground, while reiterating that the actions might lead to further escalation of an already volatile situation – most recently in its statement of 30 August 2024. The decision on cash operations effectively prohibits transfers of funds from the Serbian government to Kosovo Serbs and other communities, as well as Serbia-supported offices in Kosovo. Regrettably, a mutually agreeable temporary solution for the people most affected by this regulation could not be found. The normalisation process continues to be impacted by insufficient steps by Serbia to ensure accountability for the violent attack by armed Kosovo Serb assailants against Kosovo Police on 24 September 2023 in Banjska, which constituted the gravest escalation in recent years.

When it comes to the state of play on implementation of all Dialogue agreements:

- The **withdrawal of Kosovo Serbs from Kosovo institutions** in November 2022 and the boycott of local elections in the north of Kosovo in April 2023 violate Serbia's Dialogue obligations and they constitute severe backsliding in Serbia's compliance with the April 2013 "First agreement of principles governing the normalisation of relations" and direct violation of the Justice Agreement of 2015. The 23 April 2024 vote to recall the four Kosovo Albanian mayors of the Kosovo Serb-majority municipalities in the north, which were elected in 2023, could have opened an avenue for the return of Kosovo Serbs to Kosovo institutions. However, the recall vote was boycotted by the Kosovo Serb electorate – inter alia due to the threshold of 50% of all registered voters - the current mayors remain in office for the time being. The return of Kosovo Serb officials to Kosovo Institutions and the holding of local elections in the north of Kosovo, called for by Serbia on 13 September 2024, has to be done in accordance with past Dialogue agreements and Kosovo law.
- There has still been no further progress on the implementation of the August 2015 Agreement, which laid down the principles for **establishing the A/CSM**. While the EU welcomed the presentation of a first draft statute of the A/CSM to the High-level Dialogue in May 2023 by the Management Team, the draft was not in line with the relevant Dialogue Agreements. Therefore, a European proposal for the establishment of the A/CSM in Kosovo was presented to the Parties on 21 October 2023. This proposal is based on European standards and best practices and fully in line with the Kosovo constitutional framework. Kosovo and Serbia are now urged to engage constructively on the establishment of the A/CSM with no further delay. This obligation forms a part of the implementation of the Agreement on the Path to Normalisation of Relations, which the Parties are expected to advance on, as recalled by the European Council in October 2023. The issue of Serbia-supported structures in Kosovo needs to be addressed in this same context and not through unilateral and uncoordinated measures.
- Kosovo and Serbia are expected to engage constructively on the **opening of the Mitrovica bridge** for vehicle traffic. During August 2024, Kosovo has insisted on the immediate full opening of the bridge. The position of the EU remains that any decision or action on its opening has to be agreed and coordinated in the context of the Dialogue and with security partners.
- In December 2023, the companies KEDS and Elektrosever signed the commercial agreement necessary for Elektrosever to begin supplying electricity in the four northern Kosovo Serb-majority municipalities. The conclusion of this agreement unblocked the implementation of the **2022 Energy Roadmap** detailing the implementation of the 2013 and 2015 Energy agreements. Billing and energy supply officially started in January 2024. The Parties are encouraged to agree on a transition period to enable a broader coverage of energy billing and payments, as well as necessary infrastructure upgrades.

- As regards the **technical Dialogue agreements** (2011-2012), many are not or only partially implemented. Until sustainable solutions are found, both Parties need to remain committed to the continued implementation of the **Arrangements on Regional Representation and Cooperation**, which enables Kosovo's participation in regional forums. Neither Party should block the work of regional forums over bilateral disputes. The implementation of the **Agreements on cadastre and acceptance of university diplomas agreements** is still pending due to non-implementation by Serbia. Serbia also has yet to address the issue of re-located **Serbian administrative customs structures** with Kosovo denomination that operate from within Serbia.
- On **IBM**, the Interim Common Crossing-Points (CCPs) between Kosovo and Serbia continue to be operational. Only two of the six permanent CCPs have been established (Merdare and Mutivodë/Mutivode). Serbia still has not established permanent CCPs to be hosted by their side (Jarinje/Rudnica, Končulj/Dheu i Bardhë and Depce/Muçibabë), which led to a suspension of EU funds for this project in July 2018. In addition, Serbia needs to engage constructively to enable the construction of the third CCP hosted by Kosovo in the north of Kosovo at Tabavije/Bërnjak-Tabalije/Brnjak. Additional efforts are required from Serbia to close illegal roads and bypasses to ensure exclusive use of official crossing points for goods and persons entering into or leaving Kosovo. Serbia should allow the resumption of the EU-facilitated joint IBM meetings at all levels (local, regional and central).
- On **freedom of movement**, the EU welcomes the phasing out of plates with Kosovo cities' denomination issued by Serbia and the mutual recognition of licence plates, which took place in December 2023 and January 2024. The full implementation of the Freedom of Movement agreements still requires additional steps.
- Both Parties need to fully respect the **Telecoms Agreement** and not put its hitherto successful implementation at risk in any way. The Parties are also expected to engage constructively and find sustainable solutions to the remaining issues such as **frequency harmonisation** and **postal services** through the Dialogue.
- The processing of **mutual legal assistance** requests has been initially stopped by Serbia. Most recently, Kosovo has rejected a request for assistance in the Banjska case. Both Parties should act in accordance with the relevant Dialogue Agreement. Serbia needs to resume the processing immediately and address also pending requests.
- Both Parties need to respect the **Arrangements for Official Visits** more consistently. Both Kosovo and Serbia need to allow the visits of their respective Chief Negotiator and other government officials when they are announced and conducted in line with the Arrangements, which has not always been the case during the reporting period.
- No progress has been made in the implementation of the political Declaration on **Missing Persons** adopted in May 2023. The Parties are encouraged to refrain from politisation of this humanitarian issue and start implementing the declaration immediately by, as the first step, agreeing to the Terms of Reference for the Joint Commission that is to be established as per the Declaration.

Overall, Kosovo and Serbia have participated in the Dialogue, but they need to demonstrate more serious and constructive commitment to advance the normalisation process. Moving forward, Kosovo and Serbia also need to make further substantial efforts to avoid actions that undermine stability and rhetoric that is not conducive to dialogue and reconciliation.

## 5. EUROPEAN STANDARDS

### CLUSTER 2: INTERNAL MARKET

*This cluster covers: the free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9), and consumer and health protection (Chapter 28).*

#### Chapter 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 rules from creating unjustified barriers to trade.*

##### General principles

Regarding the **production, distribution and marketing of industrial products**, the relevant implementing legislation for the Law on general product safety (which is designed to be aligned to the relevant EU *acquis*) is gradually being adopted. The Law on the Central Inspectorate of Market Surveillance is pending adoption.

##### Non-harmonised areas

The screening of Kosovo's legislation to eliminate trade barriers and to ensure alignment with the obligations under **Articles 34-36** of the Treaty on the Functioning of the European Union (TFEU) is progressing slowly due to limited capacity and human resources. The contact point for notification monitors the obligation to notify.

##### Harmonised area: quality infrastructure

The **Standardisation** Agency is not a member of the European and International organisations (Committee for Standardisation (CEN)/European Committee for Electro-technical Standardisation (CENELEC)) due to the status of Kosovo. Its online e-standard system is partly compatible with that of CEN/CENELEC and other international standardisation bodies and alternative solutions are needed to adopt standards more quickly. The agency set up an info centre on standards.

The **Accreditation** Directorate of Kosovo (DAK) needs to ensure its independence and clear managerial roles and functions. There are 58 conformity assessment bodies in Kosovo.

The Kosovo **Metrology** Agency is still not an associated member of the European Association of National Metrology Institutes (EURAMET). During the reporting period, the **market surveillance** Inspectorate ensured 3 079 product safety inspections, imposed 280 fines, sent 108 cases to court, and set up a notification mechanism to alert cases of unsafe products identified via market surveillance. The standardisation, accreditation, metrology, and market surveillance bodies do not have sufficient capacity or staff. Inspections in the field of metrology are now conducted by the Central Inspectorate for Market Surveillance.

##### Harmonised area: sectoral legislation

There was no progress on alignment with the EU '**new and global approach**' product *acquis*.

There was also no progress on alignment with the '**old approach**' product *acquis*, including on REACH and on chemical labelling (CLP), or **procedural measures** during the reporting period. Inspectorates responsible for market surveillance and product safety checks are prone to corruption. Their powers should be clearly identified and not overlap. Staffing should be sufficient in terms of number and quality.

## Chapter 2 – Freedom of movement for workers

*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.*

Regarding the **access to the labour market**, work permits are still required for EU nationals and their family members to be eligible to work in Kosovo. Kosovo's Employment Agency issued 202 short-term work permits in 2023, of which 114 were for EU nationals.

On **coordination of social-security systems**, Kosovo has already in place bilateral social-security agreements with Belgium, the Netherlands, Switzerland and Albania. These agreements ensure that the periods of work in Kosovo by nationals of these countries (or periods of work in these countries by the people of Kosovo) will be taken into account for entitlement to social-security benefits. Negotiations on similar agreements are ongoing with Slovenia, Croatia and Austria.

No progress was made in putting in place legislation to preserve the **supplementary pension rights** of mobile workers who have worked abroad, including in EU Member States.

## Chapter 3 – Right of establishment and freedom to provide services

*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. EU rules on postal services focus on improving the quality of universal service, gradual market opening to competition, and the establishment of an independent regulator.*

On the **right of establishment and freedom to provide services**, Kosovo remains partially aligned with the EU *acquis* on services. A new three-year action plan (2024-2027) to make sectoral legislation compliant with the EU *acquis* on services has been adopted, after that the previous one expired without satisfactory implementation. To ensure that its rules are aligned with the EU's Services Directive, Kosovo should further increase interinstitutional coordination. The requirement for foreign companies to set up an office in Kosovo has not been abolished yet and impedes their freedom to provide services.

No notable progress was made in expanding the number of professions registered in the point of single contact or in transforming it into a user-friendly online service delivery point. Although accessible to businesses and the public, the platform only provides general information and is not useful. There is a lack of administrative capacity mainly of the Ministry for Industry, Entrepreneurship and Trade.

In the area of **postal services**, Kosovo's postal market has been opened to competition and the legislation is compliant with the Postal Services Directive. Kosovo needs to align its legislation with the Regulation on cross-border parcel delivery services. There is one universal service provider and 28 other postal operators active in the postal market. The national regulatory authority is legally separate and operationally independent but needs strengthening to monitor and enforce the new rules in the postal market.

The Law on **regulated professions** is not aligned with the EU *acquis* and does not include rules on the recognition of professional qualifications. Kosovo should adopt a new horizontal law for the recognition of professional qualifications for access to all regulated professions, align with the minimum training requirements for sectoral professions, amend the existing sectoral laws that regulate professions and draw up a detailed list of regulated professions. Moreover, Kosovo should align with the proportionality test before adopting a new regulation of professions. The Division for Regulated Professions within the Ministry of Education is understaffed and needs to be strengthened.

## Chapter 4 – Free movement of capital

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

The execution of payments continues to be predominantly carried out in cash despite efforts to promote financial inclusion by expanding access to payment services. Money transfers are largely limited to traditional financial institutions. More work is needed to reduce transaction costs and facilitate unbanked and underserved customers. Kosovo adopted a regulation that extends IBAN standards to non-bank financial institutions. Kosovo needs to further align its legislation with the EU Payment Services Directive 2 and address shortcomings in the e-commerce regulatory framework. This is crucial to create more efficient electronic payment services.

**Anti-money laundering / combating terrorist financing (AML/CTF)** needs to be further aligned with the fourth and fifth Anti-Money Laundering Directives. The regime of targeted financial sanctions should be further strengthened with necessary enforceable implementing legislation and capacity building efforts, including the establishment of a formal coordination mechanism for the sanctions framework and sanctions on proliferation of weapons of mass destruction. The Law on the State Bureau for Verification and Confiscation of Unjustified Assets was declared unconstitutional by the Constitutional Court in June 2024. The government adopted the draft law in September 2024 after amending it as per Constitutional Court recommendations. The draft law is now pending adoption by the Assembly.

Exchange of information and supervisory capacities were improved in the fight against money laundering and terrorist financing, through the signing of a Memorandum of Understanding between Kosovo's central bank and Financial Intelligence Unit. By adopting a Manual on risk-based supervision for the prevention of money laundering and combating the financing of terrorism, the central bank shifted from the rule-based to the risk-based supervision framework as required by international and FATF standards. The establishment of mechanisms for effective public-private partnerships aimed at jointly tackling money laundering and terrorist financing risks is necessary.

In 2023, the number of suspicious transaction reports in Kosovo amounted to 888, declining by 6.2% as compared with 2022. At the same time, Kosovo still needs to strengthen interinstitutional cooperation.

## Chapter 6 – 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.*

**On company law and corporate governance**, the preparation of a new law on business organisations has been ongoing for several years. The law should regulate specific fields required by the EU company law *acquis*, that are still missing in Kosovo's legislation, such as the minimum capital requirement, shareholders' rights (including the encouragement of long-term shareholder engagement), company takeovers and the disclosure of information about companies and their branches. It should also be aligned with the EU Directive on the use of digital tools and the EU Directive on cross-border operations (mergers, divisions, conversions).

Based on external expert assessments, the Kosovo Business Registration Agency needs to improve its technical infrastructure (database) and implement concrete plans to enable connection with the Business Register Interconnection System (BRIS) by the time of accession. Insufficient coordination and data sharing persists between the Kosovo Business Registration Agency and the Kosovo Council for Financial Reporting, affecting timely reporting and the publication of accounting documents. Reporting requirements do not include the publication of companies in certain legal situations (e.g. under insolvency proceedings) and there is still no legal obligation to publish financial statements and audit reports of public and private limited liability companies in the business register.

**On company reporting**, the Law on accounting, financial reporting and audit is only partially in line with the EU *acquis* as well as recent rules on country-by-country reporting and corporate sustainability reporting. **Statutory audits** follow international standards. On reporting, large companies risk legal sanctions if they do not comply and submit audited financial statements to the Kosovo Council for Financial Reporting for approval and publication. However, given the lack of quorum in the Council this decision is not applied in practice. Kosovo has still not secured sufficient sustainable funding for the recently appointed Public Audit Oversight Board, preventing it from exercising its functions of supervision and enforcement.

## Chapter 7 – Intellectual property law

*The EU has to a large extent harmonised rules for the legal protection and enforcement of intellectual property rights (IPR), covering notably patents, trademark and designs, biotechnological inventions and pharmaceuticals, trade secrets, (craft and industrial) geographical indications, supplementary protection certificates, copyright and related rights.*

Kosovo has made good progress in terms of legislative alignment. This should start guaranteeing some level of protection of intellectual, industrial and commercial property rights equivalent to that applied in the EU and in line with the Stabilisation and Association Agreement (SAA).

In the area of **copyright and related rights**, the new Law on copyright and related rights entered into force. It aims at aligning Kosovo's legislation with the EU Directives on the collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market and on copyright and related rights in the Digital Single Market.

**On industrial property rights**, Kosovo's Industrial Property Agency needs restructuring and additional staff. Kosovo has legislation in place on topographies of semiconductors, patents, designs, trade secrets and trademarks. In August 2023, the procedure for the registration of trademarks was adopted. The agency created an online registry on its website for trademarks, patents and industrial design. Kosovo has failed to adopt a strategy on industrial property for 2022-2026, now planned for 2024-2027.

Some operations on **enforcement** of IPR in Kosovo were carried out in 2023. However, the responsible institutions, the State Intellectual Property Council and the Task Force against Piracy need more capacity and better coordination tools (e-platform) to effectively enforce intellectual, industrial and commercial property rights and fight counterfeit goods and piracy. Lengthy procedures and decisions taken without any consequences are a major constraint to effectively applying the legislation on IPR. In 2023, the IPR Unit of Kosovo customs initiated 849 investigation cases, seizing 4 618 802 pieces of fake goods for a total value of MEUR 21 which represents a substantial increase from last year.

The Commercial Court specialised in commercial matters and the Court mandated to solve cases and disputes in the field of industrial property rights and copyright, have already proven to be efficient in processing cases.

Collaboration with the European Union Intellectual Property Office is not yet developed limiting potential progress and support from the agency.

## Chapter 8 – Competition policy

*EU rules protect free competition. These include antitrust rules against restrictive agreements between companies and abuse of dominant position, and also include rules on concentrations between companies which would significantly impede effective 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 preventing distortion of competition.*

### Antitrust and mergers

The **legislative framework** on antitrust and mergers is partly in line with the EU *acquis* and Kosovo made progress during the reporting period by adopting implementing legislation in line with the EU *acquis*.

On the **institutional framework**, the Kosovo Competition Authority (KCA) is responsible for implementing the legal framework and the Kosovo Competition Commission (KCC) acts as the decision-making body.

On the **capacity to enforce competition**, in 2023, the KCC became functional again with two pending appointments made in October. For the KCA, a new General Director, Legal Officer and five new competition inspectors were recruited in 2024. Interinstitutional cooperation has been formalised between the KCA and the Independent Media Commission and between the KCA and the Procurement Review Body.

On **implementation**, by April 2024, the KCA had issued 27 decisions on prohibited agreements, dominant positions and mergers in sectors such as media, transport, dairy products, medical services and telecommunications. Two professional opinions were issued, one of them on a high-profile case, currently under court appeal.

There was little progress in enforcing competition rules by imposing fines or remedies following decisions taken by the KCA. Despite a slight increase, case numbers remain low and the authority has not carried out any dawn raids and has not used the leniency programme to date.

The training of Kosovo judges and prosecutors on the essential aspects of competition law continued during the reporting period. Raising awareness among judges on the enforcement of competition law remains key.

#### State aid

The **legislative framework** on State aid is broadly aligned with the EU *acquis*, without progress regarding further amendment of the legislative framework during the reporting period. The draft law on State aid and other important implementing legislation on horizontal aid, including block exemptions and regional aid, still need to be adopted.

On the **institutional framework**, the State Aid Department, as part of the 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. During the reporting period no progress was made to address the expired mandate of the State Aid Commission and no new commission has been set up by the government, putting all control on State aid on hold.

On **implementation**, the State Aid Department started assessing two notified State aid measures in 2023, but **no decisions** could be adopted in the reporting period without a functional State Aid Commission. The Annual Reports on State aid have not been submitted to the Assembly for the second consecutive year.

#### Liberalisation

Public undertakings in Kosovo 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 needs to be raised awareness to apply State aid rules to the activities of central institutions and POEs.

### **Chapter 9 – Financial services**

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

On **banks and financial conglomerates**, work needs to be continued to align with the latest versions of the Capital Requirements Regulation and the Capital Requirements Directive. Enforcement of the Regulation on liquidity risk management enabled Kosovo to advance in meeting capital and risk management requirements. The financial sector remains resilient with high capitalisation levels of the predominantly foreign-owned banking sector. Although credit risk remains contained, focus should be placed on evaluating risks from the rapid credit expansion in the household segment, in particular mortgage lending.

Progress was achieved in relation to CBK's **governance issues** by filling all governing positions, adopting a five-year strategic plan, restructuring organisational set-up with a new department for banking recovery and resolution which reports directly to the Executive Board of the Bank. The draft Law on Banks introduces a recovery and resolution framework for credit institutions and investment firms, aiming to align with the EU *acquis* in this area. It also foresees the establishment of the department's functions, including the functional independence of the recovery and resolution authority. The Law on deposit guarantee is yet to be amended to align it further with the Deposit Guarantee Scheme Directive.

Regarding **Insurance and Occupational Pensions**, Kosovo adopted a regulation governing the effective management of liquidity risk for insurers aimed at maintaining sufficient liquidity buffers to meet insurers' liabilities. The process of price liberalisation for the compulsory insurance on Motor Third Party Liabilities is yet to start, and the prices remain fixed, leaving the opinion presented by the KCA on the matter unaddressed. Similarly, the new risk-based model for adjusting car insurance tariffs has not been introduced. Due to status issues, Kosovo remains outside the green card system. As a result, insurance is required for foreign-registered vehicles entering Kosovo and for vehicles with Kosovo plates leaving Kosovo which continues to pose a financial burden.

**Securities markets and investment** services remain at an early stage of development, as most activity centres on the market for government bonds, auctioned by the CBK. No progress was made in terms of financial market infrastructures. The legislation is not in line with the EU *acquis* on settlement finality, financial collateral, Securities Financing Transactions, Central Securities Depositories and OTC derivatives, central counterparties and trade repositories (EMIR).

On **digital and sustainable finance**, Kosovo should conduct further work to incorporate sustainability considerations both in banking and non-banking strategic policies and objectives, and to implement a regulatory financial framework supporting private investments towards sustainable/green activities. In 2023, the Central Bank of Kosovo (CBK) joined the Sustainable Banking and Finance Network (SBFN). The Kosovo Credit Guarantee Fund can guarantee up to 80% of loan portfolios of financial institutions to MSMEs in areas such as energy efficiency and sustainable agriculture. So far, the fund has issued EUR 374 million in guarantees and EUR 718 million in guaranteed loans. Kosovo should continue efforts to align with the EU *acquis* on digital finance.

## Chapter 28 – Consumer and health protection

*EU rules protect consumers' economic interests also ensure product safety, prevent dangerous imitations and establish liability for defective products. The EU also guarantees a high level of protection of public health and in particular also ensures high common standards for tobacco control, blood, tissues, cells and organs, and medicines for human and veterinary use. The EU also has rules for upholding patients' rights in cross-border healthcare and in preparing for and responding to cross-border health threats, including communicable diseases.*

### Consumer protection

On **horizontal aspects**, Kosovo's legislative framework remains partly aligned with the EU *acquis*. Further alignment with the latest EU *acquis* is needed to address developments in this area. Enforcement of the protection of consumer rights and private-sector awareness remain limited, and an integrated

platform to harmonise the consumer complaints process not yet in place. While the Law on general **product safety** is aligned with the EU *acquis* it is not yet fully implemented. The administrative capacities in the area of market surveillance and product safety need to be further increased (*see also Chapter 1 on market surveillance*). On **non-safety issues**, the weakness of consumer rights organisations remains a challenge.

### Public health

On **public health**, the quality of healthcare remains a concern. Although Kosovo allocated a budget increase to healthcare of around 14.2% in 2024 compared with 2023, health expenditure as part of the overall GDP remains the second lowest in the region and significantly lower than the EU average. There is no strategic purchasing, resulting in significant inefficiencies and weak health outcomes. Life expectancy at birth in Kosovo remains the lowest in the region and child mortality rates are the highest in the region. Out-of-pocket expenses remain very high (estimated to range between 30%-40%). Kosovo has an existing **e-health** information system, but it is not used by all health institutions; in 2024, an ambitious action plan was adopted on an integrated health information system to improve data availability and evidence-based policymaking.

The legislation on **blood, tissues, cells and organs** is not fully aligned with the EU *acquis*. Kosovo continues to lack the necessary resources in this field. The implementation of the current Law on **tobacco control** needs to be improved. **Mental health** services remain integrated services.

On **serious communicable diseases** and serious **cross-border threats to health**, Kosovo adopted the Law on prevention and control of communicable diseases in line with the European Centre for Disease Prevention and Control (ECDC) recommendations and the EU *acquis*. To this end, Kosovo developed an ECDC surveillance and monitoring module.

Legislation on **patients' rights in cross-border healthcare** is partially aligned with the EU *acquis*. Kosovo has a **cancer screening** programme, but cancer screening is not performed systematically and there is no functional cancer registry. **Non-communicable diseases** are the leading cause of death.

Kosovo has not made any progress on **nutrition and physical activity**. There was no progress on alignment on **medicinal products for human use** or on **medicinal products for veterinary use**, or on **medical devices**, which all remain partially aligned with the EU *acquis*. The legislation on prescriptions and sales of antibiotics should be enforced in order to stop the common practice of over-the-counter sales in pharmacies. The list of essential medicines has been updated. Following the call for interest to join the Critical Medicines Alliance, one entity from Kosovo is now participating.

**Health inequalities** remain a serious concern. The lack of appropriate health financing arrangements has hampered the progress towards universal health coverage and has contributed to continuous high out-of-pocket payments. The financial burden has been particularly heavy for the vulnerable and poor segments of Kosovo's society including people with chronic conditions who need medications on a regular basis.

On anti-corruption, the Ministry of Health, with support of the Kosovo Anti-Corruption Agency and USAID, approved an institutional integrity plan with the aim of increasing institutional accountability and transparency.

## **CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH**

This cluster covers: digital transformation and media (Chapter 10); taxation (Chapter 16); economic and monetary policy (Chapter 17); social policy and employment (Chapter 19); industrial policy (Chapter 20), science and research (Chapter 25); education and culture (Chapter 26); and the customs union (Chapter 29).

## Chapter 10 – Digital transformation and media

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

In the area of **electronic communications**, 98.6% of households had access to the internet in 2023 (compared with 97.9% in 2021). In 2023, Kosovo achieved 100% broadband coverage. In June 2024, Kosovo signed an Association Agreement with the European Commission to join the EU-funded Digital Europe Programme, which aims to increase access to digitalisation for people, businesses and institutions.

Challenges remain in developing high-speed broadband infrastructure, including limited private-sector investment capacities, an outdated cable network, and delays in 5G development. While the legislative framework for broadband cost reduction is aligned with the EU *acquis*, administrative burdens related to construction works persist due to incomplete harmonisation of legacy legislation. Kosovo needs to align with the European Electronic Communications Code, finalise the new Law on electronic communications, and align with the EU Gigabit Infrastructure Act (revising the Broadband Cost Reduction Directive), the EU Connectivity Toolbox and the revised Guidelines on State aid for developing broadband networks.

Regulations to simplify 5G network installations are still pending. The resources of the Electronic and Postal Communications Regulatory Authority remain unproportionally limited. Alignment with the Digital Services Acts and Digital Markets Act needs to be stepped up to provide predictability for business and to accommodate the increasingly significant share of ICT exports in Kosovo's economy.

Kosovo made some progress in the area of **digital services**. The e-government strategy for 2023-2027 was adopted. However, the number of services remains low, representing only 10% of public services available online. Kosovo still needs to align with the EU *acquis* on open data and the reuse of public-sector information. Kosovo should also align with the European Interoperability Framework and the Interoperable Europe Act. Authorities need to ensure and facilitate equal access to online services for everyone and to step up action to align the legal framework with the Digital Services Act (DSA) and Digital Markets Act (DMA).

Regarding **digital trust and cybersecurity**, Kosovo strengthened its legal and strategic framework for cybersecurity. The Law on cybersecurity is partially aligned with the NIS Directive and Kosovo needs to step up efforts to align with the NIS2 Directive. The government adopted the new cybersecurity strategy for 2023-2027 with its accompanying action plan. The authorities need to develop policies for a safer internet for children, including effective measures to detect and respond to online child sexual abuse. Besides the progress made until now in aligning to eIDAS Regulation, Kosovo must align to the new EU Digital Identity Framework and roll out a national digital identity wallet. The deployment of the government's national eID is progressing.

On **media**, the Assembly adopted the long-awaited law on the Independent Media Commission (IMC) in July 2024. The law triggered concerns over media freedom, especially on the online media regulation. The IMC requires additional human and financial resources to effectively exercise its powers.

## Chapter 16 – Taxation

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

Kosovo continued to demonstrate good performance in **tax collection, enforcement and compliance**. Between April 2023 and September 2024, the Tax Administration of Kosovo (TAK) collected revenues of 1,28 million EUR, 14.1% higher than the same period in the previous year. During the reporting period, the TAK performed 2 939 compliance visits, audits, and investigations of suspected cases of fiscal

evasion. These activities resulted in additional revenue of EUR 112,7 million. In the area of debt management, the TAK follows best international practices.

Kosovo adopted the Law on tax administration and procedures, but no progress was made to revise the tax policy. The tax gap assessment still needs to be finalised for all years to date and performed regularly.

**On administrative cooperation and mutual assistance**, due to status issues, Kosovo has not been able to join the inclusive framework of the OECD Base Erosion and Profit Shifting and the Council of Europe Convention on mutual administrative assistance in tax matters. The TAK made progress in concluding bilateral agreements on double taxation, totalling 22 agreements to date. Kosovo has finalised the new strategy for combating the informal economy, money laundering, financing of terrorism and financial crime (2023-2026), however its approval by the government is still pending. Between April 2023 and August 2024, TAK conducted 1,173 activities targeting undeclared work. During this time, 51 businesses were inspected in collaboration with the labour inspectorate as part of joint efforts to combat undeclared work. Regarding the submission of criminal charges, 55 charges were filed.

**On operational capacity and digitalisation**, the TAK continued to make progress on service digitalisation and service delivery, particularly on stepping up the fight against informal employment and non-declaration of taxes. The TAK needs to further strengthen professional capacities and improve the effectiveness of tax audit functions. The TAK intensified its actions on a risk-based approach regarding tax compliance. The TAK increased its analytical capacity by updating all parameters of the risk analysis modules, resulting in a significant increase in risk-based audits (over 80% of all tax audits). As of July 2024, the TAK started activities related to tax compliance audits for high-wealth individuals, with a focus on information collection. The IT infrastructure of the TAK remains obsolete.

## Chapter 17 – Economic and monetary policy

*EU rules require the independence of central banks and prohibit them from directly financing the public sector. Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.*

Fiscal policy remains the main macroeconomic policy instrument, as Kosovo lacks an independent **monetary policy** and does not have standard monetary policy tools at its disposal. Kosovo's use of the euro as a legal tender is fully distinct from the membership in the euro area.

There was good progress in improving the CBK's corporate governance structure. Following the appointment of the new governor by the Assembly in July 2023, an acting deputy governor was immediately appointed. In November 2023, the central bank's new organisational structure was approved and in January 2024 two deputy governors were appointed, completing the Executive Board. The CBK's new strategic plan for 2024-2028 was published at end-2023.

**On economic policy**, although fiscal rules are well-established in the legislation, further efforts are required to ensure their full compliance, while there is a need for Kosovo to further align with the requirements of the EU Directive on budgetary frameworks.

In the reporting period, the Ministry of Finance, Labour and Transfers took initiatives to improve the macro-fiscal modelling and forecasting capacities of competent staff while some steps were taken to better link the budgetary annual process with the medium-term policy. However, strong political will and interinstitutional cooperation are necessary to transform the budget into a policy-planning tool and strengthen the medium-term budgetary framework.

Although Kosovo improved the timeliness and completeness of its national accounts data, efforts should continue towards a complete set of annual and quarterly national accounts. *(See also chapter 18)*

The 2024-2026 **Economic Reform Programme** (ERP) was submitted on time. There is a significant degree of uncertainty surrounding the macroeconomic and fiscal framework. The ERP projects a robust

acceleration of economic activity in 2024-2025 before easing in 2026, mainly on the back of a strong increase in investment. However, this outlook faces significant downside risks related to weaknesses in public investment management, less dynamic growth in the main trading partners, commodity price spikes, tighter financing conditions and lower-than-expected financial inflows from the diaspora. The policy guidance set out in the conclusions of the Economic and Financial Dialogue of May 2023 has been partially implemented.

## Chapter 19 – Social policy and employment

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

Kosovo has yet to approve the amendments to the legislation on **labour** and on **health and safety at work**, and to further align with the EU *acquis*, including the EU Directive on work life balance. The government has allocated funds to compensate young mothers on maternity leave and has devised a strategy for health and safety in the workplace. The 2014 Law on health insurance, has not been implemented. The Labour Inspectorate has expanded its capacity and intensified inspections in high-risk sectors, seeing a decline in fatal accidents. The Tax Administration Inspectorate and the Labour Inspectorate continued actions to counter the informal economy, while amendments to the Law on tax administration have helped formalise 5 000 jobs in the first months of 2024. Government measures supporting employers have contributed to a decline in unemployment rates over the past two years.

**Social dialogue** remains limited. The capacity building of social partners, particularly in the private sector, needs to be stepped up. The mandate of the Social Economic Council expired in 2023. A new council has not been appointed. Kosovo has finally in force a new Law on minimum wage, which increases the minimum wage from EUR 170 to EUR 264, the first increase since 2011.

On **employment policy**, Kosovo has adopted and published a new employment and labour market strategy for 2024-2028 and has drafted a new regulation on active labour market measures and a new law on employment. The overall activity rate stood at 42.3% in Q4 2023, a slight increase compared with 2022 (38.6%).

Regarding **labour force participation** and **unemployment rate** *see the statistical annex and the section on the functioning of the labour market under 2.3. Economic criteria.*

After adopting the Youth Guarantee implementation plan, Kosovo launched the piloting of the Youth Guarantee Scheme in two municipalities in January 2024 and presented a monitoring report in July 2024.

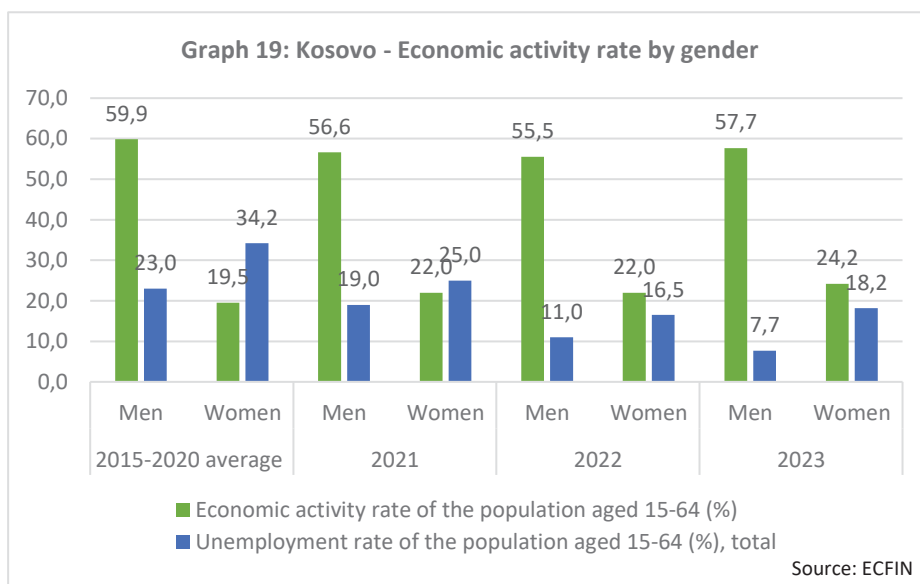
The government finalised the restructuring plan for the **Employment Agency** and the new regulation is envisaged to be adopted this year. The labour market information system supporting evidence-based policymaking and planning is outdated and lacks operational capacity in critical areas.

There were no developments on the preparation of the **European Social Fund** (*see Chapter 22 – Regional policy and coordination of structural instruments*). On **social inclusion and protection**, a new approach based on proxy means testing aimed at better targeting poverty is being piloted Kosovo-wide as of May 2024.

The **quality of the social services** provided at the municipal level is limited. Currently, there is no legal basis to ensure the sustainability of financing of social services. The 50% increase in government funds dedicated to licensed NGOs providing social services in 2023 does not meet needs. Combined with a lack of stable multiannual funding and the low salaries for social workers, this limits the capacities of NGOs and social workers' centres. The capacity of municipalities concerning service planning and delivery, data collection and integrated care is weak. Around 9% of children are involved in work, of whom 5.6% are

working under hazardous conditions, an issue being particularly prevalent among the Roma and Ashkali communities.

Efforts to address **discrimination against women in employment and social policy**, particularly during hiring procedures, promotion and pay are limited. There are gaps in the implementation of legislation on equal opportunities. The lack of childcare and elderly care facilities, unequal share of responsibilities in the maternity, paternity and parental leave hinder women's employment. The termination of a probationary period due to pregnancy is not treated as direct discrimination. Labour inspectors and judges lack the knowledge to better address the issue of gender-based discrimination.



Kosovo must continue its efforts to ensure equal access of persons with disabilities to institutions, quality services, employment and education. The scheme for families with children with permanent disability recognises the entitlement to material compensation only for a narrowly defined category of children who have permanent and severe disabilities and excludes children with milder disabilities whose conditions could potentially improve if support with cash benefits and with medical and social services were available.

## Chapter 20 – Enterprise and industrial policy

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

As regards **enterprise and industrial policy**, the strategy for industrial development and business support, adopted in June 2023, is ambitious, aiming to improve the business environment, promote industrial development, address the trade deficit, create jobs and ensure both resource efficiency and a more circular economy. However, the first monitoring report of the strategy showed that planned activities were only partially implemented. Kosovo needs to dedicate additional resources and close financing gaps for its successful implementation. Four comprehensive studies of the main subsectors in the manufacturing sector were published in 2023, which government plans to use to refine its policies and actions.

Concerning **policy instruments**, the Law on sustainable investment, adopted by the Assembly in 2023, sets up two new agencies: the Agency for Support to Enterprises within the Ministry of Industry, Entrepreneurship and Trade, and the Agency for Investment and Export under the remit of the Prime Minister's Office. The two agencies will play an important role in assisting companies and attracting FDI, addressing the long-term recommendation to restructure the Kosovo Investment and Export Support Agency (KIESA). The Constitutional Court ruled that the Law on sustainable investments does not violate the Constitution, opening the way for the creation of the agencies. The government also took steps

towards improving the dialogue with the private sector by launching a formal platform for public-private dialogue.

KIESA continued organising business fairs, facilitating participation of Kosovo businesses in international trade fairs and managing grants in support of the implementation of the strategy for industrial development and business support 2030. Around EUR 3 million in grants was allocated to businesses from non-majority communities. The agency still had difficulties fulfilling its objectives, in particular enabling the implementation of before- and after-care services and programmes and promoting links between multinational enterprises and SMEs.

Weak institutions and the lack of timely and professional responses to legitimate requests by businesses remain a major challenge. Inadequate capacities and resources, prolonged administrative procedures and a lack of inter-ministerial coordination perpetuate the lack of a functioning filing system/institutional memory within Kosovo's authorities. Fragmented and inefficient flow of information between institutions remain an issue. This presents obstacles for SMEs to access business support services and obtain permits and licences. Excessive paperwork requirements when applying for government support extends the application time.

There were notable developments in dispute settlements. The Commercial Court reached its intended roster of 18 appointed judges. Upon its operationalisation, a total of 6 754 cases were relocated to the first-instance chambers of the Commercial Court, while 1 342 cases were transferred to the second-instance chamber. During the reporting period, the commercial court has resolved 6 945 cases in the first instance and 1 702 in the second instance. The court services have received a generally positive evaluation from users but there is room for improvement in the efficiency of proceedings as, with the increase of the number of cases, it is challenging for the court to finish cases within a reasonable timeframe. 30 cases were transferred to mediation by Commercial Court in 2023. No new cases were transferred in 2024. Online mediation introduced in response to the COVID-19 pandemic remained a viable tool for dispute resolution.

Kosovo continued to extend services available on its e-government platform. Self-employed workers face a low tax burden and incorporated SMEs benefit from corporate income tax incentives. The simplification and digitalisation of services reduced tax compliance costs for SMEs.

Access to finance remains a barrier for the growth of micro, small and medium-sized enterprises (MSMEs) despite expansion and portfolio diversification of the Kosovo Credit Guarantee Fund. By September 2024, the fund had expanded enabling loans worth EUR 731.8 million to MSMEs in the sectors of production, service agriculture and trade, including start-up firms and women-owned businesses. The government should continue efforts to diversify financing sources.

Kosovo participates in the SME Pillar of the Single Market Programme.

Kosovo has committed to align relevant primary and secondary legislation with the EU Late Payment Directive in commercial transactions by June 2025.

## Chapter 25 – Science and research

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

The main policy document for **research and innovation**, besides the 2023-2025 ERP, is the National Science Programme for 2023-2028, approved by the government in July 2023. The programme calls for a substantial increase of public funding in the research sector, which remained considerably underfunded as part of the government budget allocation for research and development.

The financing of scientific research is not clearly identified; it is part of a general budget for higher education institutions, which is funding scientific research and innovation, as well as universities. The quality of programmes preparing postgraduates for research careers remains unsatisfactory. Funding of innovation support measures is urgently needed. Kosovo is encouraged to make use of the opportunities made available by the European Institute of Innovation and Technology. The research information system supplies data related to EU research initiatives such as European Cooperation in Science and Technology (COST).

As regards **Horizon Europe**, Kosovo dramatically decreased its performance during the reporting period, (a drop by some 75%), with three projects with a total funding of EUR 237 125 in 2023.

Although there is no clear plan to adopt a gender strategy, the Ministry of Education, Science, Technology, and Innovation continues supporting female students wishing to study science, technology, engineering and mathematics with a scholarship programme.

## Chapter 26 – Education and culture

*The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policies 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’s **public spending** on education in 2023 was forecasted to be EUR 385 million. The provisional estimates show that the share of the budget allocation for the education sector in 2023 dropped as a percentage of GDP (3%, while it was 4.1 % in 2022).

In terms of the **registration and attendance of pupils and student population**, a general declining trend in gross enrolment rate is registered in earlier levels of education (pre-school, pre-primary and primary), while the trend is slightly increasing in lower secondary.

The area of **early childhood education and care** saw some progress with the development of secondary legislation of the Law on early childhood education and the piloting of the new curricula for the academic year 2023/2024.

Although Kosovo is making some efforts to improve the **quality of education**, there is still little advancement in the implementation of Kosovo’s education strategy for 2022-2026. Progress is not yet tangible in terms of students’ performance as the impact of the steps taken will be visible only longer term. As reported by the OECD in December 2023, the average results of the Programme for International Student Assessment (PISA) tests taken in 2022 show a decline in the performance of Kosovo students in mathematics, reading and science, compared with the average results of the 2018 PISA results and a high proportion of students of 15-year-olds failing to demonstrate basic proficiency (level 2) in reading (83%), in maths (85%) and in science (79%). The latest Progress in International Reading Literacy Study (PIRLS 2021) shows that Kosovo’s performance in reading is significantly below the international median.

Kosovo made good progress with regards to the recognition of prior learning. The service of validation of non-formal and informal learning has been operationalised and is now being offered to citizens, including via public employment services. Digitalisation and digital skills form a core element of the 2022-2025 education strategy.

Staff recruitment reforms in the education sector have progressed with the adoption of an implementing act on selection procedures and appointments in pre-university education. This reform is particularly relevant for improving the quality assessment of teachers. It is estimated that only 3% of teachers have undergone formal performance evaluation over the past decade. In 2023, two administrative instructions were passed regarding teacher assessment and licensing. Currently, there are about 21 education inspectors with expertise on pedagogy assessment, which is insufficient to conduct performance

evaluation of over 23 000 teachers, among other roles and responsibilities. This is a key factor contributing to delays in the implementation of quality assurance mechanisms, consequently undermining the effective implementation of other policies/reforms.

The **draft law on textbooks**, presented in 2022, is still pending final adoption in the Assembly. Technical improvements of the draft law are still needed to meet quality standards and ensure effective implementation.

Dual education in **VET** has expanded with the piloting of eight additional profiles in 2023/2024. A total of 12 dual education profiles are now being applied to improve the employability of young boys and girls. In October 2023, the Prime Minister launched an awareness campaign to support the implementation of dual VET in Kosovo. A concept document for a new VET law still needs to be finalised.

In terms of **inclusion**, despite some improvement, children from vulnerable groups and minorities continue to be marginalised when it comes to education opportunities. In particular, children from the Roma, Ashkali and Egyptian communities are at a higher risk of dropout of compulsory education. Learning centres are not yet institutionalised. Moreover, some centres relying on external financial support and offering supplementary educational and psychosocial support to children from the Roma, Ashkali and Egyptian children, have closed. The Ministry of Education, Science and Technology (MESTI), in coordination with municipal education directorates, needs to secure the necessary human and financial resources to support these centres. Additional efforts should also be made to improve access to public spaces and transport to children with disabilities and physical impairment.

Following the 2024 census, the data on children in schools should be used by MESTI to rationalise the school network and address the need for reorganising overcrowded schools as well as underpopulated schools in rural areas.

Kosovo benefits from the international dimension of the 2021-2027 **Erasmus+** programme. In 2023, Kosovo registered the highest number of students and staff in outward mobility (going to the EU) and the highest number of projects in higher education compared with previous years. In capacity building in higher education, 2023 saw the highest number of successful projects: 13 projects in total with 27 higher education institutions as beneficiaries and five Kosovo higher education institutions being coordinators of projects. Kosovo is not taking part in the European Education Area (Bologna Process) working groups 2021-2025. As part of the enhanced partnership with the region, Kosovo can apply for the European Universities Initiative calls, but no Kosovar universities have been selected as partners in funded alliances so far.

On **sports**, Kosovo continued to participate in the European Week of Sport.

Kosovo still needs to develop a **culture** strategy. The Law on art and culture was adopted, setting out the general principles of cultural policies and regulating conditions for their implementation. It regulates the scope of art and culture and lays down the basic rules for the establishment, organisation, financing, administration and functioning of public institutions of art and culture. Kosovo cannot participate in the MEDIA strand of the Creative Europe programme until Kosovo aligns the Law on the Independent Media Commission with the EU's Audiovisual Media Services Directive.

## **Chapter 29 – Customs union**

*All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment as well as adequate implementing and enforcement capacity and access to and interoperability with EU electronic customs environment.*

In the area of **customs legislation**, the Customs and Excise Code, aligned with the Union Customs Code, was adopted in March 2024; Kosovo should proceed with drafting and approving relevant implementing legislation. Due to statehood issues, there was no progress on Kosovo's application to become an

observer under the Common Transit Convention. On the rules of origin, Kosovo continues to apply the Pan-Euro Mediterranean Convention. Kosovo customs systematically exchange data on the cross-border movement of goods among Western Balkans economies. The legislation on customs measures governing IPR and export controls for cultural goods is aligned with the EU *acquis*.

Kosovo customs continued to make good progress on **trade facilitation**. The number of authorised economic operators increased from 10 to 13. There was also a 55% increase in shipments imported through the Port of Durrës, Albania, resulting in over EUR 9 million saved for businesses through the acceleration of procedures and customs clearance. Progress was made on the abolishment and reduction of fees for exporters/importers at inland customs terminals, with import fees entirely abolished at the Peja/Peč, Podujeva/Podujevo and Vërmice/Vrbnica terminals, resulting in savings for businesses worth millions of euro.

In line with the EU-Kosovo SAA provisions on mutual administrative assistance in customs matters (MAA), Kosovo should strengthen combating customs fraud, in particular smuggling of tobacco products and by cooperating with OLAF accede to the WHO Framework Convention on tobacco control protocol to eliminate illicit trade in tobacco products. No progress with regard to the accession has been reported.

On **administrative and operational capacity**, Kosovo continues to participate in the EU programme Customs and in different forums at the World Customs Organisation. Kosovo customs made progress by developing recruitment procedures and revising administrative instructions concerning merit-based and transparent transfers, promotions and selection processes. Asset declarations by customs officers have become mandatory, with the process managed and monitored by the Anti-corruption Agency of Kosovo.

Kosovo approved a new Kosovo customs' medium-term strategic plan for 2024-2028 and finalised its report on the implementation of the medium-term strategic plan for 2019-2023. Substantial amounts of narcotics were detected and seized. For the first time, a canine unit was introduced in Kosovo customs to step up the fight against the smuggling of arms, cash and narcotics. Kosovo customs continue to have a shortage of officers. The office infrastructure is inadequate and does not meet international standards.

#### CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27).

### Chapter 14 – 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, multimodal transport, aviation and maritime transport.*

On **transport matters**, Kosovo continued its proactive participation in Transport Community activities. In December 2023, the government approved the accompanying action plan for the implementation of the Multimodal Transport Strategy (MMTS) for 2023-2030. In June, the government Strategic Planning Committee approved the Single Project Pipeline for the transport sector. Further efforts are needed to align with and implement the EU *acquis* across all areas of the sector, as well as to accelerate the implementation of the Transport Community Action Plans. Kosovo needs to strengthen the insufficient administrative and operational capacities to improve coordination and ensure proper, timely and professional implementation of all infrastructure projects. Kosovo should begin to improve transport climate resilience and the use of alternative fuels and to develop sustainable urban mobility plans respecting environmental and social standards following EU practice. In line with the Green Agenda and the Smart and Sustainable Mobility Strategy for the Western Balkans.

On **road transport**, the Law on roads is yet to be adopted by the Assembly; the proposed Law on roads entails the relocation of certain departments to a newly set up Road Agency, which will oversee road infrastructure planning, safety measures, and overall management. Further efforts are needed to align with the EU *acquis* on social and market rules in road transport. In April, the government set up the Road Safety Council, which will monitor the implementation of strategic documents, coordinate work of institutions and propose policies to improve road safety. However, Kosovo needs to step up its action to set up a road asset management system. Despite ongoing efforts, Kosovo's existing crash data system is not yet compliant with the common accident data set (CADaS) protocol. Kosovo should continue to raise awareness to achieve better results in line with the UN and EU's goal of halving the number of road deaths and injuries by 2030. Alignment with the Directive on road infrastructure safety management is still pending. Creating a system to increase the capacity of road safety inspectors and auditors remains a priority.

Kosovo made limited progress in implementing the **rail transport** *acquis*; the Railway Regulatory Agency, which performs the functions of regulatory body, licensing and safety and interoperability authority, published several legislative acts mainly pertaining to the technical specifications of interoperability. The market for rail transport services is open and functional. A National Investigation Body was established, which reports directly to the Prime Minister's Cabinet. However, the railway legislation still needs to be fully aligned with the market and technical pillars of the fourth Railway Package. The drafting of the new railway law and railway safety and interoperability law is still ongoing. Despite the completion of works at the joint railway station with North Macedonia, the commencement of joint operations has been delayed. A multiannual contract has been signed between the infrastructure manager and the relevant authority.

On **air transport**, Kosovo made progress with the opening, in January 2024, of new air corridors between Kosovo and Albania, which will shorten flight times with European countries by up to 12 minutes and will positively affect civil aviation. The sector continues to face a number of challenges arising from Kosovo's non-membership in several international civil aviation organisations. The NATO-led Kosovo Force (KFOR) still manages and coordinates upper Kosovo airspace. The institutional shortcomings of the Air Navigation Service Agency and the European Civil Aviation Authority, as well as the lack of revenue from upper airspace management, remain issues. Efforts should continue in aligning with the remaining European Common Aviation Area (ECAA) first-phase items.

On **multimodal transport**, although the government approved the action plan for the implementation of the MMTS for 2023-2030, it does not specify measures for developing intermodal infrastructure or supporting efficient and sustainable logistics services within the 2023-2025 period.

Concerning **EU passenger rights**, Kosovo adopted the national transposition measures regarding rights of passengers travelling by air in the context of the ECAA Agreement. Kosovo should increase its efforts to implement the EU *acquis* on passengers rights in all modes of transport.

## Chapter 15 – Energy

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

Kosovo made some progress on **the security of supply**. In January 2024, Kosovo inaugurated its day-ahead electricity market and initiated electricity day-ahead market coupling with Albania, a first of its kind among the Energy Community Contracting Parties. There has been no progress in restructuring the existing bulk supply agreement between the Kosovo Electricity Supply Company (KESCO) and the Kosovo Electricity Corporation (KEK). Under this agreement, KEK reserves the majority of its generation capacity for KESCO to the extent needed to meet its public service obligations. Kosovo needs to restructure the bulk supply agreement, which will be essential to create a sustainable, fair, and

competitive market and to support the successful operation of ALPEX.

Significant deviations of Kosovo's control area of Kosovo continued until the end of 2023. Although these deviations from the European grid passed from negative (in 2023) to positive (in 2024), this still leads to imbalances that might compromise the grid's frequency and reliability. The situation stabilised following conclusion of the contract between KEDS and Elektrosever (see paragraph below). Compliance with obligations under the newly signed Connection Agreement with ENTSO-E is a matter of urgency.

A significant milestone in the implementation of the agreed energy roadmap of June 2022, is the conclusion of the commercial contract between the distribution company KEDS and Elektrosever in December 2023 enabled the commencement of billing in the four northern Kosovo-Serb majority municipalities and ended the non-regulated practice. Serbian electricity transmission system operator EMS has not yet determined the net transmission capacities at the interconnection with Kosovo which prevents cross-border capacities to be allocated to the market participants.

Kosovo needs to ensure a time-efficient and dynamic implementation of its energy strategy implementation programme for 2022-2025 to meet its ambitious targets. Kosovo remains heavily reliant on outdated, highly polluting coal-fired power plants, posing serious health and environmental risks. Kosovo is still in breach of the Energy Community requirements for reducing greenhouse gas emissions from the large combustion plants, which also requires alignment with the EU Directives on large combustion plants and industrial emissions. Kosovo needs to speed up the environmental upgrade of the Kosovo B thermal power plant and work on decommissioning the non-working parts of the Kosovo A thermal power plant. In June, the government Strategic Planning Committee approved the Single Project Pipeline for the energy sector.

Kosovo is non-compliant with the **oil acquis**. The draft law on compulsory oil stockholding is pending. There are no procedures in place to release emergency oil stocks.

Regarding the **internal energy market**, there has been no progress in further opening the retail market. Kosovo is delayed in the transposition and implementation of the Electricity Integration Package, which is a precondition for market integration. Kosovo's Energy Regulatory Office (ERO) still needs to implement the liberalisation of the retail electricity market based on market price. In April 2024, the ERO Board approved the maximum allowed revenues for regulated operators and slightly reduced electricity tariffs. Kosovo needs to create a comprehensive register of vulnerable consumers and set a national objective to support energy poor households and vulnerable consumers in line with the relevant legislation and the NECP objectives. Kosovo needs to adopt its NECP as soon as possible.

Concerning **renewable energy sources**, Kosovo adopted the Law on renewable energy sources in April 2024. This Law is aligned with the Renewable Energy Directive and sets up a comprehensive market-based support scheme for renewables, which is expected to facilitate Kosovo's renewable energy auctions. Kosovo successfully concluded its first solar auction in March 2024, and signed in May 2024 an agreement for the development of the project. The process was open, transparent, and well-received by interested investors. The winning bidder will be awarded a 30-year concession contract for the construction and operation of the solar plant, accompanied by a 15-year power purchase agreement. To achieve its strategic targets of a 35% share of renewable energy in the electricity consumed by 2031, Kosovo needs to accelerate the deployment of renewable energy projects and promptly launch the upcoming first wind auction for which the draft criteria were published in July 2024 and which will be of 75 MW. Lessons learnt from the first pilot solar auction, which experienced significant delays, should be taken into account in subsequent competitive bidding processes. The agreement between ERO and the service provider to utilise the national electronic registry for guarantees of origin was signed. Provisions related to sustainability and greenhouse gas emissions saving criteria for biofuels, biomass and bioliquids deriving from the Renewable Energy Directive (RED II) still need to be aligned.

**On energy efficiency**, good progress was achieved with the implementation of the energy efficiency measures in the residential and private sectors as part of the Energy Support Package financed by the EU. The financial model for investments in the residential sector is under development. Kosovo still needs to adopt the new Law on energy efficiency. The amended Law on energy performance of buildings was adopted in May 2024. The adoption and implementation of the Labelling Directive remains pending. To increase energy efficiency as outlined in the energy strategy, Kosovo needs to mobilise additional financing and strengthen the institutional capacity to implement and monitor the associated savings.

The capacities of the Nuclear Safety and Radiation Protection Agency is weak. Kosovo still needs to ensure the treatment and interim storage of radioactive waste in accordance with EU standards. There has been no progress concerning the Kosovo's participation in the European Community urgent radiological information exchange (ECURIE) and the European radiological data exchange platform EURDEP. Kosovo is not a member of the International Atomic Energy Agency (IAEA), nor party to any international radiation protection and nuclear safety conventions and agreements.

## Chapter 21 – Trans-European Networks

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

Progress on the trans-European **Transport** Network (TEN-T) is limited, mainly due to insufficient interinstitutional capacities to ensure, realistic cost/benefit analysis, EU standards public procurement rules, State aid and environmental impact assessments. The revised TEN-T Regulation 2024/1679 of 13 June 2024 is setting up a new Western Balkans-Eastern Mediterranean European Transport Corridor which includes Kosovo.

There is no progress on the Pristina – Merdare motorway or the 'Peace Highway'. The railway works on the Orient/East-Med Corridor (Rail Route 10) connecting Fushë Kosovë/Kosovo Polje to Mitrovica/ë continued at slow pace. The tendering of signalling systems and telecommunications which is of utmost priority, is still delayed. The feasibility study for the railway connection between Durres and Pristina is under way.

**On energy networks**, in January 2024, electricity market integration with Albania advanced with the inauguration of the day-ahead market in Kosovo and the initiation of the Albania-Kosovo day-ahead electricity market coupling, a first of its kind in the Energy Community. Kosovo also signed a Memorandum of Understanding concerning electricity market coupling with Greece, Albania and North Macedonia.

The old TEN-E Regulation 347/2013 has been aligned and implemented. Kosovo still needs to align its legislation with the revised TEN-E Regulation 2022/869.

**On telecommunications networks**, the institutional capacity of the Electronic and Postal Communications Regulatory Authority still needs to be increased.

## Chapter 27 – Environment and climate change

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

### Environment

Concerning **horizontal issues**, further efforts are needed to revise and adopt strategies, action plans and relevant legislation to ensure consistency with the objectives of the Green Agenda and implement

commitments under the Energy Community's Decarbonisation Roadmap. The capacities of the environmental authorities at both central and local levels to implement and enforce the environmental *acquis* are still very limited, which seriously hampers progress in the sector. Structural reforms continue to be delayed. Insufficient political commitment and funding constitute key challenges to implementing the strategic framework. The adoption of the strategy for environmental protection and sustainable development for 2022-2033 remains pending. Full alignment with the EU Environmental Liability and Crime Directives is yet to be completed. Implementation of the strategic environmental assessment and environmental impact assessment legislation is not applied consistently. In June 2024, the government Strategic Planning Committee approved the Single Project Pipeline for the environment sector. The quality of the preparation and implementation of infrastructure investments, including the transparency of procedures, in compliance with Environmental Impact Assessment and Strategic Environmental Impact Assessment Directive and other elements of the *acquis* needs to be ensured. Public awareness of the importance of environmental protection is still limited.

While some progress was made in improving **air quality**, it continues to present a major health risk amid delays in the implementation of appropriate remedial measures to curb air pollution. The implementation of the Pristina air quality plan has begun with the introduction of new public transport buses and the application of control measures for exhaust gases from vehicles, but the adoption of plans in the rest of Kosovo is still pending. Kosovo still does not comply with the emission ceilings set by its emissions reduction plan. The implementation of measures banning the use of coal for heating still needs to be enforced. The work on the air quality plans for the zones in which pollutant levels exceed limit values, continues.

The implementation of **waste management** legislation saw some progress, with the approval of the implementing legislation on the export, import, transit and transboundary movement of waste, as well as the adoption of the legislation on packaging and packaging waste, which introduces a base for extended producer responsibility and the application of the 'polluter pays' principle. In addition, activities aimed at reducing the use of lightweight plastic carrier bags and introducing a deposit refund system for beverage containers are taking place. Finally, the number of illegal dumpsites continued to steadily decline, from 747 in 2022, to 373 in 2023, representing a reduction of 374 illegal landfills.

The very limited inspection capacity of the central level institutions needs to be increased as a matter of urgency. More efforts are needed to amend the Law on waste management and the integrated waste management strategy by introducing recycling targets, and to approve and implement the inter-municipal waste management plans. Kosovo also needs to start a reform of communal enterprises, ensure proper management of industrial and hazardous waste and boost the circular economy. Kosovo Electricity Company (KEK) needs to conduct the environmental and social impact assessment procedure for the hazardous waste storage.

Kosovo made limited progress on **water management** by approving and implementing its revised water strategy. The adoption of a new Law on water and the approval of river basin management plans are pending. The capacities of key institutions at both central and local levels, public enterprises and river basin management authorities remain low and need further strengthening. The lack of identification of agglomerations and sensitive areas in line with the EU Urban Waste Water Treatment Directive as well as the absence of a sludge management strategy hamper progress in the infrastructure. There was no progress in harmonising the legislation on water management and floods with the EU *acquis* in the reporting period. More efforts are necessary for the reduction of water losses and the management of water protection zones.

Kosovo made limited progress on **nature protection** with the designation of three new protected areas. Kosovo should start identifying and pre-designating sites that will be covered by the Natura 2000 network. They lack appropriate management, continue to be polluted and poorly maintained, suffer from illegal activities and insufficient implementation and enforcement capacities at central and local levels.

The adoption of the draft strategy for environmental protection and sustainable development for 2022-2033 remains pending. There was also no progress in harmonising legislation on nature protection. The identification of potential Natura 2000 sites is at a very early stage. Kosovo made limited progress in implementing the Law and strategy on forestry. Deforestation and illegal logging remain a matter of serious concern.

There was no progress in aligning with the *acquis* on **industrial pollution** and implementation of industrial pollution prevention and control is very slow. Hazardous mining waste as well as industrial discharge into rivers and industrial dumpsites continue to pose serious threats to soil, water and health. Significant efforts are needed to align with the EU *acquis* concerning the Industrial Emissions Directive and to ensure proper implementation and monitoring.

There was no progress in aligning with the EU *acquis* on **chemicals**. The implementation of the relevant legislation remains at a low level. Kosovo still needs to improve the implementation of the regulatory framework on the export and import of hazardous chemicals.

No progress was registered in aligning with the EU *acquis* on **noise**.

On **civil protection**, Kosovo made some progress with the adoption of the national disaster response plan, and the approval of the Strategy for Risk Reduction from Natural and other Disasters for 2023-2028. The coordination between the central and local levels is still insufficient. Kosovo made no progress in developing national disaster risk needs assessment and did not devise a recovery strategy. Kosovo should make more efforts to prepare legislation as well as a governance and financial framework on the prevention of, preparedness for and response to natural and other disasters. Kosovo should improve coordination among responsible authorities in large-scale disasters. Although not part of the Union Civil Protection Mechanism (UCPM), Kosovo benefits from different tools under the UCPM (projects, training sessions, exercises, peer reviews and advisory missions).

#### Climate change

Kosovo made some progress on climate change by adopting the Law on climate change. However a 2050 climate neutrality target is missing and the implementing legislation's approval and enforcement is pending. The adoption of the decarbonisation and adaptation strategies is also pending. The NECP needs to be adopted as soon as possible. The legislative framework for the monitoring, reporting, verification and accreditation of greenhouse gas emissions needs to be developed and implemented as well as a mechanism on carbon pricing with a view to aligning with the EU emissions trading system. In parallel, Kosovo should implement adaptation and mitigation measures. Consideration also ought to be given to aligning with major upgrades of the EU climate policy as a result of the Fit for 55 package. The capacity of the relevant institutions, including inspections, to fulfil their responsibilities needs to be urgently and significantly strengthened. Finally, awareness raising needs to be strengthened and the cooperation with operators in the private sector should be made more efficient.

### **CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION**

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries and aquaculture (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions (Chapter 33).

#### **Chapter 11 – Agriculture**

*The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of national resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food*

*industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy and organic farming.*

On **horizontal issues**, the national programme for agriculture and rural development for 2023-2027 was adopted in October 2023. Support measures need to be brought in line with the EU *acquis*.

Kosovo needs to strengthen and maintain its capacities and take steps towards the development of an integrated administration and control system, farm sustainability data network.

On the **common market organisation**, the Law on market organisation for agricultural products was adopted in December 2023. Its implementing legislation should be prepared.

On **quality policy**, Kosovo continued to progress with the registration of a second geographical indication. However, the registration process and control need to be aligned with the EU *acquis*.

On **organic farming**, legislation needs to be aligned with the EU *acquis*, the national organic action plan 2023-2026 needs to be implemented and actions need to be taken to prioritise organic farming and production as a cross-cutting element within the national programme for agriculture and rural development.

Kosovo still needs to amend or repeal the Law on agricultural land and an action plan to address the loss and degradation of farmland.

## **Chapter 12 – Food safety, veterinary and phytosanitary policy**

*The EU food acquis including EU hygiene rules for foodstuff production ensure a high level of food and feed safety and a high-level protection of consumers' interests. Animal health and welfare and the safety of food of animal origin are safeguarded together with the quality of seeds, plant protection material, the protection against harmful organisms and animal nutrition.*

In the area of **food safety**, Kosovo still needs to adopt the secondary legislation on the Law on food, and the strategy for aligning the EU *acquis* in the field of veterinary and phytosanitary policy. The financial and human resources of the Food and Veterinary Agency remain insufficient to implement the EU *acquis*.

The food control traceability and management system and the laboratory information management system are operational, but more resources are needed to strengthen and systematically maintain them. Following the transfer of 58 inspectors to the Ministry of Health, the agency should diligently recruit food inspectors, set up an epidemiological unit, and implement the relevant legislation related to risk-based approach in inspections within Kosovo as well as on imports.

The agency continued its work to implement the national plan for the control and monitoring of food and animal disease and successfully completed the obligatory proficiency testing schemes with EU reference laboratories as part of the laboratory accreditation.

In the area of **veterinary policy**, while Kosovo took over from the EU the financing of the rabies eradication and vaccination campaign, the government has yet to adopt a Law on animal health and repeal the 2004 Law on veterinary with a new one. The agency has still not adopted the five-year development plan for disease monitoring and control, and earmark resources for its implementation. Resources for controls of animal health and welfare at farm level, during transportation remain insufficient, including in slaughterhouses and livestock markets. Kosovo adopted a new administrative instruction on animal identification and registration. However, animal movements remain under-reported and controls are yet to be strengthened. Kosovo should complete the alignment of its legislation with the EU animal welfare legislation and ensure adequate resources for its implementation. Kosovo made some progress in identifying basic cross-compliance measures in the areas of food safety, animal health and welfare. Relevant checklists and guidelines were prepared.

On the **placing of food, feed and animal by-products on the market**, the implementation of a system

for the collection and safe disposal of animal by-products remains crucial as well as the approval of the model for operating the existing rendering plant. Kosovo addressed the European Commission's findings on their national residue monitoring plan.

In the area of **phytosanitary policy**, alignment with the EU *acquis* still needs to be improved. It is important to strengthen actions with regard to surveys, early detection and eradication of pests. Finally, Kosovo has yet to start working on the development of the legal basis for novel food and for **genetically modified organisms**.

### Chapter 13 – Fisheries and aquaculture

*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 control and inspection, rules on markets and aquaculture, and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.*

As Kosovo has only inland fishing and aquaculture, the *acquis* on catch quotas and inspection and control is only partially applicable. Kosovo needs to draft a law on fisheries and aquaculture to align with the EU *acquis*.

The adoption of a multiannual strategy dedicated to aquaculture and the alignment of legislation with the *acquis* is still pending.

Kosovo should focus on developing a **market policy** and data collection in line with the *acquis*, as well as an inventory of fish species. Kosovo should also significantly increase the administrative capacity for policy management and **inspection and control**.

There was no significant development concerning **resource and fleet management, structural measures, State aid and international agreements**.

### Chapter 22 – Regional policy and coordination of structural instruments

*Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It operates through "shared management" between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU *acquis* elements such as environmental or public procurement legislation.*

There is good progress on the **legislative framework** underpinning the regional development, particularly as regards sustainable and inclusive growth (*see also Chapters 15, 27 and 19*). Eurostat approved the classification of statistical regions in Kosovo, which will facilitate the production of regional statistics in line with the EU standards. On the strategic framework, some progress was achieved with the adoption of the 2023-2025 action plan for regional development, which however shows a gradual decline in funding for Kosovo's regions over the 3-year period (2023: EUR 4.3 million; 2024: EUR 3.4 million; 2025: EUR 3.3 million).

The **institutional framework** for the management of EU funds is not yet in place, and this also affects the **financial management, control and audit systems for the EU funds**, which remain at an early stage. The national systems for regional development are underperforming due to lack of funds, insufficient involvement of regional development stakeholders and weak inter-municipal cooperation; they need to be significantly strengthened to boost regional growth and address regional disparities. The **administrative capacity** of key institutions involved in programming and managing the EU funds is gradually improving but remains overall weak due to delays in the public administration reform and lack of effective mechanism for training on EU issues.

Kosovo still needs to improve the public investment planning and management and develop solid single project pipelines.

Kosovo advanced on the **monitoring and evaluation** of EU assistance with improved steer by the National Instrument for Pre-accession Assistance (IPA) Coordinator, regular dialogue with the EU, and improved annual reporting. Kosovo needs to further progress in this area and ensure the implementation of the recommendations of the IPA Monitoring Committee and SAA process.

In December 2023, Kosovo signed three cross-border cooperation financing agreements with Albania, North Macedonia, and Montenegro for 2021-2027. Kosovo does not participate in transnational and interregional cooperation programmes that cover the Western Balkans.

## CLUSTER 6: EXTERNAL RELATIONS

This cluster covers: external relations (Chapter 30).

### Chapter 30 – External relations

*The EU has a common commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.*

On the **common commercial policy**, Kosovo has not adopted a comprehensive trade policy nor ratified the CEFTA Additional Protocols on trade facilitation and trade in services nor the recently adopted protocol on dispute settlement. The government supports the CRM as a basis for a regional free trade agreement. Kosovo continued to make progress in implementing technical measures of the CRM Action Plan for 2021-2024, notably regarding the green lanes. Some 11 authorised economic operators were licensed in 2023. The systematic exchange of electronic data was updated. The government approved a draft law on the ratification of the Agreement on the recognition of professional qualifications for nurses, surgeons, veterinarians, pharmacists and midwives in the context of CEFTA.

There is an urgent need to strengthen the capacities in the Ministry for Industry, Entrepreneurship and Trade, including staffing numbers, particularly in view of Kosovo's upcoming CEFTA chairmanship responsibilities in 2025, but also trade negotiations.

Disagreements relating to Kosovo's representation and denomination in **CEFTA** were resolved to allow for the unblocking of CEFTA's decision-making mechanisms. Kosovo, along with all the participants in the CRM Action Plan, should play a constructive role and deliver on joint commitments set out in the action plan. The ban on goods of Serbian origin, introduced in June 2023, was lifted in October 2024 and is replaced with a system of manual checks. In July 2023, following requests from the business community, the government lifted the measure for raw materials and half products.

Kosovo's Law on **dual-use goods** is aligned with the latest EU *acquis*, namely Regulation (EU) 2021/821 and its annual updates as regards the list of dual-use items. Kosovo is neither a participant nor an adherent to the Australia Group.

As regards **bilateral agreements with third countries on economic/trade/technical cooperation**, Kosovo has free trade agreements with Türkiye and the United Kingdom, in addition to the enlargement countries (CEFTA). The free trade negotiations with European Free Trade Association countries, launched in June 2022, are ongoing.

There was limited progress in the areas of **development policy** and **humanitarian aid**. As a recipient of aid programmes, Kosovo does not provide humanitarian aid to third countries in a systematic manner and has no development aid agency. Kosovo is encouraged to start the process of creating a legal framework

covering international cooperation, development policy and humanitarian aid, in accordance with EU policies and principles. Kosovo is also encouraged to build dedicated administrative structures.

## **ANNEX I – RELATIONS BETWEEN THE EU AND KOSOVO**

The EU-Kosovo Stabilisation and Association Agreement (SAA) entered into force in April 2016. This comprehensive agreement provides a framework for political dialogue and covers cooperation in a variety of sectors. Since 2016, five Stabilisation and Association Council meetings and seven cycles of subcommittee meetings have taken place. Since June 2023, in line with the EU measures vis-à-vis Kosovo, meetings of Stabilisation and Association bodies have been put on hold. The High Representative has recommended the lifting of those measures.

On 2 April 2024, the government approved the National Programme for European Integration for 2024-2028. This programme sets out measures and priorities for the implementation of the SAA as well as other reforms for Kosovo's European path.

To further guide the implementation of reforms, in November 2016, the Commission and Kosovo adopted the European Reform Agenda (ERA). In 2021, Kosovo adopted the second phase of the ERA (ERA II) through a dedicated action plan that expired in 2023 and is pending update.

Kosovo formally submitted its application for EU membership on 15 December 2022.

Visa liberalisation for Kosovo entered into force on 1 January 2024, allowing Kosovo biometric passport holders to travel to the EU without a visa for a period of stay of 90 days within any 180-day period. Following final adoption by the European Parliament and the Council, visa requirements were lifted for holders of passports issued by the Serbian Coordination Directorate.

The Instrument for Pre-accession Assistance (IPA) III allocations under the bilateral strand reached EUR 233.8 million for 2021-2023, of which 33.3% for fundamental reforms and 66.7% for sustainable and inclusive growth. This also includes funding for civil society, funding under the individual measures for migration and border management, and assistance for Kosovo's participation in Union programmes such as Erasmus+, the Single Market Programme, the Citizens, Equality, Rights and Values Programme, Creative Europe, the Customs programme, the Fiscalis programme, Horizon Europe, Digital Europe, and the Justice programme. To enhance access to EU initiatives and funds, Kosovo is participating as observer in a pilot project under the Technical Support Instrument.

Kosovo continues to benefit from the implementation of the EU assistance of EUR 602 million under the Instrument for Pre-accession II (2014-2020), 44% of which targets democracy, governance, rule of law and human rights while 56% has been allocated for competitiveness and growth.

Kosovo also receives supplementary support under the multi-country and regional programmes and under three cross-border cooperation programmes – with Albania, North Macedonia and Montenegro.

Under the Western Balkans Investment Framework (WBIF), since 2009, the EU provided EUR 300 million, mobilising total investments of EUR 2 billion for infrastructure projects.

A total of EUR 315 million of EU funding has been made available to implement the Economic and Investment Plan (EIP) for Kosovo, which is expected to mobilise EUR 892 million of total investment for priority high impact projects.

Following the adoption of measures vis-a-vis Kosovo, the EU suspended the programming of the 2024 IPA and the approval of two Western Balkans Investment Framework projects. As regards ongoing support, procurement procedures and signing of new contracts were suspended.

Under the Reform and Growth Facility, Kosovo could benefit from an indicative allocation of EUR 882 million, to be channelled via a Reform Agenda covering key reforms in five policy areas: governance, public administration reform and public financial management; green and digital transition; private-sector development and business environment; human capital development; and fundamentals / rule of law. Disbursement of Union support will be conditional on compliance with the preconditions – including, for Kosovo and Serbia, constructive engagement in the normalisation of their relations with a view to fully

implementing all their respective obligations stemming from the Agreement on the Path to Normalisation and its Implementation Annex and all past Dialogue Agreements and engage in negotiations on the Comprehensive Agreement on normalisation of relations.

The Kosovo Specialist Chambers (KSC) and the Specialist Prosecutor's Office (SPO) set up to investigate and prosecute allegations stemming from the 2011 Council of Europe Report, continued their work, resolving pending cases. In December 2023, the KSC rendered its first appeal judgment in a case dealing with war crimes. The case was indicative of the challenges the KSC faces, including in terms of obstruction of justice, sentence enforcement, and compensation of Kosovan victims.

Since 2008, the European Union Rule of Law Mission in Kosovo (EULEX) has been assisting Kosovo authorities in setting up sustainable and independent rule of law institutions. Under its current mandate (extended until June 2025), EULEX has limited executive functions. It continues to perform monitoring activities and the role of second security responder through its Formed Police Units. EULEX also assists the KSC/SPO with logistical and operational support in compliance with its mandate and Kosovo legislation.

Frontex is sending officers to several border-crossing points in Kosovo based on mutually agreed operational plans. Additionally, Frontex provides other border management-related support such as advice on setting up a national coordination centre.

To date, according to the government, Kosovo has been recognised by 117 countries, including 22 EU Member States.

During the reporting period, the UN Secretary-General continued to provide regular updates on the implementation of the UN mission in Kosovo (UNMIK). The NATO-led Kosovo Force (KFOR) has continued to help ensure a safe and secure environment. In June 2024, it had 4 490 personnel from 28 contributing nations.

Kosovo continued to condemn Russia's unjustified and unprovoked military aggression against Ukraine and continues to implement restrictive measures against Russia and Belarus. As regards Kosovo support to Ukraine, the government allocated EUR 100 000 in humanitarian aid and dedicated funds to shelter 20 journalists from Ukraine. Recently, Kosovo announced its first military aid packages for Ukraine.

## ANNEX II - STATISTICAL DATA

### STATISTICAL DATA (as of 5/09/2024)

#### Kosovo

| Basic data                      | Note | 2011     | 2018     | 2019     | 2020     | 2021     | 2022     |
|---------------------------------|------|----------|----------|----------|----------|----------|----------|
| Population (thousand)           |      | 1 794 bi | 1 799 i  | 1 796 i  | 1 782 i  | 1 798 i  | :        |
| Total area of the country (km²) |      | 10 908 w | 10 905 w | 10 905 w | 10 905 w | 10 905 w | 10 905 w |

| National accounts  | Note | 2011     | 2018    | 2019    | 2020    | 2021    | 2022   |
|--|------|----------|---------|---------|---------|---------|--------|
| Gross domestic product (GDP) (million national currency)   |      | 4 556    | 6 672   | 7 056   | 6 772   | 7 958   | 8 896  |
| Gross domestic product (GDP) (million euro)  |      | 4 556    | 6 672   | 7 056   | 6 772   | 7 958   | 8 896  |
| GDP (euro per capita)  |      | 2 539 bi | 3 709 i | 3 930 i | 3 800 i | 4 426 i | :      |
| 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 (%)  |      | 6.3      | 3.4     | 4.8     | - 5.3   | 10.7    | 4.3    |
| Employment growth (national accounts data), relative to the previous year (%)                                  |      | :        | C       | C       | :       | :       | :      |
| Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)   |      | :        | C       | C       | :       | :       | :      |
| Unit labour cost growth, relative to the previous year (%)   |      | :        | C       | C       | :       | :       | :      |
| **3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)                              |      | :        | C       | C       | :       | :       | :      |
| 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 (%)  |      | 10.0     | 8.1     | 9.0     | 8.9     | 8.6     | 9.2    |
| Industry (%)   |      | 23.6     | 24.2    | 23.4    | 24.1    | 23.6    | 23.3   |
| Construction (%)   |      | 10.4     | 10.4    | 10.1    | 9.3     | 10.6    | 10.7   |
| Services (%)   |      | 56.0 i   | 57.2 i  | 57.5 i  | 57.7 i  | 57.2 i  | 56.9 i |
| Final consumption expenditure, as a share of GDP (%)   |      | 100.2    | 91.9    | 92.6    | 98.8    | 95.9    | 97.5   |
| Gross fixed capital formation, as a share of GDP (%)   |      | 31.2     | 31.7    | 31.0    | 29.7    | 32.9    | 32.5   |
| Exports of goods and services, relative to GDP (%)   |      | 25.0     | 29.1    | 29.3    | 21.7    | 33.4    | 38.6   |
| Imports of goods and services, relative to GDP (%)   |      | 61.2     | 57.3    | 56.4    | 53.9    | 65.2    | 71.4   |
| Gross fixed capital formation by the general government sector, as a percentage of GDP (%)                     |      | :        | :       | :       | :       | :       | :      |

| Business   | Note | 2011     | 2018     | 2019     | 2020     | 2021     | 2022     |
|--|------|----------|----------|----------|----------|----------|----------|
| Industrial production volume index (2015 = 100)  |      | :        | :        | :        | :        | :        | :        |
| Number of active enterprises (number)  |      | 31 556 w | 31 028 w | 34 615 w | 40 056 w | 45 468 w | 46 157 w |
| Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%) |      | 12.7 w   | 4.8 w    | :        | :        | :        | :        |

|  |  |       |         |         |         |         |          |
|--|--|-------|---------|---------|---------|---------|----------|
| Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%) |  | 4.7 w | 3.7 w   | 4.2 w   | 2.6 w   | :       | :        |
| People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)               |  | :     | 77.6 iw | 77.8 iw | 80.9 iw | 82.1 iw | 81.3 piw |
| Value added by SMEs (in the non-financial business economy) (EUR million)  |  | :     | :       | :       | :       | :       | :        |
| Total value added (in the non-financial business economy) (EUR million)  |  | :     | :       | :       | :       | :       | :        |

|  |      |      |       |       |       |       |        |
|--|------|------|-------|-------|-------|-------|--------|
| <b>Inflation rate</b>  | Note | 2011 | 2018  | 2019  | 2020  | 2021  | 2022   |
| Consumer price index (CPI), change relative to the previous year (%) |      | :    | 1.1 d | 2.7 d | 0.2 d | 3.4 d | 11.6 d |

|  |      |           |           |           |           |           |           |
|--|------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Balance of payments</b>   | Note | 2011      | 2018      | 2019      | 2020      | 2021      | 2022      |
| Balance of payments: current account total (million euro)  |      | - 611.4   | - 508.8   | - 399.5   | - 472.2   | - 694.6   | - 917.0   |
| Balance of payments current account: trade balance (million euro)  |      | - 2 047.1 | - 2 737.7 | - 2 840.2 | - 2 573.2 | - 3 567.0 | - 4 287.2 |
| Balance of payments current account: net services (million euro)   |      | 395.7     | 855.8     | 926.0     | 391.6     | 1 034.9   | 1 367.5   |
| Balance of payments current account: net balance for primary income (million euro)                         |      | 111.2     | 113.1     | 160.6     | 164.0     | 150.9     | 119.8     |
| Balance of payments current account: net balance for secondary income (million euro)                       |      | 928.8     | 1 260.0   | 1 354.1   | 1 545.4   | 1 686.2   | 1 881.8   |
| Net balance for primary and secondary income: of which government transfers (million euro)                 |      | 322.2     | 226.1     | 236.6     | 276.6     | 233.7     | 295.9     |
| **3 year backward moving average of the current account balance relative to GDP (%)                        |      | - 12.2    | - 7.1     | - 6.3     | - 6.8     | - 7.1     | - 8.7     |
| **Five year change in share of world exports of goods and services (%)                                     |      | :         | 37.5      | 36.9      | 14.8      | 48.5      | 34.6      |
| Net balance (inward - outward) of foreign direct investment (FDI) (million euro)                           |      | 378.9 w   | 225.8 w   | 188.4 w   | 286.6 w   | 320.4 w   | 556.9 w   |
| Foreign direct investment (FDI) abroad (million euro)  |      | 5.5 w     | 46.3 w    | 66.2 w    | 59.1 w    | 100.3 w   | 175.2 w   |
| of which FDI of the reporting economy in the EU-27 countries (million euro)                                |      | :         | 13.0      | 6.1       | 16.5      | 26.5      | 37.8      |
| Foreign direct investment (FDI) in the reporting economy (million euro)                                    |      | 384.4 w   | 272.1 w   | 254.6 w   | 345.7 w   | 420.7 w   | 732.0 w   |
| of which FDI of the EU-27 countries in the reporting economy (million euro)                                |      | :         | 58.7      | 158.6     | 152.1     | 215.6     | 388.9     |
| **Net international investment position, relative to GDP (%)   |      | 2.4 w     | - 6.1 w   | - 5.8 w   | - 12.3 w  | - 11.6 w  | - 17.9 w  |
| Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%) |      | 10.8 iw   | 12.0 i    | 12.1 i    | 14.5 i    | 14.5 i    | 13.7 i    |

|   |      |        |         |         |         |      |      |
|---|------|--------|---------|---------|---------|------|------|
| <b>Public finance</b>                                     | Note | 2011   | 2018    | 2019    | 2020    | 2021 | 2022 |
| General government deficit / surplus, relative to GDP (%) |      | :      | - 1.0 w | - 0.5 w | - 5.2 w | :    | :    |
| General government gross debt relative to GDP (%)         |      | 5.3 ew | 17.1 ew | 17.5 w  | 21.8 w  | :    | :    |
| Total government revenues, as a percentage of GDP (%)     |      | 27.1 w | 30.1 w  | 31.5 w  | 32.6 w  | :    | :    |
| Total government expenditure, as a percentage of GDP (%)  |      | 28.8 w | 29.6 w  | 30.5 w  | 34.4 w  | :    | :    |

|  |      |           |           |         |         |         |         |
|--|------|-----------|-----------|---------|---------|---------|---------|
| <b>Financial indicators</b>  | Note | 2011      | 2018      | 2019    | 2020    | 2021    | 2022    |
| Gross external debt of the whole economy, relative to GDP (%)                              |      | 31.4 iw   | 30.5 iw   | 31.2 iw | 37.2 iw | 37.4 iw | 38.6 iw |
| Gross external debt of the whole economy, relative to total exports (%)                    |      | 125.7 w   | 105.0 w   | 106.4 w | 171.2 w | 111.9 w | :       |
| Money supply: M1 (banknotes, coins, overnight deposits, million euro)                      |      | :         | :         | :       | :       | :       | :       |
| Total credit by monetary financial institutions to residents (consolidated) (million euro) |      | 1 840.9 w | 2 939.2 w | :       | :       | :       | :       |
| **Annual change in financial sector liabilities (%)  |      | :         | :         | :       | :       | :       | :       |

|  |  |        |      |      |      |       |      |
|--|--|--------|------|------|------|-------|------|
| **Private debt, consolidated, relative to GDP (%)  |  | :      | :    | :    | :    | :     | :    |
| Interest rates: day-to-day money rate, per annum (%)   |  | :      | :    | :    | :    | :     | :    |
| Euro exchange rates: average of period (1 euro = ... national currency)                                |  | 1 w    | 1 w  | 1 w  | 1 w  | 1 w   | 1 w  |
| Trade-weighted effective exchange rate index, 42 countries (2015 = 100)                                |  | :      | :    | :    | :    | :     | :    |
| **3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100) |  | :      | :    | :    | :    | :     | :    |
| Value of reserve assets (including gold) (million euro)  |  | - 61.2 | 86.8 | 95.2 | 46.3 | 168.9 | 67.6 |

|   |      |         |         |         |         |          |         |
|---|------|---------|---------|---------|---------|----------|---------|
| <b>External trade in goods</b>  | Note | 2011    | 2018    | 2019    | 2020    | 2021     | 2022    |
| Value of imports: all goods, all partners (million euro)                |      | 2 437   | 3 347   | 3 497   | 3 297   | 4 684    | 5 639   |
| Value of exports: all goods, all partners (million euro)                |      | 307     | 368     | 384     | 475     | 756      | 920     |
| Trade balance: all goods, all partners (million euro)                   |      | - 2 131 | - 2 980 | - 3 114 | - 2 822 | - 3 929  | - 4 719 |
| Terms of trade (export price index / import price index * 100) (number) |      | 97.2 iw | 91.0 iw | 94.2 iw | 92.6 iw | 101.4 iw | 87.5 iw |
| Share of exports to EU-27 countries in value of total exports (%)       |      | 43.3 iw | 27.5 iw | 33.2 iw | 34.4 iw | 31.5 iw  | 33.9 iw |
| Share of imports from EU-27 countries in value of total imports (%)     |      | 39.9 iw | 42.7 iw | 49.1 iw | 45.9 iw | 44.3 iw  | 42.4 iw |

|  |      |        |      |      |        |      |      |
|--|------|--------|------|------|--------|------|------|
| <b>Demography</b>  | Note | 2011   | 2018 | 2019 | 2020   | 2021 | 2022 |
| Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants) |      | 11.5 b | 7.7  | 6.9  | 7.4 ep | :    | :    |
| Infant mortality rate deaths of children under one year of age (per thousand live births)                                  |      | 13.1   | 10.6 | 8.7  | :      | :    | :    |
| Life expectancy at birth: male (years)   |      | :      | :    | :    | :      | :    | :    |
| Life expectancy at birth: female (years)   |      | :      | :    | :    | :      | :    | :    |

|  |      |      |        |        |        |        |        |
|--|------|------|--------|--------|--------|--------|--------|
| <b>Labour market</b>   | Note | 2011 | 2018   | 2019   | 2020   | 2021   | 2022   |
| Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%) |      | :    | 46.6 w | 45.2 w | 42.9 w | 43.9 w | 43.2 w |
| *Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)            |      | :    | 33.2 w | 34.2 w | 32.3 w | 35.1 w | 37.9 w |
| Male employment rate for persons aged 20–64 (%)  |      | :    | 52.6 w | 53.0 w | 48.8 w | 51.9 w | 55.7 w |
| Female employment rate for persons aged 20–64 (%)  |      | :    | 14.1 w | 15.6 w | 16.0 w | 18.5 w | 20.5 w |
| Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)             |      | :    | 31.5 w | 32.2 w | 30.9 w | 32.1 w | 32.1 w |
| Employment by main sectors   |      |      |        |        |        |        |        |
| Agriculture, forestry and fisheries (%)  |      | :    | 3.5 w  | 5.2 w  | 4.8 w  | 2.8 w  | 2.2 w  |
| Industry (%)   |      | :    | 14.3 w | 15.1 w | 16.3 w | 14.8 w | 13.3 w |
| Construction (%)   |      | :    | 11.9 w | 12.6 w | 11.1 w | 10.5 w | 11.0 w |
| Services (%)   |      | :    | 70.3 w | 67.1 w | 67.9 w | 71.9 w | 73.4 w |
| People employed in the public sector as a share of total employment, persons aged 20–64 (%)                            |      | :    | 30.8 w | 27.6 w | 28.7 w | 28.3 w | 27.7 w |
| People employed in the private sector as a share of total employment, persons aged 20–64 (%)                           |      | :    | 69.2 w | 72.4 w | 71.3 w | 71.7 w | 72.3 w |

|  |  |   |        |        |        |        |        |
|--|--|---|--------|--------|--------|--------|--------|
| Unemployment rate: proportion of the labour force that is unemployed (%)   |  | : | 29.4 w | 25.5 w | 25.8 w | 20.6 w | 12.5 w |
| Male unemployment rate (%)   |  | : | 28.3 w | 22.4 w | 23.4 w | 18.9 w | 11.0 w |
| Female unemployment rate (%)   |  | : | 33.3 w | 34.4 w | 32.2 w | 24.9 w | 16.5 w |
| Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)                            |  | : | 55.4 w | 49.4 w | 49.1 w | 38.0 w | 21.4 w |
| Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)       |  | : | 17.2 w | 16.2 w | 18.4 w | 14.5 w | 8.1 w  |
| Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%) |  | : | 35.8 w | 28.3 w | 30.2 w | 27.6 w | 21.8 w |
| Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)                |  | : | 16.8 w | 18.0 w | 17.0 w | 13.7 w | 9.7 w  |

|   |      |      |       |        |        |        |       |
|---|------|------|-------|--------|--------|--------|-------|
| <b>Social cohesion</b>  | Note | 2011 | 2018  | 2019   | 2020   | 2021   | 2022  |
| Average nominal monthly wages and salaries (national currency)  |      | :    | 453 w | 477 w  | 466 w  | 484 w  | 521 w |
| Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)  |      | :    | :     | :      | :      | :      | :     |
| GINI coefficient  |      | :    | 44 w  | 46 w   | 45 w   | 57 w   | :     |
| Poverty gap   |      | :    | 47.4  | 55.3 w | 46.6 w | 65.0 w | :     |
| *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 (%) |      | :    | 9.6 w | 8.2 w  | 7.8 w  | 7.0 w  | 7.8 w |

|   |      |          |            |            |            |            |          |
|---|------|----------|------------|------------|------------|------------|----------|
| <b>Standard of living</b>   | Note | 2011     | 2018       | 2019       | 2020       | 2021       | 2022     |
| Number of passenger cars relative to population size (number per thousand population)             |      | 94.9 biw | 155.9 iw   | 162.2 iw   | 164.4 iw   | 179.3 iw   | 191.2 iw |
| Number of mobile phone subscriptions relative to population size (number per thousand population) |      | :        | 1 281.1 ew | 1 266.4 ew | 1 095.0 ew | 1 072.0 ew | :        |
| Mobile broadband penetration (per 100 inhabitants)  |      | :        | 73.9 ew    | 78.4 ew    | 84.5 ew    | 88.4 ew    | 88.2 ew  |
| Fixed broadband penetration (per 100 inhabitants)   |      | :        | 18 ew      | 20 ew      | 21 ew      | 22 ew      | 23 ew    |

|   |      |         |         |         |         |         |         |
|---|------|---------|---------|---------|---------|---------|---------|
| <b>Infrastructure</b>   | Note | 2011    | 2018    | 2019    | 2020    | 2021    | 2022    |
| Density of railway network (lines in operation per thousand km <sup>2</sup> ) |      | 30.5 iw | 30.5 iw | 30.5 iw | 30.5 iw | 30.5 iw | 30.5 iw |
| Length of motorways (kilometres)  |      | 38 w    | 119 w   | 137 w   | 137 w   | 137 w   | 137 w   |

|   |      |      |        |        |        |        |        |
|---|------|------|--------|--------|--------|--------|--------|
| <b>Education, innovation and research</b>   | Note | 2011 | 2018   | 2019   | 2020   | 2021   | 2022   |
| Public expenditure on education relative to GDP (%)                                     |      | :    | 4.5 iw | 4.6 iw | 4.6 iw | 4.3 iw | 3.9 iw |
| *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 (%)                           |      | :    | 93.2   | 93.2   | 96.4   | :      | :      |

|   |      |      |      |      |      |      |      |
|---|------|------|------|------|------|------|------|
| <b>Environment</b>  | Note | 2011 | 2018 | 2019 | 2020 | 2021 | 2022 |
| *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 2015 constant prices) |  | 525.2 | 398.1 | 392.3 | 413.9 | 405.0 | 358.0 |
| Electricity generated from renewable sources relative to gross electricity consumption (%)        |  | 1.4   | 4.2   | 5.2   | 5.3   | 5.1   | 5.8   |
| Road share of inland freight transport (based on tonne-km) (%)                                    |  | :     | :     | :     | :     | :     | :     |

| Energy   | Note | 2011  | 2018  | 2019  | 2020  | 2021  | 2022  |
|--|------|-------|-------|-------|-------|-------|-------|
| Primary production of all energy products (thousand TOE) |      | 1 795 | 1 822 | 1 849 | 1 901 | 1 937 | 1 796 |
| Primary production of crude oil (thousand TOE)           |      | 0     | 0     | 0     | 0     | 0     | 0     |
| Primary production of solid fuels (thousand TOE)         |      | 1 545 | 1 428 | 1 503 | 1 562 | 1 591 | 1 543 |
| Primary production of gas (thousand TOE)                 |      | 0     | 0     | 0     | 0     | 0     | 0     |
| Net imports of all energy products (thousand TOE)        |      | 699 i | 757 i | 815 i | 787 i | 942 i | 858 i |
| Gross inland energy consumption (thousand TOE)           |      | 2 541 | 2 585 | 2 669 | 2 665 | 2 888 | 2 662 |
| Gross electricity generation (GWh)                       |      | 5 801 | 5 915 | 6 351 | 6 711 | 6 892 | 6 998 |

| Agriculture  | Note | 2011    | 2018    | 2019    | 2020    | 2021    | 2022    |
|--|------|---------|---------|---------|---------|---------|---------|
| Agricultural production volume index of goods and services (at producer prices) (2015 = 100) |      | 99.3 w  | 108.3 w | 119.0 w | 120.5 w | 115.3 w | 113.3 w |
| Utilised agricultural area (thousand hectares)   |      | 408.5 e | 419.5   | 421.0   | 421.1   | 421.2   | 421.4   |
| Livestock numbers: live bovine animals (thousand heads, end of period)                       |      | :       | 259.7   | 257.7   | 261.4   | 260.5   | 250.9   |
| Livestock numbers: live swine (thousand heads, end of period)                                |      | :       | 40.2    | 40.5    | 45.4    | 47.4    | 45.4    |
| Livestock numbers: live sheep and live goats (thousand heads, end of period)                 |      | :       | 209.8 i | 216.3 i | 241.7 i | 241.4 i | 233.5 i |
| Raw milk available on farms (thousand tonnes)  |      | :       | 334.3   | :       | :       | :       | :       |
| Harvested crop production: cereals (including rice) (thousand tonnes)                        |      | 435.0   | 441.8   | 459.4   | 529.1   | 504.4   | 518.7   |
| Harvested crop production: sugar beet (thousand tonnes)                                      |      | :       | :       | :       | :       | :       | :       |
| Harvested crop production: vegetables (thousand tonnes)                                      |      | 162.1   | 155.3   | 177.8   | 169.4   | 165.0   | 175.6   |

Source: Eurostat and/or the statistical authorities in Kosovo

: = not available

b = break in series

C = confidential value

d = definition differs

e = estimated value

p = provisional

i = Eurostat estimate

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

\* = Europe 2020 indicator

\*\* = Macroeconomic Imbalance Procedure (MIP) indicator

