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**COMMISSION STAFF WORKING DOCUMENT**

**Kosovo\* 2021 Report**

*Accompanying the document*

**Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions**

**2021 Communication on EU Enlargement Policy**

(\* 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

### 1.1. CONTEXT

The EU-Kosovo Stabilisation and Association Agreement (SAA) has been in force since April 2016. A second phase of the European Reform Agenda (ERA) was launched in October 2020, to further guide the implementation of EU-related reforms under the SAA framework. The authorities continued to demonstrate publicly their commitment to Kosovo advancing on its European path.

The Commission's proposal to lift the visa requirements for Kosovo citizens is still pending in the Council. The Commission maintains the assessment it made in July 2018 that Kosovo has fulfilled all visa liberalisation benchmarks. The European Parliament reconfirmed its support for the Commission's proposal for visa liberalisation.

The EU-facilitated dialogue on normalisation of relations between Kosovo and Serbia continued with meetings at leaders' and chief negotiators' level.

The COVID-19 pandemic continued throughout the reporting period, following similar patterns across the region. By end of September 2021, Kosovo had recorded around 159 000 cases and over 2 900 deaths related to the pandemic. Around 24.6% of the population was fully vaccinated.

The authorities responded by re-introducing public health containment measures, as well as by acquiring additional medical equipment to tackle the emergency, as the health system came under serious strain. In order to mitigate the severe economic and social impact of the crisis, Kosovo adopted two fiscal packages during the reporting period. Kosovo started its vaccination campaign at the end of March 2021, when it received its first COVID-19 vaccines. By early September 2021, Kosovo had received a total of 1.2 million doses, including through the COVAX initiative, donations from the EU and other partners, as well as via direct procurement.

### 1.2. SUMMARY OF THE REPORT<sup>1 2</sup>

In terms of **political criteria**, most of the reporting period was marked by political instability in Kosovo. Following early parliamentary elections in February 2021, a new government took office, with an unprecedentedly strong parliamentary majority.

During most of the reporting period, legislative activities were limited due to this political instability, including EU-related reform efforts. The adoption of a second phase of the European Reform Agenda (ERA 2) and its Action Plan, endorsed by the Assembly in October 2021, and a solid government focus, confirmed the positive trend of Kosovo's renewed commitment to EU-related reforms.

After a Constitutional Court decision of December 2020 invalidated the election of the previous government in June 2020, the Assembly was dissolved and early elections were held

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<sup>1</sup> This report covers the period from June 2020 to June 2021. It is based on input from a variety of sources, including contributions from the government of Kosovo, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. This also includes the results of comparative assessments and indices produced by other stakeholders, in particular on rule of law.

<sup>2</sup> For the state of play the report uses the following assessment scales: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. For progress made during the reporting period, the following scale has been used: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, also interim steps have been used.

in February 2021. Following the landslide victory of an opposition alliance led by the party Vetëvendosje, the new Assembly majority approved a new government in March 2021.

In November 2020, Kosovo's President in office was indicted and he was arrested on charges of war crimes and crimes against humanity by the Specialist Prosecutor's Office. He subsequently resigned from office. The then Assembly Speaker became acting President, in line with the Constitution, before being elected by the new legislature to serve a full presidential term in April 2021.

For a large part of the reporting period, the polarised political atmosphere, the lack of an effective government majority and the lack of a quorum severely affected decision-making in the **Assembly**. There is a need for the Assembly to improve its regulatory framework, including the rules of procedure. The Assembly remained open during the pandemic, while maintaining health protection measures.

Overall, the legislative **elections** of February 2021 were well-administered, transparent and competitive, despite several shortcomings. Kosovo's electoral process remains in need of comprehensive strengthening to address long-standing weaknesses throughout the electoral cycle, as identified in successive EU election observation missions since 2014. Strengthening the legal and institutional framework on campaign and political party financing remains a pending area in need of reform.

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

There is some level of preparation in the area of **public administration reform**, but there was no progress on this front during the reporting period, given the frequent government changes. The Law on Public Officials entered into force in June but no significant efforts were made to start its implementation especially with regard to recruitments. The establishment of an effective central recruitment department was delayed. Undue political influence over appointments and dismissals of senior public functionaries and civil servants has been observed in some instances and Kosovo has met only some of its commitments to merit-based criteria. It made no progress in addressing the inequalities in the public sector salary system. The process to streamline agencies has stalled. Legal uncertainty for businesses and individuals persists due to the continued lack of progress on harmonising sectorial legislation with the Law on General Administrative Procedure. A renewed commitment to public administration reform is urgent.

Kosovo is still at an early stage in developing a well-functioning **judicial system**. The overall administration of justice continues to be slow, inefficient and vulnerable to undue political influence. Some progress was made during the reporting period. The Functional Review of the Rule of Law Sector resulted in a Rule of Law Strategy and Action Plan, which outlines the main challenges in the rule of law system and was adopted in August 2021. Kosovo rolled out an electronic case-management system and set up a central criminal records system, however challenges remain. It has made efforts to implement the Law on mediation. The COVID-19 pandemic affected effective case processing and the holding of (and public access to) court hearings in Kosovo. The new government has been considering several options for a process of 'vetting' of the judiciary and prosecution. In this context, the potential introduction of a one-off full re-evaluation of all prosecutors and judges is a source of serious concern. Such a process should be considered only as an exceptional measure of last resort, once all existing tools and mechanisms to ensure integrity and fight corruption of judicial officeholders have been exhausted, and should be in line with European and international standards as well as with Venice Commission advice.

Kosovo is at an early stage/has some level of preparation in the **fight against corruption**. During the reporting period, limited progress was made, including on the investigation and prosecution of high-level cases in the track-record. Sustained efforts are needed to achieve more proactive investigations, final court decisions and final confiscation of assets. The Special Prosecution Office was strengthened as the Corruption and Financial Crime Department became operational and it achieved an overall increase in staffing levels. The anti-corruption legal package and the revised Criminal Procedure Code still need to be adopted. The legal framework on confiscation is in force but is not being consistently applied, and the value of finally confiscated assets remains low. Overall, corruption is widespread and remains an issue of serious concern. Despite efforts made, there is a need for strong and continual political will to effectively address systemic corruption risks, as well as a robust criminal justice response to high-level corruption.

Kosovo is at an early stage in the **fight against organised crime**. It made limited progress during the reporting period on the investigation and prosecution of organised crime cases. The Special Prosecution Office was strengthened with additional specialised staff and targeted training activities took place. However, the powerful tools envisaged by the Criminal Code and the Law on extended powers of confiscation are yet to be fully utilised by police and prosecutors. Measures are needed to strengthen the prosecution as well as to ensure that there is no political interference in the operational activities of all law enforcement bodies.

In July 2020, Europol and the Kosovo Police concluded a Working Arrangement. The additional agreements necessary to operationalise this cooperation, allowing for access to the Secure Information Exchange Network Application (SIENA) and the exchange of Liaison Officers, were finalised in September 2021.

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

The legal framework broadly guarantees the protection of human and **fundamental rights** in line with European standards. However, additional efforts remain needed to fully implement it and to improve coordination and oversight of fundamental rights policies and legislation. Authorities still depend on donor support and guidance, and need to assume greater ownership. More needs to be done to effectively guarantee the rights of persons belonging to minorities, including Roma<sup>3</sup> and Ashkali and displaced persons, to ensure gender equality in practice, and to advance the protection of cultural heritage. As regards **freedom of expression**, Kosovo has some level of preparation and benefits from a pluralistic and lively media environment. Concerns remain, however, regarding public smear campaigns, threats and physical attacks on journalists. The lack of financial self-sustainability, further exacerbated by the COVID-19 pandemic, leaves the media vulnerable to political and business interests. The public broadcaster also remains vulnerable to political influence and a sustainable solution for its funding still needs to be found.

The Kosovo authorities continued to make progress in managing both regular migration and mixed **migration** flows in the difficult context of the COVID-19 pandemic. Kosovo further

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<sup>3</sup> All these groups are considered under the wider 'Roma' umbrella term under the EU framework for National Roma Integration Strategies

increased its accommodation capacity and stepped up preparedness to handle an increased influx of migrants.

As regards the **economic criteria**, Kosovo has made limited progress and is at an early stage of developing a functioning market economy. The economy plunged into recession in 2020, but this trend was reversed in the first half of 2021. Long-standing structural problems, such as the lack of economic diversification and the dependence on financial flows from the diaspora made Kosovo very vulnerable to the pandemic-related lockdown and travel restrictions. In response to the crisis, the authorities suspended the fiscal rule and adopted two fiscal packages. A strong increase in spending and shrinking tax revenues resulted in a large budget deficit in 2020 but recovery in tax revenue helped achieve a budget surplus in the first half of 2021. The business environment saw little improvement. Private sector development remains constrained by a widespread informal economy, a slow and inefficient judiciary, a high prevalence of corruption and the overall weak rule of law.

Kosovo has made limited progress and is at an early stage in terms of **capacity to cope with competitive pressure and market forces** in the EU. Little progress was made on improving the quality of education and addressing skill gaps in the labour market. Kosovo made some progress in improving road infrastructure and increasing investment in renewables, but the coal-based, outdated and unreliable energy supply remains a concern. Kosovo made some progress as regards the digitalisation of the economy. Structural changes are emerging only slowly as the economy remains highly reliant on small and very small firms which cannot compete internationally, while the export structure remains dominated by a few products, such as base metals.

As regards **good neighbourly relations and regional cooperation**, Kosovo continued to participate in most regional fora. Kosovo maintained overall good relations with Albania, Montenegro and North Macedonia. There has been no change in Kosovo's formal relations with Bosnia and Herzegovina, which does not recognise Kosovo's independence and the two maintain a strict visa regime.

Regarding the **normalisation of relations with Serbia**, the EU-facilitated dialogue continued with high-level meetings on 15 June and 19 July 2021, as well as three chief negotiators' meetings. During the reporting period both parties appointed new chief negotiators and negotiating teams. Kosovo needs to engage constructively and make further substantial efforts on the implementation of all past agreements and contribute to reaching a comprehensive legally binding normalisation agreement with Serbia. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

As regards alignment with **European standards**, some progress was made during the reporting period in the areas of public procurement, statistics and financial control. In most of the areas covered by Cluster 2 on internal market, Kosovo has some level of preparation namely the free movement of goods, capital, company law and intellectual property, whereas it is moderately prepared on movement of workers, services and right of establishment, and on financial services. Kosovo is at an early stage of preparation on competition, as well as on consumer policy and health protection. In the reporting period, Kosovo made some progress in all areas except on consumer policy and health protection, where only limited progress was made. In the area of competitiveness and inclusive growth, it made some progress in most areas (customs, taxation, information society and media, enterprise and industrial policy), but made only limited progress on research and education and culture. It made some progress on policy areas related to the Green Agenda and sustainable connectivity, in the energy sector, but only limited progress in the areas of transport, environment and climate change. In the

field of resources and agriculture, it made only limited progress on agriculture, food safety, veterinary and phytosanitary policy. In trade policy, some progress was made in reducing Kosovo's trade deficit, but Kosovo has not yet ratified the CEFTA additional protocols on trade facilitation and trade in services. Overall, Kosovo needs to improve its administrative capacity and coordination, across all sectors, to achieve effective implementation of the EU *acquis*.

## **2. THE FUNDAMENTALS OF THE ACCESSION PROCESS**

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

#### **2.1.1 Democracy**

The reporting period was marked by political instability and by early parliamentary elections, the third one in less than four years. In this context, most legislative activities, including EU-related reform efforts, were constrained.

In December 2020, the Constitutional Court invalidated the June 2020 election of the government of Prime Minister Hoti, and requested the dissolution of the Assembly and the holding of early elections, which subsequently took place on 14 February 2021. The elections were overall well-administered, despite shortcomings, and delivered a landslide victory to the opposition Vetëvendosje party. The new Assembly majority approved a new government led by Albin Kurti in March 2021.

Kosovo's President in office, Hashim Thaçi, was indicted and arrested on war crimes charges by the Specialist Prosecutor's Office and resigned from office in November 2020. Then Assembly Speaker Vjosa Osmani became acting President, in line with the Constitution. Osmani was ultimately elected to a full presidential term by the new legislature in April 2021. Several opposition parties (PDK, AAK and Srpska Lista) boycotted the presidential election procedure in the Assembly.

#### **Elections**

The early legislative elections held in February 2021 were overall well-administered, transparent and competitive. However, significant vulnerabilities, in particular with regard to vote-counting, the process of out-of-Kosovo voting and handling of complaints were evident. In Kosovo Serb areas, the campaign was more subdued, with almost no visible campaign activities by parties other than the dominant Kosovo Serb political party, Srpska Lista. Kosovo's electoral process remains in need of comprehensive strengthening, effectively addressing long-standing weaknesses throughout the electoral cycle, as identified in successive EU election observation missions since 2014. The strengthening of the legal and institutional framework on campaign and political party financing remains outstanding.

Following a ruling by the Constitutional Court in December 2020, which declared the Assembly's election of the government led by Prime Minister Avdullah Hoti as unconstitutional, early general elections were held in Kosovo on 14 February 2021.

The election delivered a landslide victory to the opposition Vetëvendosje party, which received 50.3% of votes cast, winning 58 seats in the Assembly. The Democratic Party of Kosovo won 19 seats (17.0%), while the former governing parties, the Democratic League of Kosovo (12.7%) and the Alliance for the Future of Kosovo (7.1%) won 15 and 8 seats respectively. Srpska Lista won all 10 seats reserved for the Kosovo Serb community with 5.1% of the total votes. The remaining 10 seats in Kosovo's 120 seat Assembly are shared

between nine political parties representing Kosovo's Turkish, Bosniak, Roma, Ashkali, Egyptian and Gorani communities. Overall voter turnout was 48.8% (compared with 44.5% in 2019).

The elections were competitive, and campaign freedoms were generally respected. There was a vibrant campaign except in Kosovo Serb majority areas, where campaign activities of opposition parties to Srpska Lista were barely visible. Despite a very short timeframe and challenges caused by the COVID-19 pandemic, the elections were well-administered and conducted in a transparent manner, although problems with out-of-Kosovo voting reduced confidence in part of the process. The de-certification of a number of candidates due to their convictions in the last three years – including the head of the Vetëvendosje list, Albin Kurti – caused controversy and underlined the need to harmonise the relevant Kosovo legal and constitutional provisions, in line with international standards.

Election day was assessed by observers as orderly, and voters participated in high numbers. However, as with previous elections, a large number of recounts were ordered due to discrepancies in the results protocols (especially regarding the number of preferential votes), delaying the final results.

Results concerning several seats reserved for the Bosniak and Roma communities were appealed by competing non-majority parties. The Electoral Complaints and Appeals Panel partially accepted the complaints and annulled a number of votes from Serb-majority areas, arguing that the principle of guaranteed seats for the representation of each non-majority community had not been respected. These decisions, confirmed by the Supreme Court, resulted in two of the accused political entities losing one seat each.

More women candidates were positioned in the first places in the political parties' lists and are increasingly gaining positions of responsibility within the parties. However, they still did not receive equal financial or logistical support for their campaigns.

On 17 October 2021 local elections were held in Kosovo, with an EU Election Observation Mission deployed that will issue an assessment after the elections.

The electoral legal framework remains essentially unchanged since 2010, despite the recommendations of multiple EU election observation and expert missions. Significant shortcomings remain, which continue to lead to inconsistent and selective implementation of electoral rules, including by the CEC and the courts. This impacts on important aspects of the election process, such as candidate certification, voter registration and the election results. Almost all prior EU recommendations remain unaddressed.

Despite a joint commitment undertaken by the Kosovo assembly parties in 2019 to address the shortcomings of the electoral process in line with recommendations of the electoral observation missions, the Assembly failed to establish an *ad hoc* parliamentary committee on these matters. A short-lived initiative by the new majority in April 2021 to push through changes to the rules governing out-of-Kosovo voting was abandoned following intense criticism, including by civil society. The new legislature should establish without further delay the *ad hoc* committee in order to address the shortcomings comprehensively and in a cross-party manner.

On 14 June 2021, the President of Kosovo dismissed and replaced the Chairwoman of the CEC, accusing her of having violated the principles of impartiality, independence and integrity in carrying out her work. The Chairwoman rejected all the accusations, and the dismissal decision was strongly criticised by opposition parties and parts of the civil society as being politically motivated.

## Parliament

For a large part of the reporting period, a polarised political atmosphere, a lack of effective government majority and of quorum severely impacted decision-making in the Assembly. In general, the Assembly needs to improve its performance as a forum for constructive political dialogue and representation, as well as guarantee proper checks and balances. It urgently needs to reinforce its functioning, to exercise its legislative function and an effective oversight of the executive. The new legislature needs to improve its regulatory framework, including rules of procedures. The Assembly remained open during the pandemic crisis, while maintaining sanitary protection measures.

The preceding (seventh) legislature lasted only one year, until December 2020. It adopted only 17 laws out of which twelve were ratification of international agreements. The remaining ones were mainly financial bills. It took several months and seven failed attempts for the Assembly to adopt the Law on Economic Recovery, meant to mitigate the economic consequences of the COVID-19 crisis. Its deliberations were further marred by frequent absences of MPs from the Assembly proceedings, and procedural irregularities.

Following the early elections of 14 February 2021, the new (eighth) legislature of the Assembly of Kosovo was constituted on 22 March. Glauk Konjufca (Vetëvendosje) was elected Speaker of the Assembly the same day, prior to the election with 67 votes of the new government led by Prime Minister Albin Kurti. The government is based on a coalition between Vetëvendosje and individual non-majority community political representatives and enjoys a stable majority.

The eighth legislature has the highest number of women MPs (40) since 2008; only a few needed the legal quota (one third) to be elected. Out of the fourteen functional committees of the Assembly, eight are chaired by women.

As regards **parliamentary inquiries**, the seventh legislature formed three *ad hoc* **parliamentary committees**, on the management of the COVID-19 pandemic, on the privatisation process and on the licensing of hydropower-plant construction. However, due to the dissolution of the Assembly none of the committees was able to finalise their reports. The Assembly's Committee on Oversight of Public Finances reviewed the reports provided by the Office of the Auditor General, but there was no effective follow up. In September 2020, the Assembly appointed a new Ombudsperson. In August 2021, it elected a new Auditor General, upon the proposal of the President of Kosovo.

During the first months of its new legislature, the Assembly initiated changes to the management of several publicly owned enterprises, agencies and institutions. New boards and personnel should be appointed in line with transparent and merit-based procedures.

The **parliamentary oversight** of the executive as well as of other institutions continues to remain weak. The Assembly Presidency needs to develop a meaningful strategic plan and allocate sufficient budget to enhance the Assembly's administrative capacities and human resources in order to strengthen existing parliamentary instruments for oversight of the executive and other independent institutions.

The **financing and expenditures of political parties and electoral campaigns** remains non-transparent and the existing legal framework is mostly not enforced. Legislative amendments tabled by the previous government, were debated but not adopted. Independent oversight and accountability mechanisms, effective enforcement and sanctions remain necessary. Timely

publication of parties' accounts needs to be ensured. The new government should work with all parties and civil society to ensure that comprehensive reforms are adopted, building on work done previously and on the basis of the Venice Commission guidance.

## Governance

During the first half of the reporting period, in a context of political instability and COVID-19 pandemic, only **limited progress** was made in further implementing EU-related reforms. A second phase European Reform Agenda was launched in October 2020. In May 2021, the new government of Prime Minister Kurti adopted its programme, which prioritises the management of the COVID-19 pandemic and its consequences, as well as the fight against corruption and ambitious plans for longer-term economic and social reforms. The government committed to implementing the second phase of the European Reform Agenda through a dedicated action plan adopted in August 2021 and endorsed by the Assembly in October 2021. In pursuing its reform objectives, it is essential that the government builds on existing achievements and commitments, while acting in line with European standards. Deadlines and obligations set out in the Stabilisation and Association Agreement must be respected.

The previous government led by Prime Minister Avdullah Hoti (LDK) was elected in June 2020 with 61 votes, after the preceding short-lived coalition between Vetëvendosje and LDK collapsed in March 2020. The Hoti government lacked a workable majority, and was faced systematically with a lack of quorum in the Assembly. Under such circumstances, it was unable to implement a legislative agenda and only limited progress was made in implementing reform commitments under the Stabilisation and Association Agreement (SAA), the European Reform Agenda (ERA), for which the second stage was launched, and the Economic Reform Programme.

After months of delay, the government managed to find a compromise in the Assembly to pass a new Law on Economic Recovery from the COVID-19 pandemic.

Following early legislative elections, the new government led by Prime Minister Albin Kurti was sworn into office on 22 March. The government includes three deputy prime ministers, 14 ministers and 23 deputy ministers. Out of 18 government members, six are women, including two deputy Prime Ministers.

The new government, which enjoys an unprecedentedly strong majority, adopted its programme in May 2021. The programme focuses on the management of the COVID-19 pandemic and on the economic recovery, and features a strong focus on fighting corruption, economic crime, as well as economic and social reform measures. Most of the specific measures remain to be designed in more detail. It is essential that policy initiatives build on Kosovo's previous reform achievements and be subject to appropriate consultations and impact assessments. The government presented an action plan to implement the second phase of the European Reform Agenda, launched by the preceding government, and subsequently adopted in August 2021 and endorsed by the Assembly in October 2021. In June 2021, the government adopted a draft amended budget, focused on the management of the pandemic and economic recovery, as well as several draft laws relevant to the EU *acquis*, which remain to be examined by the Assembly. During its first months in office, the government has also initiated changes to the oversight or management of several publicly owned enterprises, agencies and institutions. Any dismissal of boards should respect established procedures, and the appointment of new boards and personnel should be transparent and merit-based.

Government structures tasked with the **coordination of EU-related affairs** were altered during the reporting period. Following the decision of the Hoti government to dissolve the

Ministry of European Integration and resultant delays, EU-related coordination functions were eventually integrated in the Office of the Prime Minister, retaining EU expertise, staff and experience. Later, the subsequent Kurti government set up inter-institutional coordination structures for the European integration process under the leadership of the first Deputy Prime Minister, composed of a ministerial council, working committee and sectoral working groups to prepare decision-making for the implementation of EU-related reforms. Coordination, planning and monitoring of donor assistance as well as project preparation needs to be further strengthened, in order for Kosovo to effectively benefit from opportunities under the next phase of the Instrument for pre-Accession (IPA III) and the newly launched EU Economic and Investment Plan for the Western Balkans.

As regards **local government**, public services of the municipalities were highly disrupted by the COVID-19 pandemic. Significant disparities between municipalities in their performance and service delivery continue and financial constraints undermine municipalities' ability to carry out their local democratic mandates. Due to their limited budgetary powers, municipal assemblies do not play a strong oversight function over the municipal executive. Municipal administrations remain subject to undue political influence. No progress was made in legislative reforms necessary to realign funding and competences between central and local governments, better define the financing of municipalities based on clear, fair and transparent criteria and to create a specific grant for social services. Central government ministries should define and apply rule based, fair and transparent criteria when allocating funds to local governments. The municipal performance grant, established by the Ministry of Local Government Administration, is a good model to ensure non-politicised grant disbursement.

The Consultative Forum on Local Government comprised of 19 civil society organisations was established in 2020 as a platform to deliberate and consult on local governance issues. Overall, cooperation between civil society and local governments is increasing.

Women remain underrepresented in local government decision-making and there are currently no female mayors in any of Kosovo's municipalities. Municipal assembly and mayoral elections are scheduled for 17 October 2021.

### **Civil society**

Civil society continue to operate, overall in an enabling environment. Civil society and the government should continue to further improve their cooperation and enhance the ability of civil society to contribute meaningfully to public policy development. Efforts remain necessary to enhance the transparency of public funding for civil society organisations (CSOs), as well as to ensure that legal requirements stemming from the Law on the Prevention of money laundering and terrorist financing do not put undue limitations on the financial viability of low-risk CSOs.

Civil society is a crucial component of any democratic system and continues to be recognised as such by the public institutions.

During the pandemic, Kosovo's civil society has continued to be played an important role, particularly at the local level. Civil society organisations continue to support directly the design and implementation of EU-related reforms. Organisations and their members are, overall, free to exercise their rights of association, assembly and to critically express their views without undue pressure from public authorities, including those promoting civil, political, economic, social and cultural rights.

Implementing legislation to implement the 2019 law on freedom of association in NGOs still have to be adopted, in order to ease the organisations' registration process.

There was limited progress regarding the government strategy for cooperation with civil society for the period 2019-2023 and its action plan. The schedule of structured working group meetings between the government and civil society have been disrupted due to the COVID-19 restrictions. The human and financial resources to implement the strategy plan remain limited and continue to rely excessively on donor co-financing.

Public consultations of government acts continue to be launched regularly by ministries. The latest government annual report on public consultation shows that some ministries are not organising consultations in accordance with the relevant regulation.

At local level, consultations in municipalities are integrated into the general Online Platform for public consultation, yet implementation is still nascent. Awareness initiatives are needed to encourage citizens to participate in consultative processes at central and local level.

Despite some improvements, public funding of CSOs remains at risk of corruption and conflict of interest. Public funding for civil society continues to be reported annually and made publicly accessible. Basic information about funding authorities, recipient bodies and amount disbursed should be complemented with data about funded projects and sectors. A revision of the current regulation of public funding to NGOs to address key bottlenecks identified during the first three years of implementation should be initiated in 2021.

The revision of the Law on the Prevention of Money Laundering and Combating Terrorist Financing, which limits access to banking services and undermines the financial viability of CSOs, is still pending. An updated sectoral risk assessment of the civil society sector remains necessary in order to allow for a flexible approach to lower-risk CSOs (*see sections on the fight against organised crime and on the free movement of capital*).

The legislation on tax exemption and related administrative procedures should be harmonised.

The enabling environment for volunteering needs to be improved, including by putting in place an appropriate legislative framework aligned to international standards. Financial resources for youth volunteering programmes should be allocated, taking into account demand and availability.

### **2.1.2 Public administration reform**

Kosovo remains at **some level of preparation** in the reform of its public administration. **No progress** was made in implementing last year's recommendations due to the frequent changes of government that affected the functioning of the public administration and slowed down the implementation of reforms. The Law on Public Officials entered into force in June 2020 but no significant efforts were made to start its implementation especially with regard to recruitment. The establishment of an effective central recruitment department was delayed and its capacity remains limited. Undue political influence over appointments and dismissals of senior public functionaries and civil servants has been observed in some instances, and commitments to merit-based criteria have been only selectively respected. The inequities of the public salary system remain, and no further progress was made in this regard. The organisation and accountability of the administration has marginally improved with first steps being taken to align internal organisation with the law in force. However, most internal regulations governing the functioning and accountability of institutions remain in need of alignment with the law. The process of rationalising agencies has stalled due to strong institutional resistance and lack of political leadership to overcome it. Legal uncertainty for businesses and citizens persists due to the continued lack of progress on harmonising sectorial legislation with the Law on General Administrative Procedure. Renewed

commitment to the public administration reform and its diligent implementation is urgently necessary in order to make progress in this area.

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

- start the effective implementation of the Law on Public Officials in line with the Constitutional Court ruling;
- align contradictory special laws with the Law on General Administrative Procedures and address the current backlog of administrative court cases;
- increase accountability in the public sector by implementing the action plan on the rationalisation of agencies and creating a clear framework for managerial accountability and the delegation of responsibilities in public institutions, in line with the new Law on Organisation and Functioning of State Administration and Independent Agencies;
- ensure full respect for merit-based recruitment and dismissal of public officials, especially senior management.

### Strategic framework for public administration reform

Overall progress on implementing reforms in this area slowed down significantly due to the political situation, elections and frequent changes of government.

Kosovo has three **public administration reform strategies**: on modernisation of the public administration, on policy planning and coordination and on better regulation, ending in 2021. While monitoring of the three strategies has been further improved with the introduction of a uniform methodology for reporting against indicators, there has been a limited actionable follow up. Linking strategic priorities with government budgeting has improved. Kosovo should start working on a single overarching public administration reform strategy to replace the three strategies. Civil society continues to monitor the government's reform efforts. The implementation of the **2016-2020 public financial management reform strategy** continued, while work on a new strategy (2021-2025) has yet to commence.

### Policy development and coordination

As regards the **policymaking system**, the government adopted a roadmap for the development of a new National Development Strategy (2021-2030). This should provide a clear hierarchy of objectives, improved performance measurement with clear targets linked with medium-term policy planning and budgeting and increase managerial accountability. The successful incorporation of the former Ministry of European integration into the central policy planning structures within the Office of Prime Minister (OPM) is key for advancing policy planning and coordination reforms. The OPM has to ensure strong quality control and monitoring to support implementation.

Limited progress was made in further enhancing **inclusive and evidence-based policy and legislative development**. There is a need for a stronger centre-of-government role in ensuring quality control of regulatory and budget impact assessments. **Public consultations** continue to be organised regularly but not systematically. The minimum standards for such consultations should be followed more consistently. In 2020, more than 98% of all primary policy documents and draft laws were published for consultation on the web portal.

The **ability of the public to scrutinise government work** needs to be enhanced by a more user-friendly presentation of data available on the Open Data Portal. The number of data sets available on the platform increased to 205 in 2020 (compared to 195 in 2019). Consistent implementation of the Law on Access to Public Documents remains necessary, as well as the

appointment of data contact points within the administration. Parliamentary scrutiny of the government remains inadequate (*see section 2.2.1 Democracy*).

### Public finance management

A new public finance management (PFM) reform strategy should be drafted as the previous one expired in 2020. Public procurement and public internal financial control are to be part of this new strategy. There is currently an action plan in place covering 2021. The repeat Public Expenditure and Financial Accountability (PEFA) assessment, undertaken in 2021, showed in general terms that the management of public finance in Kosovo is good, compared both internationally and regionally. The new PFM strategy should address the weaknesses identified in these assessments and aim for alignment with the National Development Strategy under development, by integrating national development priorities into the medium-term expenditure framework and the budget planning process.

In the area of public procurement, expansion of functioning e-procurement modules and increased linkages between this system and the Kosovo financial management information system will assist in commitment control and proper budget implementation. Procurement contract implementation, however, remains prone to irregularities and vulnerable to corruption. Domestic revenue collection decreased during 2020 due to the COVID-19 pandemic. (*see also sections on public procurement, taxation, customs and financial control*)

In the area of **budget transparency**, citizen-friendly budgets continued to be published, and information on budget implementation is now also available on the fiscal transparency portal of the government. A theft using the Treasury's financial management information system spurred an increase in security put in place for that system. There is still a need for the Ministry and the related bodies to look at further measures to ensure better interconnectedness and security of their IT-systems.

### Public service and human resource management

The merger of the Ministry for Public Administration and the Ministry of Internal Affairs resulted in reduced political leadership on public administration reform and has undermined the efficacy, capacity and working processes for the implementation of public administration reforms.

The public service framework consists of the Law on Public Officials, which entered into force in June 2020 and is aimed at ensuring better **merit-based recruitment, promotion and dismissal** of civil servants. Following a Constitutional Court challenge of the Law, Kosovo is required to amend some of its provisions. The required amendments have not yet been adopted, leaving the law un-implementable for independent institutions. Delays in setting up the necessary central management structures for public officials within the Ministry of Internal Affairs and endowing it with the necessary staff and capacities have hampered the implementation of the new public officials' management system. No recruitment to state administration institutions has taken place since the law entered into force.

Political influence over appointments and dismissal of senior civil servants remains a concern. Non-majority communities remain under-represented in central public institutions and women are still highly under-represented in senior positions. Following concerns over political influence and non-merit based appointments by the Independent Civil Service Oversight Board, in June 2021 the new legislature took the decision to dismiss the board, citing irregularities. This leaves the institution without decision-making powers and a new board should be appointed swiftly in line with transparent and merit-based procedures.

The Constitutional Court struck down the Law on Salaries in its entirety in June 2020. This decision leaves Kosovo without a comprehensive legislation to regulate **remuneration** in the public sector to overcome the unfair salary structures, abuse of allowances and discretionary decision-making. No progress has been made on that since the Court ruling.

The Kosovo Institute for Public Administration is the main training provider for civil servants in the central and local administration. Training provision remains largely dependent on donor funding due to limited funding provided to the Institute. The resultant weak training provision undermines the **professional development** of civil servants. New regulations on performance appraisals were adopted in October 2020, but no effective performance management system is in place.

Integrity plans exist to promote **integrity in the public service** but implementation remains limited. The Law on Conflict of Interest should be fully implemented. The full implementation of the Law on Protection of Whistle-Blowers is impeded by the lack of secondary legislation. Reporting on disciplinary measures taken against civil servants is being published regularly. (*see section on the fight against corruption*)

#### Accountability of the administration

The new Law on Organisation and Functioning of State Administration and Independent Agencies clarifies and strengthens lines of accountability but implementation remains weak. Most agencies and ministries are yet to align their internal organisation with the legal framework. Managerial accountability needs to be significantly strengthened by linking individual performance more clearly to organisational objectives and policy plans, and an effective delegation of decision-making responsibilities. There have been no further developments on the implementation of the action plan on rationalisation of agencies. The new government should clearly indicate its plans in this regard.

The independent oversight institutions, especially the Ombudsperson and the Kosovo National Audit Office, continue to address **citizens' right to good administration** but implementation of the recommendations by the relevant institutions remains limited. Public access to information is regulated by the Law on Access to Public Documents, though implementation was undermined by long delays in appointing a Head of the Information and Privacy Agency, which finally happened in May 2021.

The judiciary needs to increase its efficiency in handling administrative disputes in order to ensure citizens' right and access to administrative justice. The Basic Court in Pristina still struggles with a large backlog of administrative cases, as well as many incoming minor offence cases. The backlog in administrative cases was 1,993 by the end of August 2021, likely due to the courts only dealing with urgent cases during the COVID-19 pandemic. The liability of public authorities in cases of wrongdoing and the **right to seek compensation** are affected by fragmented legislation.

#### Service delivery to citizen and businesses

There is no coherent, centrally driven policy on user centred public service delivery. Institutional responsibilities for policy development on public service provision need to be clarified and effective coordination mechanisms at the centre-of-government level is lacking. An 'eKosova' portal exists, however in order to become an effective single point of contact for citizen and business, the inter-institutional data exchange platform should be further enhanced and outstanding legal, operational and technical challenges addressed. An electronic signature authentication function should be created.

Progress towards simplification of administrative procedures has slowed. With the adoption of the Law on General Administrative Procedures, special regulations addressing different administrative rules and procedures were supposed to be aligned. The legislation that requires harmonisation has been identified, together with the institutions responsible for alignment. However, the repeated changes in government have stopped legislative alignment. Considerable efforts are needed to uphold the legal obligations and rights under the Law and ensure legal certainty for citizen and businesses.

## 2.2 RULE OF LAW AND FUNDAMENTAL RIGHTS

### 2.2.1 Judiciary and fundamental rights

Kosovo is at an **early stage** in/has **some level of preparation** for applying the EU *acquis* and the European standards in the area of the judiciary and fundamental rights. **Limited progress** regarding the judiciary and prosecution has been made, including in functioning of the judiciary and the investigation and prosecution of some organised crime and high-level corruption cases. The capacity of the judiciary and prosecution, including for handling cases in a timely manner remains weak. As regards fundamental rights, the government needs to ensure oversight of the implementation of legislation, streamlining of strategies and better coordination of policies. The new Deputy Prime Minister for human rights and minorities represents an opportunity for better coordination in this area, to ensure all institutions uphold fundamental rights.

#### Functioning of the judiciary

Kosovo is still at an **early stage** in developing a well-functioning judicial system. The overall administration of justice continues to be slow, inefficient and vulnerable to undue political influence. **Some progress** was achieved during the reporting period. As regards last year's recommendations, advances were made, as the Functional Review of the Rule of Law Sector resulted in the adoption of a Rule of Law Strategy and Action Plan, which outlines the main challenges in the rule of law system. Kosovo rolled-out an electronic case-management system and offset-up a central criminal records system, however challenges remain. Kosovo has made efforts to implement the Law on Mediation. The Ministry of Justice has prepared a concept document that would serve as the basis for a vetting of judges and prosecutors. A potential one-off full re-evaluation of all prosecutors and judges is a serious concern. Such a process should be considered only as an exceptional measure of last resort, once all existing tools and mechanisms to ensure integrity and fight corruption of judicial officeholders have been exhausted, and should be in line with European and international standards as well as Venice Commission advice. Existing tools and strategies have yet to be fully utilised and their improvement should first be explored thoroughly. Before any new mechanism is set up, the effectiveness and implementation of existing tools should be analysed and improved, including through legislative changes.

In the coming year, Kosovo should in particular:

- improve the effectiveness and implementation of the existing tools to ensure integrity in the judiciary (asset-declaration system, disciplinary proceedings and evaluations), including through legislative changes as needed. Ensure that any new accountability mechanism is set up only as a measure of last resort and is in line with European and international standards, in particular Venice Commission opinions;
- implement the Rule of Law Strategy and Action Plan without delay through a regular, structured and unified process;

→ step up efforts to reduce the backlog of cases, based on a digitalisation strategy, including the generalised use of the Case Management Information System (CMIS) by judges, prosecutors and support staff and promote and properly finance the use of alternative dispute resolution tools, such as mediation. Ensure reliable statistical data, in line with the European Commission for the Efficiency of Justice (CEPEJ) methodology.

The COVID-19 pandemic affected efficient case processing, the holding of court hearings and in some cases public access to hearings in Kosovo. While there were efforts to address in practice the issue of criminal trials affected by the so-called three-month rule due to COVID-19 pandemic, long-term legal effects remain possible. Kosovo authorities should follow-up on this issue and take the necessary measures to ensure effective and efficient conduct of justice in Kosovo. In particular, they should assess and address the impact of the COVID-19 pandemic and its long-term effects on present and future legal practice, especially with respect to those in vulnerable situations and their access to justice. An IT infrastructure investment and necessary legal amendments remain necessary to facilitate remote hearings to ensure the continued functioning of the justice system.

#### Strategic documents

The Kosovo Prosecutorial and Judicial Councils have strategic plans setting the objectives for the judiciary and prosecution system. Both Councils have also adopted annual action plans. However, they do not always ensure a clear link between the respective strategies. Furthermore, there is no appropriate monitoring to follow and assess their implementation. Therefore, Kosovo institutions should develop effective mechanisms to ensure proper inter-institutional coordination including of the many rule of law programmes supported by various donors in order to avoid inefficiencies, incoherence and duplication of efforts.

The Functional Review of the Rule of Law Sector has led to a Rule of Law Strategy and Action Plan, which were adopted by the government in August 2021. The Strategy presents concrete actions aimed at increasing the integrity and performance of anti-corruption mechanisms in Kosovo, strengthening judiciary and prosecution, improving the access to justice for all, human rights and gender equality protection as well as reforming the Ministry of Justice in view of its ability to implement the EU *acquis* and European standards. While the adoption of the strategy and action plan was significantly delayed by the political situation during the reporting period, its implementation should now be supported by all actors.

#### Management bodies

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

The Kosovo Judicial Council elected its new Chair, without due regard to the legal provisions on preventing conflict of interest and the Council membership. The courts and prosecution have elected their members to both Councils to replace the members whose mandates expired during the reporting period. The international community, including the EU, declined to monitor the election process conducted by the Kosovo Prosecutorial Council, due to concerns about the lack of transparency of the process and potential conflicts of interest. The Assembly has not yet appointed two remaining members, out of 13, of the Kosovo Prosecutorial Council (representing the Bar Association and the Civil Society) as well as one member, also out of 13, of the Kosovo Judicial Council (from the non-majority communities). In addition,

one Judicial Council member subsequently resigned during 2021. The Assembly should ensure a full constitution of both Councils, without delay.

Both Councils made efforts to ensure business continuity given the circumstances and limitations brought by the COVID-19 pandemic. The budget allocated to the Judicial and Prosecutorial Councils was decreased during the mid-term review in 2020, mostly due to funds being redirected because of the pandemic. The budget remained at this level in 2021. This has further limited the number of positions of professional support staff for courts and prosecution offices. Councils have made some progress on making statistics accessible to the public and other relevant interlocutors through their respective websites. More effort is needed, also in regard to the use of these statistics by the Councils for policy analysis and development.

Kosovo Serb judges and prosecutors are formally integrated in the judicial system since 2017. This integration has been a success overall, but Kosovo still fails to implement the provisions on the composition of panels for cases coming from Serb-majority municipalities, especially in the Court of Appeal. Kosovo must also ensure that judicial proceedings can be accessed in all official languages across Kosovo. Lack of qualified translators and poor translation of the legislative framework remains an issue. Access to judgments and decisions, rendered by the Serbian courts in Kosovo between 1999 and up until the integration of Serbian judges in October 2017 remains problematic, and, more importantly, the agreement providing for the recognition of such judgements and decisions is not yet implemented by Kosovo.

#### Independence and impartiality

Clear safeguards for the **independence and impartiality** of the judiciary are enshrined in the Constitution and the legal framework. However, more efforts must be invested to ensure this in practice and effectively shield the judicial system from undue pressure and interference. The Councils should ensure a prompt and active reaction in all cases of alleged political interference in the prosecution and the judiciary.

The regulatory framework provides for the **random allocation of cases** through a case management information system. In practice, a significant number of cases remain manually assigned, especially when a judge is unavailable. High profile and sensitive cases are not always processed in a timely manner.

During the reporting period, there was one request for **close protection** made by prosecutors, which was granted. One close protection order issued for a prosecutor in previous years remains valid. There was no request for close protection made by judges.

#### Accountability

While **codes of ethics** are in place for judges, prosecutors and attorneys, continuous efforts and awareness raising are necessary to ensure their effective implementation.

Both Councils continue to conduct **disciplinary procedures** based on the 2018 Law on Disciplinary Liability of Judges and Prosecutors. Most of the disciplinary proceedings resulted either in the decision that there was no violation of the rules, or in the disciplinary measures of non-public written remarks and temporary reductions of salary. The Judicial Council suspended one judge. The Prosecutorial Council suspended one prosecutor pending disciplinary investigation, however without a clear legal basis to do so. The Councils should ensure their proceedings are in line with the applicable legislation. While there are efforts in ensuring proper implementation of the legal framework regarding disciplinary proceedings, continued willingness and work are needed to ensure consistent and effective application of disciplinary proceedings against judges and prosecutors. The Councils should establish the

electronic database to register all complaints and requests for initiation of disciplinary investigations as required by law.

Judges and prosecutors are obliged by law to **declare their assets** and gifts received, and to report any possible **conflict of interest** to the Anti-Corruption Agency. During 2020, all prosecutors declared their assets on time, while four judges declared them after the deadline (*see section on fight against corruption*).

### Professionalism and competence

The Councils independently organise **recruitment processes for judges and prosecutors** on the basis of merit-based criteria, after which successful candidates are appointed by the President for an initial three-year term. Due to the pandemic and reluctance of the President to give approval, there have been delays in filling vacant positions in courts and prosecution offices. The process of (re)appointment of judges and prosecutors must fully respect the principles of independent functioning of the judiciary and prosecution system, in line with the Constitution. In addition, the Councils need to ensure that the evaluation and background checks of judges and prosecutors have a clear legal basis and do not interfere unduly in the private lives of candidate judges and prosecutors.

The Councils are required to carry out **performance evaluations** of prosecutors and judges with a permanent mandate every three years. In 2020, the Prosecutorial Council evaluated all prosecutors that were eligible for performance evaluation. However, as the Judicial Council was conducting a reform of its performance evaluation system, no judges with a permanent mandate were evaluated apart from those that were part of promotion processes. The quality of performance evaluations conducted by both Councils remains an issue, and there is no realistic, effective and systematic evaluation based on clear criteria. Both Councils have adopted new Regulations on Performance Evaluations with detailed lists of indicators and measurements for evaluation. They now have to ensure rightful and objective application of such regulations.

### Quality of justice

The Academy of Justice is responsible for delivering initial and in-service **training** for all legal professionals. In response to the pandemic, the Academy provided online training, which is a positive development although it cannot permanently replace in person training. Further in-service training is needed as regards values and professional skills. More work is needed particularly in specialised areas: economic crime, mediation, the new provisions of the revised Criminal Code and European Court of Human Rights case law. Oversight and reporting lines of the Academy should be strengthened in line with European best practices.

Overall, the level of **professionalism and competence**, especially of prosecutors, remains a matter of concern, despite efforts to increase the available training.

On **jurisprudence**, some progress has been made regarding the legal obligation for all courts to publish their judgments on an accessible and searchable web portal within 60 days, in all official languages. However, publication has not always been consistent or timely due to a lack of resources. The prosecution offices publish relevant information on indictments on the website of the State Prosecutor within 24 hours. The Academy of Justice maintains a database of legislation, commentaries and other legal material accessible to all judges and prosecutors.

Following the appointment of 24 judges in January and March 2021, Kosovo now has 400 judges (132 women and 268 men) and 187 prosecutors (79 women and 108 men), which means around 21 judges and 10 prosecutors per 100 000 inhabitants. According to the

Council of Europe's European Commission for the Efficiency of Justice (CEPEJ), the European average is 21 judges and 12 prosecutors per 100 000 inhabitants. Kosovo still has a low percentage of female judges and prosecutors in comparison with most other European countries.

The initially approved **budget for the judiciary** (including prosecution, courts, the Academy of Justice and the Correctional and Probation Service) was EUR 59.5 million in 2020 and EUR 61.9 million in 2021 (EUR 59.2 million in 2019), or respectively 2.27 % and 2.46% of the general budget (2.53% in 2019).

For **e-justice tools**, the implementation of the case management information system (CMIS) is in an advanced phase. All Basic Courts and Basic Prosecution Offices are using the CMIS and electronic transfer of cases has started. The Court of Appeals, Supreme Court, Appeals Prosecution and Chief State Prosecutor Office are working towards full connectivity with CMIS. The police system is connected to the CMIS for exchange of data in criminal cases, and the connection with the Civil Registration Agency and the Business Registration Agency has been upgraded. Continued commitment is needed to ensure that the system is used systematically and that the data entered is accurate and complete, in particular so that the automatically obtained statistical data on the performance of the judiciary and prosecution is reliable (in line with CEPEJ recommendations and methodology). Reform of training programmes is highly needed in terms of usability of the CMIS. Work on a National Centralised Criminal Records Registry (NCCR) has shown good progress with nearly all cases and convicted persons entered into the system. However, more commitment from the KJC and the courts is needed to ensure the system's sustainability and court staff should be more involved. The two IT systems still need to be made inter-operable. Legislation concerning procedures and responsibility over the NCCR still needs to be developed.

There is a tracking mechanism for high-level corruption and organised crime cases; it currently includes 78 cases. (*see section on fight against corruption*)

The **mediation system** has been operational since 2008. In 2020, the courts referred 3 135 cases to mediation, marking an increase compared to 2019 (2 846 cases). The State Prosecutor and the prosecution offices referred 2 902 cases, also an increase compared to 2019 (2 244). The 190 licensed mediators (67 women, 123 men), of whom 14 were from the Serb-majority municipalities, solved 3 980 cases. Due to the COVID-19 restrictions, the Kosovo Judicial Council issued a decision directing the courts to start referring cases to online mediation, which led to 10 online mediation cases. Public awareness and familiarity with **alternative dispute resolution** tools remains low. The mediation system needs further strengthening, and this can be achieved through full implementation of the Law on Mediation and allocation of a sufficient budget.

### Efficiency

The **efficiency** of criminal justice is seriously hampered by shortcomings in criminal legislation. The revised Criminal Procedure Code which would address many of the existing issues still remains to be adopted by the Assembly. The capacity of judges to manage court proceedings efficiently needs to be significantly improved to avoid unproductive hearings, unreasonably protracted proceedings and ultimately low-quality decisions. Except for the first instance administrative cases, the clearance rate decreased in all categories and instances from 2019 to 2020. The clearance rate for severe criminal cases at first instance (107% in 2020), administrative cases at first instance (93% in 2019 and 102% in 2020) and civil/commercial cases at second instance (123% in 2019 and 115% in 2020) remained above 100% in 2020 but the number of incoming and resolved cases was notably lower than in

2019. Severe criminal cases at second instance have a clearance at 93% in 2020. The clearance rate is particularly low for civil/commercial cases at first instance (85% in 2019 and 70% in 2020) and administrative cases at second instance (80% in 2019 and 78% in 2020). There is also a backlog with a sizeable number of pending cases older than two years.

To improve the quality and efficiency of the justice system in Kosovo, the full use of CMIS and ongoing training of judges and prosecutors and support staff are needed. In addition, monitoring and evaluation of courts' activities, the use of satisfaction surveys and giving justice systems adequate funding and staff needs to be prioritised. **Sentencing policy** in relation to organised crime and corruption remains erratic with courts not systematically implementing the Supreme Court's 2018 sentencing guidelines.

Overall, all this leads to long **disposition times** (i.e. the average time from filing an indictment to receiving a judgment). The disposition time stands at 1 150 days for civil/commercial cases in first instance and 1 188 days for administrative cases in first instance, an increase since 2019 (852 days for civil/commercial cases and 787 days for administrative cases). At second instance, that is 424 days (241 days in 2019) for administrative cases and 428 (425 days in 2019) for civil/commercial cases. Severe criminal cases take 753 days in first instance and 133 days in second instance. Furthermore, these delays in proceedings, in combination with a preference for detention over other restrictive measures, have led again to cases of overly long detention. In 2020, the Ombudsperson continued to receive complaints against courts and prosecutors with allegations of unjustifiable delays in judicial proceedings. Authorities need to consider introducing an effective judicial legal remedy to address such delays, including compensation.

Also for this, there is a need to improve strategic planning, which also requires efforts to introduce reliable **statistical systems** for the judiciary based on CEPEJ indicators, and to use the findings for the management and policy-making purposes.

Although the number of professional associates in all Kosovo courts has increased in 2020, the number of legal staff directly assisting judges and prosecutors is still insufficient. A number of vacancies remain open and not all positions needed were budgeted in the 2021 budget.

The **COVID-19 pandemic** has created unprecedented challenges to Kosovo rule of law institutions and highlighted inefficiencies in the justice system, such as the increased need for further improvement of case management and further adoption and use of digital technologies. Some online hearings were held, but the legal and regulatory framework needs to ensure the continued functioning of the justice system despite pandemic restrictions. During the pandemic, almost all criminal cases in trial stage were affected by the 'three-month rule' – the Criminal Procedure Code (CPC) provides that a trial has to re-start after three months without any hearing. This includes in particular some very important corruption and organised crime cases. In almost all affected cases, the parties agreed to have all evidence presented in previous hearings considered as "read" while also inserting a relevant entry into the trial minutes. However, the CPC does not allow this practice explicitly. This creates legal uncertainty and should be urgently addressed, preferably through legislative action.

#### Domestic handling of war crime cases

The new government has put forward measures to strengthen domestic institutional mechanisms dealing with **war crimes**. In addition, amendments to the Criminal Procedure Code on the applicable procedure of trial in absentia of war crimes were adopted in the Assembly.

The implementation of the strategy on war crimes adopted by the Kosovo Prosecutorial Council in 2019 continues to be hampered by the political context, lack of resources and the lack of international and regional cooperation. In the reporting period, the Kosovo Police arrested two persons suspected of war crimes and three new investigations were opened. Progress was made in the use of the electronic war crimes database by the Kosovo Police, with two cases being fully digitalised. Following the first conviction for a war crime at first instance since the end of EULEX's executive judicial mandate, in the reporting period four other convictions were handed down by the Basic Courts. However, all of these judgements were later either sent back for re-trial or significantly modified in appeal. This shows that significant obstacles remain in the proper adjudication of war crime cases. More broadly, concerns remain about the willingness to hold former Kosovo Liberation Army members accountable in war crimes cases.

In 2020, the Special Prosecution Office of Kosovo filed three indictments for war crimes against three persons. Despite the increase of assigned prosecutors (from three to four), the war crimes department of the Special Prosecution Office continues to struggle in processing the workload, which has constantly increased since 2018. There is a need for more training and support staff.

Notwithstanding a few requests channelled through the Office of the EU Special Representative (EUSR) in Kosovo, mutual legal cooperation between Kosovo and Serbia in war crimes cases remains limited. Cooperation with the United Nations International Residual Mechanism for Criminal Tribunals (IRMCT) in The Hague, although formalised via an agreement with a facilitation role of the EUSR, remains difficult.

The Kosovo Specialist Chambers and Specialist Prosecutor's Office (SPO) have continued to investigate and prosecute violations of international law stemming from the 2011 Council of Europe Report. In the reporting period, pre-trial preparations were ongoing in four cases, including against the then President of Kosovo. In one case, the SPO charged the leadership of the KLA War Veterans Association with obstruction and intimidation, following the public release of sensitive documents. It is essential that Kosovo institutions provide full cooperation with the Specialist Prosecutor's Office and Specialist Chambers, enabling them to fulfil their mandate in full independence, without any outside interference.

The Government Commission on Recognition and Verification of the Status of Survivors of Sexual Violence during the Conflict continues its work, at a slow, albeit more efficient, pace than in the past. The rejection of more than 200 applications in 2020 triggered some adjustments to the system. Still, the aspect of societal stigma that the survivors face and the limited number of cases approved for recognition and compensation might deter future applicants. By August 2021, 1 528 individuals had submitted applications, of which 987 were accepted and 222 were rejected while 13 are still waiting to be reviewed. The timeframe of the law still excludes those who suffered conflict-related sexual violence after 20 June 1999.

Kosovo should develop an overarching strategy for **transitional justice**, including a comprehensive approach to addressing its past. The future of an initiative to establish a Truth and Reconciliation Commission (TRC) remains unclear. Civil society remains actively engaged in reconciliation initiatives.

## Fight against corruption

The fight against corruption in Kosovo is at an **early stage/has some level of preparation**. In the reporting period, **limited progress** was made, including on the investigation and prosecution of high-level cases in the track record and as regards an improved performance and set-up of the Special Prosecution Office. The Special Prosecution Office framework in the field on anti-corruption was strengthened when the Corruption and Financial Crime Department became operational and increased its staffing levels. The Special Departments handling cases regarding high-level corruption (and organised crime) would benefit from more (and specialised) support staff. Sustained efforts are needed to have more proactive investigations, final court decisions and final confiscation of assets. The anti-corruption legal package and the revised Criminal Procedure Code are still not adopted, while the revision of political party financing legislation was delayed again. The legal framework on confiscation continues to be largely unimplemented and the value of finally confiscated assets remains low.

Most of the recommendations of the 2020 report remain valid, with the main problem being still the lack of implementation of existing legislation. Overall, corruption is widespread and remains an issue of serious concern. Despite efforts made, there is a need for strong and continual political will to effectively address systemic corruption risks, as well as a robust criminal justice response to high-level corruption.

As the recommendations of last year remain largely unaddressed, Kosovo should in particular:

- adopt the Law on the Agency for Prevention of Corruption, reforming the competences of the Anti-Corruption Agency, and the new Law on Asset Declaration and strengthen the capacity of the Agency to ensure a proper implementation of the legislation under its competence.
- strengthen the efficiency of confiscation regime by promoting systematic use of both extended and 'regular' confiscation by criminal prosecution and police, by the creation of a confiscation fund and by improving the sales process of sequestrated and confiscated assets managed by Agency for the Management and Sequestrated and Confiscated Assets (AMSCA);
- adopt the revised Criminal Procedure Code, including provisions on the suspension of public officials indicted for corruption-related offences;
- ensure that the financial reports and campaign disclosure reports of political parties are consistently published and audited, and sanctions applied for violations of relevant laws. Amend the legal framework governing political party and campaign financing in line with the opinion of the Venice Commission, to ensure effective enforcement, accountability and transparency.

### Track record

In July 2018, the European Commission confirmed that Kosovo had met the benchmark in its visa liberalisation roadmap to strengthen the track record in the fight against organised crime and corruption. These efforts should continue to improve and the Commission will continue to actively monitor the further development of this specific track record. The track record mechanism for visa liberalisation, established in 2015 to monitor and coordinate **high-level corruption and organised crime cases** includes 78 cases by September 2021. There have been 65 indictments - 27 cases concern organised crime and 38 cases concern corruption. 23

cases have final court decisions, out of which thirteen ended with a (partially) guilty verdict, leading to 21 individuals being convicted of corruption-related offences and 4 individuals being convicted of organised crime-related offences.

At present, the track record mechanism includes only the cases selected in the specific context of visa liberalisation benchmarks. However, in the future it is expected that the track record will cover all high-level cases relating to organised crime and corruption. To this end, rules governing inclusion of cases in this mechanism should be revised with a view of creating a single and comprehensive track record, including all cases against high-level officials, which should be prioritised and handled with the highest level of scrutiny.

In the reporting period, the number of cases dealt with by the **Anti-Corruption Agency** increased. In 2020, the Agency handled over 300 cases (134 pending from previous years, 179 new referrals in 2020), compared to 126 cases in 2019. Out of these cases, more than 100 (against 180 persons) were referred to the prosecution and police for investigation.

In 2020, almost 98% of the 4,721 officials obliged to submit annual **declarations of assets** did so on time. Only 96 officials (2%) failed to do so. The Anti-Corruption Agency has 968 officials under the full assets control procedure, out of which 77 were referred to the prosecution and police for further investigation (26 on suspicion of false declaration and 51 for failure to declare assets). There were 23 court decisions in 2020 (11 in 2019).

The COVID-19 pandemic increased the difficulties in verifying declarations by the Agency. Shortcomings persist in the system for declaring and assessing the origin of property belonging to senior public officials. The capacities of the Agency with respect to number of staff, IT resources and training should be increased. In addition, an electronic declaration system should be introduced in order to simplify the process of declaration and submission as well as increase transparency and accuracy in monitoring and verification. Cooperation and exchange of data with the police, the tax administration, the Financial Intelligence Unit, the cadastral registry and municipal authorities should be strengthened.

In 2020, the Agency handled 160 cases of **conflict of interest**, of which one was addressed using the minor offence procedure and two were sent for further criminal investigation. In 70 cases, a conflict of interest was avoided.

In 2020, the Agency handled 80 cases of corruption in public procurement, out of which 54 opinions were issued, 21 cases terminated, while four are under procedure and one was sent for investigation.

A new law on the Anti-Corruption Agency aimed at better defining the scope of the Agency's competencies remains to be adopted (*see below on prevention measures*). The capacity of the Agency needs to be strengthened considering the new competences of the Agency and to ensure an effective implementation of the applicable legislation.

Despite a fairly advanced legal framework in place, criminal **asset confiscation** continues to be largely overlooked, with insufficient focus and resources put into it. The Law on Extended Powers of confiscation is in force since 2019 but is not being consistently applied. Confiscation as a means of targeting the economic interests of criminal organisations remains underutilised by prosecutors, who remain the weakest link in this regard. Overall, the willingness to confiscate assets remains low.

In 2020, the value of preliminary confiscated assets rose again, to EUR 19 million (EUR 8.7 million in 2019). However, the value of finally confiscated assets fell to EUR 476,490 (EUR 991,593 in 2019). The Agency for the Management of Sequestered and Confiscated Assets (handling more than EUR 1.6 million in various assets in 2020) continues to struggle in

managing the assets in its portfolio, partially due to the courts not allowing asset sales and partially due to the set-up of the Agency. The value of assets sold in 2020 (EUR 53,354) has decreased compared to 2019 (EUR 74,166). No progress has been registered in the establishment of a Confiscation Fund, which would allocated confiscated funds in part to law enforcement, prosecution and courts and in part to social projects.

**Funding for political parties and campaign financing** lacks transparency and the regulatory framework remains inadequate. Overall, the regulatory framework does not ensure complete reporting, timely disclosure, meaningful oversight or accountability for irregularities. During the reporting period, the Assembly committee for oversight of public finances initiated the procedure for auditing of financial reports of political party campaigns and financial declarations for three subsequent years. The process of auditing has failed for two years due to the low budget allocated to hire auditors.

### Institutional framework

Inter-institutional coordination and cooperation between preventive anti-corruption institutions and law enforcement entities is key to effectively implement anti-corruption legislation. The responsibilities of the 19 different anti-corruption institutions in Kosovo continue to frequently overlap.

### *Prevention measures*

The main body competent for preventing corruption is the **Anti-Corruption Agency**, whose competences include asset declarations and declarations of gifts, and dealing with whistleblowing and conflict of interest. The Auditor-General, the tax authorities, the customs authorities and the Financial Intelligence Unit also have inspecting and auditing powers. A draft law reorganizing the competences of the Anti-Corruption Agency has been finalised and should be adopted without delay in view of strengthening the Agency's mandate in the field of prevention of corruption. Specifically, the Agency will be entitled to implement anti-corruption preventive tools such as corruption proofing, corruption risk assessment, and integrity plans in the institutions. Furthermore, the Agency will have the competence to initiate administrative investigations and impose sanctions.

More **training** must be provided for staff of the main anti-corruption bodies, especially for the staff of the Agency, in particular concerning financial investigations together with other anti-corruption institutions. More training in the field of asset confiscation, money laundering and cybercrime is also needed.

There is a continuous need to promote the elaboration and adoption of **integrity plans in the public service** as a tool for preventing corruption and ensuring discipline, including at municipal level.

### *Law enforcement*

**Specialised institutions** for fighting corruption remain in place, including the National Coordinator for Combating Economic Crimes within the prosecutorial system and the relevant Police Directorate.

The decision of the previous government in October 2020 to abolish the special Anti-Corruption Task Force within the **Kosovo Police** and also dismiss the Director of the police, raised serious concerns about Kosovo's commitment to the fight against corruption and organised crime. The former Task Force had been involved in some investigations of corruption within the institutions and, as a result, some high-profile cases were presented to the prosecution. The government needs to ensure a sound legal and organisational structure to the Special Investigative Unit as the successor of the abolished Task Force. At present, the

Special Investigative Unit has a temporary legal status through a decision issued in 2020 by the former Minister of Internal Affairs.

During the reporting period, the number of financial investigators working on organised crime and corruption investigations increased. Financial investigations need to be carried out systematically, independently and in parallel with the criminal procedure for corruption and organised crime cases.

In April 2020, the **Special Prosecution Office** (SPRK) was re-structured. In addition to the existing War Crimes Department, three new specialised departments were created (Terrorism; Corruption and Financial Crimes; Organised Crimes and other cases falling within the SPRK competence). In 2020, despite the impact of the pandemic, the total number of indictments was 147 (146 in 2019), while the total number of sentencing decisions was 122 (36 in 2019). In the reporting period, the SPRK was connected to the Case Management Information System (CMIS) and internal efficiency improvements were made in its administration.

Despite these efforts, the Special Prosecution Office still suffers from a lack of sufficiently specialised staff with the required level of training and competence to deal specifically with financial and procurement cases. It currently has 16 prosecutors and is in the process of hiring three more. The Basic Prosecution Office in Pristina has a Special Unit for Financial and Corruption cases, to which ten prosecutors are assigned. In order to increase its efficiency, a re-structuring is ongoing. Each basic prosecution office has a designated anti-corruption prosecutor.

The **Special Departments in the Basic Court of Pristina and the Court of Appeals**, which handle all cases of the Special Prosecution Office, including corruption cases, have continued to function albeit with shortages in professional support staff. During the reporting period, six new judges were appointed to the Special Department in the Basic Court in Pristina and three new judges to the Special Department at the Court of Appeals. Recruitment of additional support staff for the Special Departments is in the final stage, mainly for the positions of professional associates.

#### Legal framework

Despite not being a party to international anti-corruption conventions (such as the United Nations Convention against Corruption and the Council of Europe's Criminal Law Convention on Corruption) due to status-related issues, Kosovo's legislation is generally aligned with these instruments and in line with relevant European standards.

On the implementation of the mandatory removal from office of public officials convicted of corruption, as included in the **Criminal Code** of 2019, one decision imposing such punishment was taken in 2020 and one in 2021. Substantial amendments to the **Criminal Procedure Code**, under preparation since 2018, aim at strengthening the criminal proceedings and the anti-corruption legal framework, such as provisions on the suspension of public officials indicted also for corruption were proposed. Given the long delay, the new Criminal Procedure Code should be adopted as a matter of urgency.

The so-called anti-corruption legal package (i.e. the **Law on the Agency for Prevention of Corruption** reforming the competences of the Anti-Corruption Agency and the new **Law on Asset Declaration**) has not been adopted.

The legal framework on criminal **confiscation** remains fairly advanced, including through the 2019 Law on Extended Powers of Confiscation. These advanced tools now need to be utilised. The government approved the Concept Paper on the issue of Unjustifiably Acquired

Assets which aims to introduce in Kosovo a system of non-conviction based confiscation. Such an advanced system requires clear safeguards against possible misuse and abuse and should respect the principles enshrined in the Constitution and the fundamental rights of individuals. Moreover such a system should not replace or undermine the application of the existing legal framework on criminal confiscation.

The legal framework on **money laundering** is still not properly implemented. Although the law does not require the proof of a predicate offence to retain a conviction, many prosecutors and judges continue to consider a predicate offence as an essential part of money laundering offences. As a result, many stand-alone money laundering cases are dismissed either by the prosecutor or by the court. (*see also section 6.3 on the freedom of movement of capital and the section on organised crime*)

The legal framework on the **prevention of conflict of interest** is in place since 2018 but still needs to be fully implemented. A number of senior public officials still occupy two or more posts, in direct violation of the law. Kosovo has no specific legislation on lobbying.

The Law on the **Protection of Whistle-Blowers** is fairly advanced and in line with the new EU legislation in this area. Secondary legislation determining the procedure for receiving and handling the cases of whistleblowing entered into force on May 2021. Strengthened whistle-blowing mechanisms and protection requirements still need to be implemented in practice.

The **legal framework on political parties and election campaign finances** prepared by the government after consultation of the Venice Commission is yet to be adopted. Kosovo still needs better functioning, more accountable, more transparent and enforceable party finance and campaign finance legislation. The government and Assembly should take this forward on the basis of the existing draft law.

#### Strategic framework

The Rule of Law Strategy and Action Plan (*see section on Judiciary*) include specific measures aiming to improve the institutional framework against corruption, as well as the assets declaration system and regulations on acceptance of gifts. Since 2018, Kosovo does not have an Anti-Corruption Strategy in force. While the Anti-Corruption Strategy and Action Plan 2018-2022 were finalised and approved by the government, they failed to be adopted by the Assembly. The Anti-Corruption Strategy and Action Plan 2021-2023, adopted by the government, were not sent to the Assembly for approval.

#### **Fundamental rights**

The legal framework guarantees the protection of fundamental rights and is in line with European standards. However, additional efforts remain needed to fully implement it. The government's coordination of human rights and minority protection mechanisms, both at the central and local levels, needs to improve and fundamental rights issues need to feature higher on the political agenda. The new position of Deputy Prime Minister on Human Rights and Communities represents an opportunity to better coordinate and oversee fundamental rights policies and legislation. Human and financial resources remain lacking and relevant authorities are still dependant on donor support and guidance and need to assume greater ownership. Inter-ministerial coordination mechanisms are often treated as a formality and concrete steps must be taken by the government in order for these mechanisms to be effective in advancing human rights.

More efforts are needed to address recommendations of the 2020 report, which are still applicable, even if some steps were taken on improving overall coordination, on gender equality, returns and Roma and Ashkali. In the coming year, Kosovo should in particular:

- improve the efficiency and effectiveness of the mechanisms for the coordination and implementation of human rights legislation, policies and strategies, including the role of the Kosovo Assembly, via a sustainable mechanism of coordination and oversight. Strengthen the role of the anti-discrimination officers in ministries and municipalities;
- strengthen the implementation of the Law on Gender Equality and ensure proper functioning of the system of protection, prevention and adjudication of all forms of gender-based violence;
- adopt the Strategy for Return and Communities, the draft Law on Kosovo Property Comparison Verification Agency addressing the Ombudsperson's recommendations, and prepare a new Strategy for the Inclusion of Roma and Ashkali communities in Kosovo society 2022-2026 taking into account lessons learned;
- adopt the Law on Cultural Heritage and the Law on Religious Freedom and ensure consistent functioning of the Implementation and Monitoring Council. Advance protection of cultural heritage by fully enforcing legislation on special protective zones and illegal construction.

**International human rights instruments** form an integral part of Kosovo's legal framework and are directly applicable, as provided for in the Constitution. Kosovo continued to align its legislation with these instruments and maintained its practice of *ad hoc* reporting, including by hosting of rapporteurs of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) and the Group of Experts on Action against Trafficking in Human Beings (GRETA).

Measures taken in relation to the **COVID-19 pandemic** by the Kosovo government were framed by the August 2020 Law on preventing and combating the COVID-19 pandemic, which provided a solid legal basis for public health-related restrictions of fundamental rights. The pandemic has disproportionately affected the most vulnerable groups. Their access to goods and services has been disrupted, including with regard to education. Persons with disabilities have been lacking access to quality medical care and other services. The economic and social consequences of the COVID-19 pandemic have affected women more severely than men. With many of them employed in the informal economy, they had more limited access to mitigating support measures. The government has continued protecting women victims of domestic and gender-based violence during the outbreak of COVID-19. The shelters for gender-based violence and trafficking in human beings have continued providing services at all times. In prison, the pandemic was well managed, despite difficult circumstances. Restriction of contacts with the outside world was compensated by enabling contacts through video and other means.

On the **protection and promotion of human rights**, the implementation of human rights legislation, oversight and coordination of existing human rights mechanisms remains a challenge. The new position of Deputy Prime Minister for Minority Issues and Human Rights represents an opportunity to ensure more consistent and coordinated leadership. Existing human rights strategies lack clear objectives, timelines and adequate implementation mechanisms. The Human Rights Strategy, already being drafted for a long period of time, is not yet adopted. The Office of Good Governance (OGG) within the Prime Minister's Office still lacks the resources to fulfil its broad mandate. The Kosovo Assembly needs to take a more proactive role in overseeing the implementation of the human rights legislation. The

Inter-Ministerial Coordination Group for Human Rights still meets only rarely and it does not take decisions nor properly follow up on previous government commitments.

The Ombudsperson continues playing an important role in the promotion and protection of human rights at central and local level. In September 2020, the Kosovo Assembly elected a new Ombudsperson for a period of 5 year. The election of five deputies of the Ombudsperson failed as the Assembly of Kosovo did not endorse any of the candidates proposed by the Ombudsperson Institution. The process now needs to be repeated. The Institution has further strengthened its capacity to review cases and continued its efforts to increase awareness on human rights protection and promotion. The number of complaints received by the Ombudsperson in 2020 was 1,419, out of which 720 have been opened for investigation and 43 cases were opened *ex officio*. The number of complaints dropped due to the impact of the pandemic and political crisis, as well as the selection of a new Ombudsperson during the reporting period. Although there is an increase in the responsiveness of institutions to the recommendations of the Ombudsperson, consistent implementation remains a challenge. Law enforcement and the judiciary need to be more responsive in protecting vulnerable groups such as children, persons from non-majority communities (including Roma and Ashkali) and victims of gender-based violence.

New initiatives to address the needs of social services, which are key in various areas related to fundamental rights, have been launched (*see sections on social policy and public administration reform*).

On the **prevention of torture and ill treatment**, the situation remains satisfactory and the Kosovo authorities continue to show commitment to preventing these practices in all circumstances. Six complaints have been filed with the Ombudsperson – Kosovo’s National Preventive Mechanism (NPM) – about the physical abuse of citizens by the police. Of these, five cases are still under investigation, while one case has been proceeded to the Police Inspectorate for their further investigation. Since the outbreak of COVID-19, the NPM reduced its visits to places of deprivation of liberty and the NPM conducted 52 *ad hoc* visits. In all cases, it received full cooperation, was granted rapid access to all visited facilities, and was allowed to access all relevant documents. During 2020, the NPM issued nine recommendations; two of them were partially implemented during 2020, and three of them during the first quarter of 2021. Kosovo should further strengthen ongoing efforts to provide adequate medical and psychological support and rehabilitation to all victims of torture and other ill-treatment in Kosovo. Efforts to address the recommendations issued by the CPT in 2015 are ongoing. During 2020, a CPT delegation visited Kosovo to prepare a new report. (*see section on the prison system*).

The **prison system** continues to comply broadly with the UN Standard Minimum Rules for the Treatment of Prisoners and with the European Prison Rules. According to the NPM, during its visits there were no complaints regarding treatment by authorities, no overcrowding was noticed, and the provision of health care was found to be adequate during that period. Efforts to improve the drug addiction treatment programmes in prisons and prison medical facilities are ongoing in light of the CPT recommendations. Authorities should make efforts to increase out-of-cell engagements for detainees, as far as possible. The Prison Inspectorate continues working with a methodology based on the ‘Mandela rules’. Political pressure still continued to affect decisions on the categorisation of prisoners, which would allow for preferential treatment of high profile prisoners. The revised Law on the execution of penal sanctions, Law on correctional services and Law on probation services remain to be adopted and should take into account EU expert advice. They should not compromise

progress achieved by previous amendments preventing such preferential treatment. Alternative sanctions and measures continued to be imposed mainly on juveniles.

On **personal data protection**, the law remains broadly in line with the EU General Data Protection Regulation and the Law Enforcement Directive. However, the Information and Privacy Agency entrusted by the law with a number of important supervisory tasks, was unable to fulfil its obligations due to the persisting vacancy at its head for a number of years. The long overdue appointment by the Kosovo Assembly of a Commissioner to lead the Information and Privacy Agency took place in June 2021. It is crucial and urgent that the Agency moves swiftly forward and becomes operational and effective.

Concerning **freedom of thought, conscience and religion**, although there are legal provisions in place, the Kosovo Assembly still needs to adopt the long outstanding draft Law on religious freedom, incorporating the recommendations of the Venice Commission from 2014. The May 2016 final judgment by the Constitutional Court on the land dispute case involving the Visoki Dečani monastery and Dečan/Dečane municipality, which confirmed the monastery's legal ownership of the land, remains unimplemented.

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### **Freedom of expression**

Kosovo has **some level of preparation** regarding freedom of expression. Kosovo benefits from a lively and pluralistic media environment. The legal framework is mostly in line with European standards. **Limited progress** was made during the reporting period. Some of the recommendations of the previous report were taken into consideration leading to legal drafting and some follow-up on threats against journalists. Still, concerns remain regarding public smear campaigns, threats and especially physical attacks on journalists. Not all threats against journalists and media are reported to the authorities. There continue to be particular concerns regarding freedom of expression in the north of Kosovo, including self-censorship.

Work on amending the Law on the Radio and Television of Kosovo and the Law on Independent Media Commission has stalled, both of which are long-standing issues. The lack of financial self-sustainability, further exacerbated by the COVID-19 pandemic, leaves media vulnerable to political and business interests. This is further amplified by the lack of information and data on the final beneficiary of media ownership – provisions on this are still not enshrined in law.

Similar to last year, Kosovo should:

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

### Intimidation of journalists

According to the Association of Journalists in Kosovo (AJK), during 2020 there were eleven cases of non-physical threats and harassments and four cases of physical assault against journalists in Kosovo (broadly similar levels to 2019). From January to June 2021, eight cases had been registered. In some cases, high-level officials were involved. Derogatory statements and smears made by politicians and aimed at the media remain present, publicly undermining trust in journalistic reporting and the safety of journalists. Adjudication of cases remains slow. Politicians and public officials still need to demonstrate a higher level of tolerance towards criticism and promote freedom of expression.

During the reporting period, there was a concerning increase in the number of SLAPP (Strategic Litigation Against Public Participation) cases brought in courts, which are used to threaten and sue journalists and civil society activists in order to silence them.

### Legislative environment

The Constitution and legislation provide for freedom of expression and media freedom. In general, media laws, including on defamation and access to information are in line with standards of the Council of Europe and the case law of the European Court on Human Rights. The Law on Protection of Journalistic Sources is not in line with European standards and best practices.

The effective implementation of whistle-blower legislation still requires the adoption of implementing legislation. The Law on Access to Public Documents has been adopted, but not yet implemented. With the appointment of the Commissioner for the Information and Privacy Agency, implementation needs to start in earnest (*see section on data protection*).

Building administrative capacity within the government to deal with freedom of expression and media-related issues should be considered.

### Implementation of legislation/institutions

The implementation of existing legislation continues to be insufficient. The Kosovo Press Council acts as a self-regulatory body for print and online media, mainly by reacting to complaints. However, there is a growing number of online media that are not registered with the Press Council. They lack the transparency of ownership and funding, and are often linked to single-source reporting, breach of copyrights and defamatory language. Cases of defamation and hate speech in online and social media are rarely addressed with effective judicial follow-up.

The Independent Media Commission (IMC) still does not have the power to licence and monitor audio-visual media services online and while legislation allows for broader monitoring to check news coverage is balanced and unbiased, the IMC only monitors content during election campaigns.

### Public Service Broadcaster

The public broadcaster Radio Television of Kosovo (RTK) remains exposed to political pressure and influence. RTK's shortcomings should be addressed, including recruitments not based on merit, non-transparent remunerations, insufficient sustainability of programmes in non-majority languages and poor online presence. Its editorial independence and long-term financial sustainability is weakened by its reliance on direct state funding, with its budget determined annually by the Assembly. RTK still does not cover all the territory of Kosovo. Kosovo Serb communities mostly rely on local and Serbian broadcasters. The Assembly dismissed the RTK board in July 2021, citing RTK board's failure to fulfil its legal and financial obligations.

A review of the current Law on RTK is still ongoing. Steps still need to be taken to ensure that appointment and dismissal procedures of members of the respective governing bodies are transparent and inclusive and that the new law includes a realistic and sustainable funding model for RTK.

#### Economic factors

Kosovo benefits from a lively and pluralistic media environment. However, the sector remains heavily dependent on donors and advertising, including from the government and political parties. Many media companies struggle to sustain themselves financially through commercial means. Private broadcasters depend on other sources of funding and remain strongly linked to political and business interest groups. This poses continuing risks to their editorial independence. There is still a lack of data on the advertising market, financing remains largely non-transparent and there is no audience measurement system.

Information on media ownership structures, in particular for online media, remains unclear and often fictitious, as most media do not provide information on their finances or real ownership. Greater transparency on media ownership and possible illegal media concentration is needed. The imbalance between media outlets and available funding raises concerns as to the financial viability of media outlets and over media integrity and independence. The negative impact of the COVID-19 crisis on the financial stability of media sector is a concern (including job losses); even if media professionals were included in the initial financial package of the government intended to ease the economic impact of the pandemic.

#### Professional organisations and working conditions

The pandemic has affected media, since there were layoffs of journalists and all remaining printed newspapers discontinued printing and switched to online access only. As such, no printed newspapers remain in Kosovo. Associations of journalists have been active in condemning cases of threats and attacks against journalists. They have kept up a constructive dialogue with the Police and have been vocal in defending journalists against political pressures. The working conditions of media professionals and the implementation of labour laws in the newsroom remain a concern. Women journalists are more affected than men. Many journalists work either with no contracts or only with service contracts. This situation makes journalists vulnerable to pressure.

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

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**Freedom of assembly and association** is guaranteed by the Constitution and generally respected. During the reporting period, demonstrations were limited in number and size due public health measures related to the pandemic. In most cases, COVID-19 preventive measures were respected, with the notable exception of the political party campaign events ahead of the early parliamentary elections. No major security incident related to public gatherings was reported. Individuals and legal entities have the right to establish an association without having to register it, but most organisations decide to register in order to secure legal personality.

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

On **property rights**, the draft law on the Kosovo Property Comparison and Verification Agency (KPCVA) was revised according to the Ombudsperson's recommendations, but not adopted by the Assembly. Overall, implementation of the judicial decisions, including

Constitutional Court decisions, remains an issue in particular in conflict-related property cases.

In 2020, institutions took some positive measures towards the protection of the property rights of communities in vulnerable situations, displaced persons and women. The KPCVA performed 18 evictions and one demolition of an illegal structure built on the property of a displaced person, providing an effective restitution of property rights. Some progress has been made in the implementation of the Administrative Instruction on Demolition of Illegal Structures adopted in April 2020, though lack of funds prevent the KPCVA carrying out the demolitions swiftly.

Concerns about fraudulent property transactions and illegal transfers of ownership of properties mainly belonging to displaced persons remain. There has been limited progress on the issue of 350,052 buildings constructed without a permit as only around 5,000 people applied for legalization. Local institutions issued 320 decisions on legalization of constructions built without permit. The regularisation of large-scale informal settlements whose residents mainly belong to marginalised vulnerable communities continues to be hampered by lack of political will to address the issue. In April 2021, the Government extended the affirmative measure to increase registration of joint immovable property on behalf of both spouses for six years. This measure, first introduced in 2016, has led a noticeable increase in the registration of women as property owners, from only 104 in 2016 to 7,417 in 2020.

On **non-discrimination**, the 2015 Law on protection from discrimination is broadly in line with European and international standards, but its implementation remains limited. Domestic case law on non-discrimination is poor, partly due to victims often being discouraged to file cases due to the lengths of court proceedings. Discrimination cases are frequently not taken seriously and processed slowly by the police, prosecution and courts. Proper inter-institutional monitoring of court cases related to discrimination should be established. 145 out of 1,419 complaints made to the Ombudsperson in 2020 related to discrimination. The Kosovo Prosecutorial Council continues to maintain a tracking mechanism on hate crimes. However, overall, data collection on hate crimes remains insufficient. Hate speech against vulnerable and non-majority communities persists, especially on social media. The role of anti-discrimination officers in the municipalities and Ministries need to be strengthened, with clear reporting lines and description of duties.

Legislation and institutional mechanisms on **gender equality** are in line with international and EU standards. The impact of the pandemic on well-being of women has been significant. The government and Assembly foresaw specific measures for women within the recovery package related to the pandemic, which assisted in mitigating some adverse effects. Ownership of property by women has further increased (see *property rights*). However, women continue to face discrimination in the labour market and when accessing finance. They are still underrepresented, especially in decision-making positions, both in private and public institutions, even if the presence of women in politics has notably increased (see *sections on Elections, Parliament and Governance*).

Civil society continues to play a critical role in advancing gender equality. The government of Prime Minister Kurti is making significant efforts to implement the Law on Gender Equality, especially in relation to equality in recruitment and changing stereotypes in the public administration. Still, the institutions need to improve their collection, maintenance and transparent reporting of gender-disaggregated data. The Agency for Gender Equality (AGE) plays a central role in advancing gender equality, including in legislation and policy, promoting the mainstreaming of gender in institutions' policies and actions and training civil

servants. Coordination with gender equality officers in the ministries and municipalities still needs to be strengthened. The Kosovo programme for gender equality (2020-2024) adopted in 2020 is in place and an Action Plan is being drafted.

**Domestic violence** continues to be the most prominent form of gender-based violence in Kosovo. The government responded to the pandemic by opening provisional quarantine facilities for victims of domestic violence and developed a safety protocol for service providers in dealing with the cases during the lockdown. The legal and institutional framework in this area is largely in line with EU and international standards. The Law on Domestic Violence is not aligned yet with the revised Criminal Code nor with the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention), the latter which is part of the Kosovo Constitution since September 2020. The strategy and action plan on protection against domestic violence expired in 2020, there is not yet a replacement. Overall, reporting of domestic violence remains low (1 632 cases in 2020; 889 cases from January until May 2021). The integrated database for cases of domestic and gender-based violence is increasingly being used by police, victim advocates, courts, and social workers at centres for social services. Prosecutors need to enter data in a more consistent way. The Ministry of Justice has committed funding for the database for the next three years. Judges and prosecutors need to be familiarised with the new legislation and with the database for an efficient prosecution and adjudication of cases (including appropriate sentencing).

There has been limited progress in preventing domestic violence and protecting and reintegrating victims, including adequate victims' compensation. The functioning of the eight shelters for victims of domestic violence and trafficking in human beings is uneven mainly due to the lack of sustainable funding. Other forms of violence against women have continued. Women in public life, including politicians, continue being judged and stereotyped. Body-shaming and other verbal attacks have increased, including during Assembly sessions, triggering widespread reaction by civil society and women rights' organisations. To combat this, the Independent Media Commission and the Agency for Gender Equality with the support of women's civil society organisations, signed a joint declaration against sexism. Despite efforts made, sexual harassment in the workplace, including in the public administration, is widespread.

On the **rights of the child**, Kosovo's legal framework is largely in line with international standards, but implementation remains limited. The new Law on child protection, which protects children from all forms of physical and mental violence needs to be implemented. 18 pieces of implementing legislation should be adopted. This process needs to be expedited by the relevant authorities, together with an awareness raising campaign to inform authorities at central and local level about their duties and responsibilities. The COVID-19 pandemic had an impact on vulnerable communities, especially regarding schooling (*see section on education*). Authorities should increase financial support to scale up community-based social and health services for children with disabilities and increase efforts to integrate them effectively into educational institutions.

Child begging and children that live and work in the streets, especially among Roma and Ashkali communities, remains a problem which the authorities have not yet effectively addressed. Child, early and forced marriage also remains prominent in these communities. Municipalities should provide sustainable funding for pre-school learning centres for children in these communities. Kosovo does not host children in large residential institutions, and developed alternative care solutions for children deprived of parental care. Foster care for children without parental care is not applied in all municipalities of Kosovo and does not

meet the requirements for fostering of children without parental care. There is a lack of services and programmes for the prevention and reintegration of children victims of drug abuse.

**Persons with disabilities** are subject to discrimination and lack of institutional care, starting from lack of proper medical care and lack of physical infrastructure. Limited access to public buildings, schools, medical facilities and transport remains a problem, despite the existence of relevant administrative instructions. There is a clear gap in harmonising the legislation and policies with the Conventions and EU *acquis* on the rights of people with disabilities. The Law on Paraplegic and Tetraplegic continues to be insufficiently implemented. Similarly, there was still no progress on the implementation of the Law on Blind and the Law on Employment, notably the provisions relating to employment of people with disabilities in public institutions. A comprehensive law for all persons with disabilities would improve provision of service and quality of life. It would also improve upon the currently disparate legal framework. The National Council for People with Disabilities should take a more proactive role in bringing the issues of people with disabilities higher on the political agenda.

On the **rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ)** persons, the Constitution protects against discrimination based on sexual orientation. Despite this, public awareness on the rights of the LGBTIQ persons and general acceptance remains low. There have also been incidents of hate speech towards the LGBTIQ community, especially on social media and cases of hate crime against LGBTIQ persons are still not always properly investigated and brought to justice. Implementation of the Action Plan 2019-2022, is not progressing, partly due to the COVID-19 pandemic. Activists held the fifth Pride Parade in Pristina in July 2021. The municipality of Pristina announced funding for and construction of a shelter during 2021 for LGBTIQ people who are survivors of domestic violence or became homeless due to family rejection. Legal revisions to enable legal gender recognition are underway.

The **procedural rights** of persons who are suspected of crime and the rights of victims of crime are stipulated in the constitution and the law. Victims of crime, however, often lack the capacity to protect and pursue their legal interests in criminal proceedings, tend to receive insufficient legal information on their rights and are rarely assisted during criminal proceedings by professional legal representatives. The level of legal aid provision, although improved, still remains inadequate due to conflicting legislation, lack of public awareness and different systems in place for providing free legal aid. In addition, there is no system of quality assurance in the provision of legal aid. Out of 1 419 complaints received by the Ombudsperson in 2020, 13 concerned the right to a fair trial within a reasonable time. Whereas in the first quarter of 2021 the Ombudsperson received 380 such complaints with 50 complaints concerning the right to a fair trial within reasonable time. The Law on crime victim Compensation is broadly aligned with the EU Directive on Compensation for Crime Victims. The quality of service of victim's advocacy officers should increase. A crime victim compensation programme exists and, compared to previous years, the number of requests for compensation is increasing. In 2020, the total number of requests for compensation was 56 (10 in 2019). The Commission approved 22 of these requests, for a total value of compensation of EUR 91 935 (EUR 14 260 in 2019).

Kosovo has well established mechanisms at the central and local level as well as an adequate legal framework to protect **non-majority communities and their rights**. However, the conditions for a truly multi-ethnic and integrated society throughout Kosovo are not fully in place. The need for a secure environment, especially in areas where returnees live, and to ensure access to property, personal documentation, language rights, and adequate provisions

for education, employment and social welfare, are still barriers. Youth from majority and non-majority communities from all parts of Kosovo would benefit from an enabling environment and opportunities to interact with one another.

Kosovo is still lacking adequate inter-institutional coordination, both at the central and local levels, which undermines the effective delivery of services and implementation of the applicable legislation. Employment of people from non-majority communities in the public sector still falls below the 10% threshold stipulated by relevant legislation - these communities remain generally underrepresented in the civil service at both the central and municipal levels.

Increased communication and coordination between the relevant departments within the Office of the Prime Minister – the Office for Community Affairs (OCA) and the Advisory Office for Good Governance – also remains necessary. These offices would benefit from engaging increasingly in policy implementation as they remain project driven and largely donor dependant. OCA director still needs to be appointed. The Consultative Council for Communities (CCC) under the President’s Office continued to meet regularly during the reporting period and had its mandate renewed. However, the government’s response to the CCC recommendations remains insufficient.

The Technical Working Group for the implementation of the recommendations based on the Council of Europe’s Framework Convention on National Minorities – set up by the government – did not meet during the reporting period and there was scant implementation of recommendations. Implementation of the Law on the use of languages remains uneven and limited across all institutions in Kosovo. Efforts to improve timely translation and interpretation into all official languages, critical in improving inter-community relations, are needed. In spite of continued efforts by the Office of the Language Commissioner under the Prime Minister’s Office in promoting and protecting language rights, stronger support by the government to consolidate language policies is necessary.

Young people in particular are not exposed to each other’s languages. A more inclusive educational system offering opportunities to learn official languages as well as other non-majority languages, where suitable, would contribute to a better understanding and social cohesion between communities and counteract the growing trend towards monolingualism in Kosovo. In July 2021, the Department for Balkan studies at the Faculty of Philology of the University of Pristina was formally re-accredited. It also decided to open a language centre for learning Kosovo’s official languages and other foreign languages.

While the overall security situation of non-majority communities remains stable, there was an increase in the number of incidents, affecting mostly the Kosovo Serb community south of the Ibar/Ibër River. These incidents included cases of robberies, arson, cattle and vehicle thefts, as well as physical assaults including bodily injuries, shooting incidents as well as attempted kidnapping. Moreover, vandalism and burglaries of religious objects, including churches and mosques, also occur with some frequency. The Kosovo Police generally acts swiftly in such cases. However, further coordination between the law enforcement and judicial authorities to ensure proper adjudication is needed. Security incidents, irrespective of their motivation, instil a perception of insecurity among the victims and therefore affect inter-community relations. Recruitment of police officers from non-majority communities, as well as strengthening community policing, could help the situation.

The process of return and reintegration of **refugees and displaced** persons witnessed a slight increase, with 394 people returning in to Kosovo from the region. However the return rate still remains low overall which can be attributed to a combination of factors: the security

situation, exercising the property rights and lack of conditions for a sustainable return coupled by the COVID-19 pandemic (*see also the sections on property rights and rights and protection of non-majority communities*). The previously separate strategy on returns will now be included in the Migration Strategy (*see section 2.2.2 Justice Freedom and Security*).

The situation of the Kosovo **Roma and Ashkali** and other vulnerable communities like the Kosovo Egyptians remains challenging, a fact compounded by the outbreak of the COVID-19 pandemic. Members of these communities face limited access to clean water and sanitation, protective equipment and healthcare, while access to education and formal employment remain difficult. The 2017-2021 strategy for the inclusion of the Roma and Ashkali communities in Kosovo society was only partially implemented. The government needs to accelerate preparations for a new 2021-2026 Strategy and Action Plan. Additional efforts are needed in order to facilitate access for the communities in the most vulnerable situations to the labour market and combat informal work. Furthermore, employment opportunities within Kosovo institutions are largely low level, menial jobs. Housing for the Roma and Ashkali Internally Displaced Persons (IDPs) and returnees is the resistance of some municipalities to allocate land and recognise tenancy or possession rights in informal settlements to the families who lived there prior to the conflict. The Kosovo government needs to accelerate the mapping of informal settlements and its legalisation. With regard to education, the most vulnerable communities have access to schooling although more needs to be done, including with regards to access to remote education during the pandemic (*see section on education*). The government has assumed more commitment following the signature of the Declaration of Western Balkans Partners on Roma Integration within the EU Enlargement Process (Poznan Declaration) and has established a Technical Group for the Protection from Discrimination of Roma Ashkali and Egyptian communities, to work on these commitments.

On **cultural rights**, no progress was noted with regard to the draft Law on cultural heritage during the reporting period. The Implementation and Monitoring Council (IMC) remains the only formal mechanism for dialogue between the government and the Serbian Orthodox Church (SOC). An arrangement was reached, following renewed tensions, on roadworks within and around the Deçan/Dečani Special Protective Zone (SPZ). Whilst the IMC is foreseen to monitor this progress, there is a need for communication and cooperation to improve between both sides. The protection and promotion of cultural heritage in Kosovo still remains weak and donor driven.

## **2.2.2 Justice, freedom and security**

Kosovo is at an **early stage/has some level of preparation** in this area. **Some progress** was made, including on counterterrorism and fight against and prevention of violent extremism through the reintegration of foreign terrorist fighters and their families from the conflict zone. However, the entry into force of several laws important to combatting organised crime has not yet led to tangible results. Results achieved by prosecution and courts remain poor. Sustained efforts are needed to have more proactive investigations, final court decisions and final confiscation of assets. The authorities continued to make progress in managing regular and irregular migration by further increasing accommodation capacities and stepping up preparedness in case of increased influx of migrants, despite the difficult context of COVID-19 pandemic. However, the National Centre for Border Management should be fully operationalised. In July 2020, Europol and the Kosovo Police concluded a Working Arrangement.

Kosovo has only partly followed the recommendations of the 2020 report, especially related to violent extremism. The other recommendations remain outstanding. Therefore, in the coming year, Kosovo should in particular:

- continue implementing programmes on rehabilitation and reintegration, inside and outside the prison system by safeguarding coordination of pre-release and post-release processes, and ensuring that the Reintegration Division of the Ministry of Internal Affairs, is fully funded (through a specific budget), staffed and trained, and that it has dedicated and experienced staff from the health, education and social services;
- establish a Joint Threat Assessment Centre, including a threat level grading system on terrorism related risks;
- implement the relevant action plan to make the National Centre for Border Management fully operational, and to strengthen inter-institutional and international cooperation and coordination against transnational organised crime and in the field of migration and asylum;
- Improve migration governance through enhancing government capacities for data collection and analysis, as well as capacity to respond to the increased migration inflow (biometric registration, reception, identification of vulnerable, improved communication).

### **Fight against organised crime**

Kosovo is at an **early stage** in the fight against organised crime and **limited progress** was made on the investigation and prosecution of organised crime cases. The Special Prosecution Office was strengthened during the reporting period, including an increase of staff, and its specialisation increased. Sustained efforts are needed to have more proactive investigations, final court decisions and final confiscation of assets.

The powerful tools envisaged by the Criminal Code and the Law on extended powers of confiscation are yet to be fully utilised by police and prosecutors. Measures are needed to strengthen the prosecution as well as to ensure that there is no political interference in the operational activities of all law enforcement bodies. The situation in the north of Kosovo with regard to organised crime continues to pose challenges for law enforcement agencies.

Despite the difficult situation due to the COVID-19 pandemic, Kosovo has partly followed the recommendations of the 2020 report, namely on the training and awareness raising regarding new legislation, including regarding confiscation, on the capacity of the Special Prosecution Office, some elements of intelligence-led policing, and partial implementation of the laws adopted in 2018. Other recommendations however remain valid.

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

- within the police, effectively implement the intelligence-led and community policing approaches, including through reorganisation and further resourcing of the Kosovo Police Directorate for Intelligence Analysis and by increasing the presence of officers at community level, enabling confidence building and proactive policing;
- adopt standard operating procedures to run financial investigations in line with Financial Action Task Force (FATF) recommendations;
- continue to increase the capacity of the Special Prosecution Office investigating and prosecuting high-profile organised crime cases, and provide training to strengthen their capacity to conduct financial investigations, confiscate assets and effectively protect witnesses.

### Institutional set-up and legal alignment

Key **institutions** involved in the fight against organised crime include the **Special Prosecution Office (SPRK)** and the **Special Department of the Basic Court and the Court of Appeals in Pristina**. The staffing with specialised judges and prosecutors and support staff ensures stronger centralisation and greater judicial specialisation in response to serious and organised crime. The KPC also intensified the support for the SPRK by adding a new prosecutor position and one position for a professional associate. Further staffing should be based on a needs assessment for both the SPRK and the Special Departments.

The **Kosovo Police's (KP)** investigation department is responsible for the fight against organised crime, complemented by six specialised central-level directorates focused on the fight against various types of organised crime, and with cooperating units at regional level. The Kosovo Forensic Agency is accordingly assisting in criminal investigations. The KP is continuing with its reform programme under EU expert advice and has set-up necessary structures.

There were 464 police officers per 100,000 inhabitants in 2020 (471 in 2019), and an EU average of 326 in 2017, according to Eurostat. The KP has adopted the new Strategic Development Plan 2021-2025, which provides a new strategic direction and reflects an intention to deliver a more proactive and effective police service to all citizens of Kosovo. In December 2020, the KP adopted the Integrated Intelligence-Led Policing and Community Policing Strategy and Action Plan 2021-2025. Further, KP adopted the 2021-2025 Plan on Strengthening the Integrity in Kosovo Police. The Police performance continues to be affected by a number of tasks that are not core police service tasks, such as providing security in low-risk government buildings. The Kosovo Academy for Public Safety provides a good quality of education for police and other public safety agencies in Kosovo. The involvement of a large number of officers from the investigation department in implementing various anti-COVID-19 measures led to the suspension of many ongoing investigations.

**Kosovo Customs**, the **Financial Intelligence Unit (FIU)** and the **Tax Administration** remain responsible for monitoring and controlling the internal and cross-border/boundary flow of goods, materials and capital that might be involved in any form of organised crime. Both Kosovo Customs and the FIU have generally performed well. The **Asset Recovery Office** established in 2018 within the KP is operational and staffed with two dedicated officers, but it receives only limited requests and should be better utilised by all relevant actors.

Operational cooperation between police, tax administration and customs is facilitated through **interoperable databases**. The Kosovo Police Information System (KPIS) is linked to other law enforcement databases. During the reporting period, standard operating procedures for the better utilisation of KPIS, especially regarding case management in criminal investigations, were finalised but not yet adopted. The KPIS is connected to the Case Management Information System (CMIS).

The **Civil Registry Agency** is undergoing a process of internal reorganisation aiming to provide increased effectiveness of the services provided by the agency. The agency should reinforce internal mechanisms (i.e. Inspectorate) to further discourage the potential misuse of authority within the service and limit possibilities for document forgery or other misconduct. Interoperability of the Civil Registry Agency's IT system with the Kosovo Cadastral Agency, Law Enforcement Agencies and other institutions is challenged by limitations regarding staff, budget as well as technical capacity. Communication and coordination between central and municipal level needs to be further improved.

The **main strategic framework** is the 2018-2022 strategy and action plan against organised crime. Other strategies and action plans are also in place, e.g. on arms control; the informal economy, money laundering and terrorist financing; terrorism; the prevention of violent extremism; trafficking in human beings; narcotics; and cybersecurity. An improved **cooperation and coordination** between all responsible institutions is necessary with respect to these strategies and action plans. The Kosovo Police is producing annual strategic crime assessment reports. In December 2020 the FIU Board adopted the second Kosovo-wide risk assessment on money laundering and terrorist financing.

Despite not being a party to international conventions in the fight against organised crime, such as the United Nations Convention on Transnational and Organised Crime (Palermo convention), due to status-related issues, Kosovo's unilaterally applies these international principles in its **criminal legislation**. Moreover, it is generally aligned with relevant European standards.

The **Criminal Code** of 2019 increases the number of offences that can be prosecuted in the framework of organised crime, it extends statutory limitation periods for various serious crimes and provides for sufficiently dissuasive penalties for corruption and organised crime offences. A revised **Criminal Procedure Code** still needs to be adopted. The **Law on Extended Powers of Confiscation** has been in force since 2019 (*see section on the fight against corruption*).

The **Law on Money Laundering and Terrorism Financing** should be amended, to be fully in line with the EU *acquis* and international standards. (*see section 6.3 on the freedom of movement of capital*). In December 2020, the Government approved an action plan for improvement of Anti-Money Laundering/Combating the Financing of Terrorism (based on the standards adopted by the Financial Action Task Force (FATF) and the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).

With regard to implementation of the **Law on Interception of Electronic Communications**, interception capacities were upgraded, allowing decentralisation of monitoring centres to other KP units as well as other Law Enforcement Agencies. Legislation on cybercrime is generally in line with the EU *acquis*. A new **Law on Cybersecurity**, while prepared, has not yet been adopted. **Legislation on trafficking in human beings** is broadly aligned with the current relevant EU *acquis*, but implementation could be improved. Kosovo lacks a specific strategy and action plan against trafficking in human beings.

#### Implementation and enforcement capacity

Kosovo authorities continue to report on the total number of indictments and convictions for the charge of '**organised crime**' as defined in the **United Nations Convention on Transnational and Organised Crime** (reflected in art. 277 of the **Criminal Code**). In 2020, five new cases were initiated involving 63 persons (five new cases involving 60 persons in 2019). One case received an indictment, involving four persons. During 2020, in all pending cases four convictions (of which three in retrial) were issued by Basic Courts, one appeal was rejected, one appeal partly granted (two cases (involving six people) received final convictions, while one case (involving five people) was sent for re-trial by the Court of Appeals in 2019). At the Supreme Court, two requests for protection of legality were rejected.

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

As regards those **organised crime-related cases** currently not included in the aforementioned track record, during 2020, regarding trafficking in human beings, 19 cases were initiated (21 in 2019), while the prosecution presented 36 indictments (43 in 2019). 2 were declared guilty (5 guilty persons in 2019). In addition, 23 persons were indicted (10 in 2019) for arms trafficking and the court convicted three persons (four in 2019). For money laundering, 33 persons were indicted (nine in 2019) and there were three final court decisions (zero in 2019). Only a fraction of all cases involving trafficking in human beings, trafficking in arms and money laundering also include charges of organised crime.

The police and the prosecution need to actively use all powers at their disposal to target criminal networks and their economic support base.

**Sentencing policy** remains erratic (*see section on judiciary*). The **low number of confiscated criminal assets** is still a key concern (*see the section on the fight against corruption*). The institutions involved in the fight against organised crime need to set up and use multi-disciplinary, joint investigation teams, where possible.

The **Kosovo Police** (KP) has adequate capacity and capability to combat organised crime in Kosovo. However, investigations of organised crime remain vulnerable to corruption, political pressure and unlawful interference. A positive and increased trend of successful KP operations against organised crime, also involving international police cooperation, have resulted in a number of arrests and preliminary confiscation of assets in early 2021, which now needs to be followed-up on by prosecution and judiciary. The Government should ensure a sound legal and organisational structure to the Special Investigative Unit within the Kosovo Police as the successor of the abolished Anti-Corruption Task Force (*see section on the fight against corruption*).

**Intelligence-led policing** remains weak. The KP Directorate for Intelligence Analysis needs to be restructured and manpower increased to improve intelligence-led policing. There is a need for more specialised training sessions for all institutions involved in fighting the more complex occurrences of organised crime. Closer day-to-day co-operation in view of developing strategies to better conduct investigations and clear division of responsibilities between the police and the special prosecution is still needed.

Kosovo regularly **exchanges information** with Interpol via the United Nations Interim Administration Mission in Kosovo (UNMIK). In a positive step, a Working Arrangement concerning strategic cooperation with Europol was concluded in July 2020. The Working Arrangement was followed-up by additional implementing agreements, allowing for access to the Secure Information Exchange Network Application (SIENA) and the exchange of Liaison Officers. The agreements were signed by the Minister of Internal Affairs in July 2021 and are nearly finalised. The Kosovo Police has a consistently growing cooperation with police services in EU Member States on a bilateral basis, including through joint investigation teams and exchange of information on civil and criminal cases. The police has signed 96 international police cooperation agreements, including with 11 EU Member States, five EU agencies and other countries and international organisations. The Kosovo Police mutually exchanges liaison officers with seven partner countries.

Effective implementation of **witness protection mechanisms** continues to face challenges, as few potential witnesses have sufficient trust in Kosovo institutions' ability to keep them safe. No witnesses are currently enrolled in Kosovo protection mechanism. Kosovo police participates in Europol's Platform for Witness Protection. Prosecutors and judges need training on how to protect witnesses effectively.

The **fight against money laundering and terrorist financing** is not producing convincing results. Money laundering and terrorist financing are often not prosecuted as a standalone crime, which slows down the overall criminal procedure. There is a pressing need to foster prosecutors' and judges' enhanced understanding of the concept of money laundering and terrorist financing and to improve specialisation in this field. There remains insufficient awareness of reporting entities and relevant stakeholders. In 2020, the Financial Intelligence Unit (FIU) received a total of 902 suspicious transaction reports (a decrease of 12 % when compared to 2019, most likely due to the pandemic). FIU has exchanged a total of 123 requests for international information exchange through the Egmont Group. FIU has issued 34 freezing orders for the total amount of EUR 1.1 million, and carried out 31 inspections of reporting entities, which resulted in administrative sanctions totalling EUR 900 000. One significant case from 2019, which led to the conviction of two suspects and final confiscation of nearly EUR 1 million, has been ordered for a retrial by the Supreme Court. Overall, although the efficacy of financial investigations has improved at the police level, they are still not systematically conducted in parallel with the criminal investigations/proceedings. Inter-agency cooperation and coordination needs to improve significantly (*see also section 6.3 on the freedom of movement of capital*)

he involvement of organised and armed groups in **arms trafficking** remains a serious concern. Kosovo is implementing its strategy in this area and the Law on the Legalisation and Surrender of Weapons, Ammunition and Explosive Devices. During 2020, the Kosovo Police sequestered 1,135 weapons. The firearms focal point in the police is fully operational and works well, and the ballistics laboratory is well equipped. Kosovo participated in the European Multidisciplinary Platform Against Criminal Threats (EMPACT) regarding firearms and in the activities related to the Regional Roadmap on Small Arms and Light Weapons, despite challenges linked to the absence of direct connection with some law enforcement information tools. Kosovo has the highest level of harmonisation in the region with the provisions of the UN Firearms Protocol. Previously undertaken efforts to further improve and revise its arms control legislation remain stalled.

Kosovo remains a country of origin, transit and destination of victims of **trafficking in human beings**, notably for sexual exploitation. In 2020, seven female victims and ten male victims were identified, and 15 out of those were under the age of 18. More efforts are needed, especially regarding the pro-active identification of victims, ensuring assistance and support to victims and increasing prosecution and conviction of perpetrators

**Cigarette and tobacco smuggling** exists and is of growing concern. Kosovo is used for the smuggling of counterfeit cigarettes as well as for legally produced tobacco products shipped illicitly via neighbouring countries in the Western Balkans. Progress was noted in the area of **cybercrime**, for the detection, traceability and prosecution of cyber criminals. In 2020, 53 cases (46 in 2019) were initiated on cybercrime, while there were no indictments and no final judgements (in 2019, there were no indictments either, one termination of investigation and one person receiving a judgement of rejection by the court). However, there are still issues to be addressed, such as the handling of electronic evidence by people with insufficient knowledge and the limited availability of cybercrime training for newly appointed judges and prosecutors.

A working arrangement with the EU Agency for Law Enforcement Training (CEPOL) has been in force since 2017. Kosovo actively takes part in a number of its activities. A dedicated contact point is in place. Kosovo has full access to the CEPOL Exchange Programme and its electronic learning system. Wherever possible, Kosovo should increase its involvement in the

EMPACT priorities, including the drafting of operational action plans and the participation in joint action days.

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

### Institutional set-up and legal alignment

The legislative framework to combat illicit handling of and trafficking in narcotic drugs is based on the 2007 Law on Narcotic Drugs, Psychotropic Substances and Precursors. A more comprehensive, revised draft law that in turn is aligned with more recent EU legislation is yet to be adopted. Drugs and trafficking-related crimes are dealt with through the Criminal Code.

A coordination mechanism has been established to prevent and combat drug trafficking and the illicit use of precursors. To this end, and in accordance with the current strategy and action plan (2018-2022), the National Drug Observatory (NDO) is established within the Ministry of Internal Affairs, though with limited resources and a vacancy at its head since January 2019. While a decision was taken to increase the number of personnel, this has not yet been implemented. Difficulties also remain regarding the sustainable and routine collection of drug-related data throughout Kosovo. The national Early Warning System (NEWS) is not fully operational. Kosovo continued to cooperate with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and in September 2020, the Ministry of Internal Affairs and the Ministry of Health signed a Working Arrangement with them. The agreement provides for the exchange of expertise and information on drug related issues. Due to the lack of a head of the NDO, cooperation with EMCDDA does not always run smoothly.

### Implementation and enforcement capacity

Kosovo continues to be both a storage and a transit country for narcotic drugs and their derivatives. Overall, drug seizures remain low: around 256.7 kg of marijuana, 8.9 kg of heroin, and 2.7 kg of cocaine were seized in 2020.

During 2020, the Kosovo Police registered 1,006 new drug-related cases (1450 in 2019). Out of the total number of cases, 170 were charged as drug trafficking, 802 as illegal possession of drugs and 33 were related to cultivation. In 2020, 1,217 people were indicted for drug-related offences and 367 people were found guilty by the courts (five were acquitted). In May 2021, the Kosovo Police, in close cooperation and in joint investigation with Italian and Albanian police seized 400kg of cocaine. It was the biggest one-off seizure of cocaine ever in Kosovo. Provisions are present for the secure storage of seized drugs awaiting destruction. However, a protocol for the handling, storage and destruction of drug precursors is still not in place.

Organised crime groups continue to play a dominant role in large-scale drug trafficking and subsequent distribution in the EU. However, all actors in the chain of justice, including law enforcement, struggle with efficiency and inter-agency cooperation in the fight against drug trafficking. The prosecution service remains too understaffed and insufficiently trained to efficiently deal with drug-related offences. Increased cooperation and coordination among law enforcement agencies in the Western Balkan region is paramount. This can only take place through vastly improved inter-agency cooperation and exchange of information at all levels.

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

## **Fight against terrorism**

### Institutional set-up and legal alignment

A range of **institutions** remain active and involved in combating terrorism and violent extremism, and in dealing with reintegration of returning Foreign Terrorist Fighters and their families. In April 2021, the Government of Kosovo appointed the Minister of Internal Affairs as the National Coordinator for the Prevention of Violent Extremism and the Fight against Terrorism. The newly appointed Coordinator should re-establish an office supporting the coordinator and play a stronger role in inter-institutional coordination, with clarified structure and reporting lines.

Kosovo's **legal framework** is mostly in line with the EU acquis and international instruments on anti-terrorism. The Law on Combating Money Laundering and the Financing of Terrorism needs to be amended in order to be fully in line with EU and international standards (*see fight against organised crime and section 6.3 on freedom of movement of capital*). The draft law on implementation of Targeted International Financial Sanctions is finalised, awaiting adoption by the Government.

Kosovo has a strategy and action plan against terrorism (2018-2023) in line with the EU's counterterrorism strategy. A strategy and action plan against violent extremism (2015-2020) expired at the end of 2020. A new Strategy and Action Plan (2021-2025), which covers both the areas of terrorism and violent extremism, is not adopted yet by the Government. A communications strategy remains under preparation. Kosovo authorities continue to implement the bilateral Implementing Arrangement with the EU for the Joint Action Plan on counter-terrorism for the Western Balkans, whose validity and continuation has been reaffirmed by the EU-Western Balkans Ministerial forum in October 2020. Kosovo submitted its second implementation report in January 2021.

### Implementation and enforcement capacity

Kosovo continued to fight the threat of terrorism. During the reporting period, the police initiated seven new cases related to terrorism (10 cases in 2019) and arrested three suspects. In the period, January-May 2021 police initiated four new terrorism related cases. For 17 people an indictment was filed, while courts found 32 people guilty and rejected the indictment against one person. Greater consistency of sentencing practices, for offences related to terrorism and violent extremism, is necessary. The functioning of the Special Department within the Basic Court of Pristina and within the Court of Appeals have contributed to a more effective handling of terrorism cases compared to the past.

Despite significant efforts, challenges in countering terrorism and preventing and countering **violent extremism and radicalisation** remain. Militant Salafist ideology and ethnonational movements continue to be present in the region, including Kosovo, and remain a threat. The new strategy and action plan should address all forms of radicalisation and violent extremism, including political, ethno-nationalist and religious ones. It is important that the existing strategies, action plans and reintegration and rehabilitation programmes are continuously revised in order to demonstrate a risk-based approach. The authorities should set up a Joint Threat Assessment Centre, including a threat level grading system, which would facilitate a greater understanding among all agencies of the current operational climate, keep the public informed and improve responses, including as regards the protection of critical infrastructure.

Despite challenges posed by the COVID-19 pandemic, important progress was made on the **rehabilitation and reintegration of foreign terrorist fighters (FTFs) and their families that returned from Syria/Iraq**. From 2012 until 2016, an estimated 355 Kosovo citizens (257 men, 52 women and 46 children) left for conflict zones in the Middle East, mostly as

foreign terrorist fighters. 83 children were born in the conflict zone. 259 Kosovo citizens have returned (131 men, 39 women, 89 children), 100 died, and 84 remain in theatre (35 men, 8 women, 41 children). On 18 July 2021, the Kosovo authorities carried out a controlled return operation of Kosovo citizens from the conflict zone in Syria, including six FTFs, one woman, and four children. The six suspected FTFs were detained upon arrival. To effectively address this challenge, the Reintegration Division of the Ministry of Internal Affairs needs to be fully funded, staffed and trained, including a specific budget and dedicated and experienced staff from the health, education and social services. Municipal authorities need to be more involved in planning and implementation of rehabilitation and reintegration process. The National Coordinator on CT/CVE should play an enhanced role in overseeing the rehabilitation and reintegration process including by linking up with municipalities. Civil society organisations should be given a greater role in rehabilitation and reintegration efforts in local communities. The focal point for counterterrorism and countering violent extremism and established Intelligence Unit within the Kosovo Correctional Service contributed in improving coordination of pre- and post-release processes, but de-radicalisation and disengagement programmes within the correctional system need to be significantly intensified. The issue of early and conditional release of Violent Extremist Offenders (VEOs) following decisions by the conditional release panel is of concern. The panel should consider security and risk aspects when dealing with this category of inmates. During the reporting period, 15 VEOs were released from KCS custody.

Kosovo continues to participate in the implementation of the Western Balkan Counter Terrorism initiative (WBCTi).

### **Legal and irregular migration**

Due the **COVID-19 pandemic** and related travel restrictions, Kosovo hosted more irregular migrants and refugees simultaneously, as they stayed for longer periods than in the past. Preventive measures were introduced to protect the migrant population from the pandemic, and no major outbreak of COVID-19 was reported in the Asylum Centres. Overall Kosovo has managed the situation in the Asylum Centres well (including living conditions, information sharing) despite limited capacities, with support from partners. Stranded migrants outside of centres proved a particular challenge. As they did not register, they did not receive government assistance (it is estimated up to 200-300 migrants were stranded as such). A new temporary reception and registration centre is currently under construction. The EU, EU Member States and Kosovo cooperated closely on mutually repatriating citizens stranded due to COVID-19 related measures. In view of their vulnerability, Kosovo included migrants and refugees in the vaccination programme.

#### Institutional set-up and legal alignment

The relevant **institutions** dealing with migration in the Ministry of Internal Affairs and the Border Police remain in place. The **legal framework** is largely in line with the EU *acquis*.

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

While overall, the **Law on Asylum and the Law on Foreigners** are somewhat aligned with EU *acquis* and international standards, they should be revised to include a humanitarian protection category, extending the voluntary return period and reflect on the existence of the new reception centre. It is also recommended to include refugees in social protection schemes to support their inclusion and integration into society.

The **Migration Strategy and Action Plan 2021-2025** has been prepared and is awaiting government approval. It is based on the analysis and recommendations from migration profiles and reflects the objectives of the Global Compact on Migration and the new EU Migration and Asylum Pact. The new Strategy was also merged with the previously separate strategic documents concerning reintegration as well as diaspora.

The **Government Authority on Migration (GAM)** should take a more proactive role in migration governance, coordination as well as in improving the monitoring mechanism for implementing migration policies. GAM has finalised its new statute which sets the duties, roles and responsibilities of this authority. While it should further strengthen the role of this body, the statute has not yet been adopted.

#### Implementation and enforcement capacity

Despite the COVID-19 travel restrictions, mixed migration flows continued to transit Kosovo, which hosted an increasing number of migrants during 2020 and the beginning of 2021. Kosovo border police reported the interception of 2,564 irregular migrants in 2020. The three main nationalities represented were Syrians, Moroccans and Palestinians. Most of the migrants are single men, with a limited number of single women, families and children. Over 90 % of those intercepted entered Kosovo irregularly from Albania. Due to the COVID-19 travel restrictions, all migrants and refugees tend to remain in Kosovo for a longer time (on average 33 days compared to eight-11 days in 2019). Providing proper care and security for the most vulnerable groups of migrants remains a challenge. Due to a lack of biometric equipment, registering migrants at the borders or police stations continues to be a challenge.

The number of people in the **detention centre** increased compared to the previous years. 45 people were accommodated during the reporting period, with an average stay of 40 days. The detention centre has a limited capacity and does not meet all the necessary standards. During 2021, 16 persons escaped from the detention centre, with two subsequently being returned to the detention centre. The return of third-country nationals continued to be hindered by status-related issues. In 2020, 279 people were returned (95 forced, 150 through voluntary returns, and 34 deportations based on a court decision). It is of utmost importance to establish measures alternative to detention for migrants subject to return.

The **Contingency Plan for the management of the potential influx of migrants**, refugees and asylum applicants adopted in July 2019 has been revised and awaits government approval. The authorities expanded accommodation capacities, which are currently sufficient. There are three asylum centres with a current capacity of up to 600 persons (Magure - 100 persons; Vranidoll - 200 persons; Belvedere Camp - 300 persons, although the latter could accommodate up to 2 200 persons in total based on the revised Contingency Plan). In June 2021, the asylum Centre in Vranidoll was renovated ensuring access to quality services and rights. In 2020, the decision was made to establish an additional **temporary reception, registration and accommodation centre** for migrants and refugees, also in Vranidoll. It is currently under construction. Its sustainability and adequate budget beyond 2022 will need to be ensured. The Centre will improve the identification, registration and protection of migrants and refugees in vulnerable situations. It will be important to provide adequate interpretation services, basic psychosocial, medical and other specific services related to the vulnerable groups.

A rise in **security incidents** involving migrants/asylum seekers was noted (including clashes with the police, group fights, physical assault, arson and robberies). In the pandemic context, gender based violence has also been on the rise in the Centres.

Gaps in **enforcement** remain, in particular due to a lack of coordination between government agencies. In January 2021, the Department for Citizenship, Asylum and Migration within the Ministry of Internal Affairs increased its staff with an additional 20 officers. While fundamental rights are generally upheld, the centres are facing structural issues, mainly relating to improper housing units, a lack of secure areas, a lack of in-house medical facilities and adequate specialised supervisory staffing, especially for psychosocial support. The border police needs further capacity building in the area of protection-sensitive migration. Qualified interpreters are needed to service both the asylum and detention centres and the border police. Kosovo has strengthened the inter- and intra-institutional systems for migration management, including on **migration statistics**. Kosovo has aligned more closely with EU Regulation 862/2007 on community statistics on migration and international protection. Collection and analysis of migration statistics was improved, and efforts made in regional harmonization of such statistics. This should allow cross-country and regional analyses of migration trends.

Enhanced border controls due to COVID-19, resulted in an increase in smuggling compared to the previous year. Transnational **smuggling networks** that include Kosovo citizens facilitate secondary movements of irregular migrants from entry points along the Western Balkan route. In 2020 the police initiated 24 cases for migrant smuggling and investigated 34 persons.

The **readmission agreements** with EU Member States and Schengen associated countries are being implemented satisfactorily. The number of asylum requests made by Kosovo citizens in both EU and Schengen associated countries has fallen steadily, from the peak of 73,240 in 2015 to 3,520 in 2019 and 2,265 in 2020. Mirroring the trend in asylum requests, the overall number of Kosovo citizens readmitted has dropped from 18,789 in 2015 to 1,536 in 2019 (1,162 forced and 374 voluntary) and 625 (512 forced and 113 voluntary) in 2020. Out of 942 readmission requests in 2020, 635 requests were accepted (67.5%), 263 rejected (28%) and 44 (4.7%) are still in process. The return rate of Kosovo citizens ordered to leave EU territory was 58% in 2018, 41% in 2019 and 29% in 2020. While statistics show a drop in the return rate, EU Member States have confirmed that Kosovo authorities continue to cooperate well on readmission.

Over the last few years, important progress has been made by the government towards more comprehensive policies and practices on return and reintegration of Kosovo nationals. A sustainable **reintegration process** is in place in Kosovo, but it remains complex, involving many actors. Overall, there is a need for better inter-institutional coordination, including with municipalities, as well as improved systemic monitoring and evaluation. Further efforts are still needed to put in place a gender-sensitive system that reaches the most vulnerable returnees and focuses more on sustainable community assistance. A referral mechanism was established and functions through the Reception Centre for Repatriated Persons. As regards identifying and advancing the referral of vulnerable cases to adequate reintegration services, a manual and training on needs assessment were provided to responsible central and local reintegration officials.

In August 2021, Kosovo began temporarily hosting US-linked and NATO-related evacuees/refugees from Afghanistan, based on the decision by the government to grant them temporary protection for one year. They are hosted in two open facilities in Kosovo, with the understanding they will be further resettled in the United States under a specific visa regime or in NATO member states committing to take them in.

## Asylum

### Institutional set-up and legal alignment

Kosovo's asylum legal and **institutional** framework is in place. A steady increase of asylum seekers and the prolonged duration of stay of asylum seekers in 2020 and 2021 (from several days to several weeks), has revealed capacity gaps and shortcomings in the effective implementation of the legislation. Certain sectors of the system require further strengthening.

The **legal framework** governing the asylum area is mostly in line with EU *acquis*. Specific regulations and procedural guidelines, deriving from the legal framework, such as the guidelines on child protection, and integration of foreigners are being prepared.

### Implementation and enforcement capacity

In 2020, Kosovo recorded 1 409 **asylum applications** (2 081 in 2019). A decreasing trend has been observed in the first quarter of 2021, when 94 claims were lodged, in comparison to the same period in 2020 when 655 asylum claims were lodged. All applicants enjoy access to the asylum procedure. However, Kosovo is still mainly a transit country. Most asylum requests are suspended, as applicants disappear without completing the procedure. During 2020, 11 persons received refugee status, while three persons received subsidiary protection. Due to the pandemic, certain delays have been observed with to the processing of Refugee Status Determination.

The establishment of a **fully effective and protection-sensitive entry system** is still a work in progress. The capacities of first-contact officials for identification, screening, and referrals of persons seeking international protection and persons with specific needs within the mixed migration flow should improve further. All asylum seekers are accommodated in the asylum facilities, where the registration takes place. With donor support the authorities worked on the refurbishment of facilities and improving services and standards in the asylum centres, including healthcare services, psychological counselling and psychosocial activities. Detained foreigners who seek asylum are given the opportunity to be transferred to the asylum centre and provided access to asylum procedures. Although detention is considered as a last resort administrative measure, in the absence of alternatives, authorities continue to use it as a temporary measure for different categories of migrants (e.g. those who do not request asylum or are not considered asylum seekers). Alternative solutions to detention need to be established.

The **integration system** is at an early stage of development. The Ministry's Department for Reintegration of Repatriated persons, as a responsible authority for establishment of the functional integration system in Kosovo, needs to be strengthened. Authorities issue biometric ID cards and travel documents for refugees, although long delays have been observed. The assessment of claims based on merit needs further strengthening. Regarding child protection, strengthening of procedures concerning unaccompanied minors, including age determination, legal guardianship and communication, remains crucial. Authorities should consider accelerating the process of hiring new staff in the asylum area, in accordance with new secondary legislation.

The European Asylum Support Office (EASO) cooperates with Kosovo, including through regional training activities. EASO conducted a priority assessment in July 2021 in view of a future bilateral cooperation roadmap.

## Visa policy

Kosovo has yet to fully align its legislation with the EU visa policy. In December 2020, a revised Administrative Instructions on Conditions and Procedures for the Issuance of the

Visas at the Border Crossing Point by the Ministry of Internal Affairs was adopted, which aims to align Kosovo with the EU Visa Code.

Kosovo currently imposes visa requirements on nationals of 88 countries, based on a 2013 government decision. The visa-issuing authorities have the capacity to digitally collect biometric identifiers from visa applicants, although the equipment needs upgrading. All granted visas and rejections are registered in Kosovo's visa information system. 16 Kosovo consulates issue visas. For the year 2020, all visas issued at the border crossing points belonged to the category of official visits.

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

## **Schengen and external borders**

### Institutional set-up and legal alignment

The National Centre for Border Management (NCBM) is one of the most important tools of Kosovo to effectively manage the security of its border/boundary. It has a Joint Intelligence Risk Analysis and Threat Assessment Unit, which collects, analyses, and disseminates information from and to the border authorities responsible for IBM. A revised NCBM Development Plan (2020 – 2025) was approved in January 2021, however there has been no progress in implementing the NCBM Action Plan. There is a need for better strategic assessment and analyses of border-related risks, including security, and for better cooperation with other border authorities. The lack of connection to important international networks such as Interpol's I-24/7, due to status-related issues, affects its effectiveness.

The legislative framework for managing Kosovo's borders/boundary is mostly in line with the EU and international standards. The IBM Strategy (2020 – 2025) and Action Plan (2020 – 2023), which were completed last year, were approved in February 2021.

### Implementation and enforcement capacity

The Border Department of the police is well staffed, with a total of around 1,250 officers, and generally meets EU minimum standards for border controls. The performance of the Border Police working at the border/boundary crossing points and their knowledge of the border procedures has improved. The Kosovo Police Information System is linked to all border/boundary crossing points. The infrastructure at border/boundary crossing points has improved and the Border Management System continues to operate satisfactorily. However, the lack of access to international databases is a hindrance to effective crime prevention work.

The Ministry of Internal Affairs of Kosovo's working arrangement with the European Border and Coast Guard Agency (Frontex) enables close cooperation on irregular migration, cross-border crimes, border security and overall border management. Kosovo participates in the Western Balkan risk analysis network and in several other regional exercises organised by Frontex. Inter-agency cooperation is good, but it could be further improved in regards of information exchange and joint risk analysis.

The Interim IBM common crossing-points with Serbia continue to be operational. Only two of the six permanent Common Crossing Points (CCPs) have been established (Merdare and

Mutivodë/Mutivode) (*see section 5 on the normalization of relations between Kosovo and Serbia*). Facilities of two EU-funded crossing points Merdare and Mutivodë/Mutivode are ready. However, at the latter Serbian authorities are still working in old interim facilities and in the former only one side (exit from Kosovo) is open, because Serbia has not manned the other side (exit from Serbia) of the CCP.

Additional measures need to be taken to combat irregular crossings and related criminal activities (including corruption), particularly along the border/boundary with Serbia. Following a large police operation in early 2020, which revealed a system of border police involvement in organised smuggling across the border/boundary with Serbia, Kosovo police implemented a new anti-corruption strategy, whereby officers rotate every three months from one crossing point to another.

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

While Kosovo is not party to most multilateral treaties governing mutual judicial cooperation, it unilaterally applies internationally recognised treaty standards.

The legal framework for judicial cooperation in civil matters is outdated and not consolidated into one comprehensive law. During the reporting period, a new law on judicial cooperation in civil matters was prepared and adopted by the government, but has yet to be adopted by the Assembly. In 2020, Kosovo issued 123 requests on civil matters and received 200 responses. It received 299 requests on civil matters and provided 288 responses.

Kosovo's international legal cooperation in criminal matters is based on the Law on legal cooperation in criminal matters of 2013 – which is in the process of being revised - as well as on 36 bilateral treaties. In 2020, Kosovo issued 101 requests in criminal matters and received 127 responses. It received 341 requests and provided 224 responses. In December 2020, Kosovo formally appointed two Contact Points for cooperation with Eurojust. Cooperation with countries with which Kosovo does not have bilateral agreements is based on the principle of reciprocity. Cooperative relations should be established with the European Public Prosecutor's Office (EPPO), which started its operational activities on 1 June 2021.

The 2015 Procedures on Mutual Legal Cooperation agreed between Belgrade and Pristina form the basis for judicial cooperation between their judicial authorities. Most other countries that do not recognise Kosovo have voluntarily accepted the facilitating role of the EU Special Representative in Kosovo in the transmission of judicial requests (including those concerning extradition). However, the lack of cooperation by some non-recognising states has in practice resulted in cases of impunity.

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

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

Kosovo is broadly in line with the EU *acquis* on the suppression of counterfeit currency, and has set up competent authorities and procedures for dealing with counterfeit money. However, the Criminal Code is only partially aligned with the EU Directive on the Protection of the Euro and Other Currencies against Counterfeiting, and further alignment is necessary including on altering money and import and export. Technical analysis of counterfeit money (including euro banknotes and coins) in line with international standards is mainly carried out by the Forensics Agency within the Ministry of Internal Affairs. The Agency has concluded an agreement with the European Commission on further cooperation on exchange, assistance and training for the protection of the euro against counterfeiting (the Pericles 2020 programme) (*see section 6.25 on financial control*).

## 2.3. ECONOMIC DEVELOPMENT AND COMPETITIVENESS

	2012-17 average	2018	2019	2020
<b>Kosovo - Key economic figures</b>				
<b>GDP per capita</b> (% of EU-27 in PPS)	23.6	25.0	25.9	26.0
<b>Real GDP growth</b>	3.3	3.8	4.9	-4.1
<b>Economic activity rate of the population aged 15-64 (%)</b> , total	39.7	40.9	40.5	38.3
<i>female</i>	19.5	18.4	21.1	20.8
<i>male</i>	59.6	63.3	59.7	56.0
<b>Unemployment rate of the population aged 15-64 (%)</b> , total	31.2	29.6	25.7	25.9
<i>female</i>	37.6	33.4	34.4	32.3
<i>male</i>	29.1	28.5	22.6	23.5
<b>Employment of the population aged 15-64</b> (annual growth %)	3.7 <sup>1)</sup>	-3.4	5.2	-4.0
<b>Nominal wages</b> (annual growth %)	2.4 <sup>1)</sup>	5.1	5.3	-2.3
<b>Consumer price index</b> (annual growth %)	1.0	1.1	2.7	0.2
<b>Exchange rate against EUR</b>	1.0	1.0	1.0	1.0
<b>Current account balance</b> (% of GDP)	-6.3	-7.6	-5.6	-7.1
<b>Net foreign direct investment, FDI</b> (% of GDP)	3.7	3.4	2.7	4.2
<b>General government balance</b> (% of GDP)	-2.0	-2.9	-2.9	-7.0
<b>General government debt</b> (% of GDP)	11.9	16.9	17.5	21.8

*Notes :*

1) average of 2013-2017

Source: Kosovo statistics, World Bank and IMF

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

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

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

Kosovo has made **limited progress** and is at an **early stage** of developing a functioning market economy. The economy plunged into recession in 2020, but this trend was reversed in the first half of 2021. Long-standing structural problems, such as the lack of economic diversification and the dependence on financial flows from the diaspora made Kosovo very vulnerable to the pandemic-related lockdown and travel restrictions. In response to the crisis, the authorities suspended the fiscal rule and adopted two fiscal packages. A strong increase in spending and shrinking tax revenues resulted in a large budget deficit in 2020 but recovery in tax revenue helped achieve a budget surplus in the first half of 2021. The business environment saw little improvement. Private sector development remains constrained by a widespread informal economy, a slow and inefficient judiciary, a high prevalence of corruption and the overall weak rule of law. Last year's recommendations were partly addressed.

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

- support post-crisis recovery by targeting most affected and vulnerable firms and households while planning the return to the deficit ceiling of 2% of GDP in the medium term;
- prepare a review of the social security system, including war veteran pensions, and a review of tax expenditure with a view to improving the cost-efficiency and fairness of the social security schemes;
- improve the quality of public spending by reforming the public wage system and addressing bottlenecks in the management of capital investment;
- implement relevant business environment measures, in particular the simplification, merging and abolishment of licences and permits;
- implement active labour market measures to support employment, increase labour force participation and incentive measures with an aim to formalise informal employment.

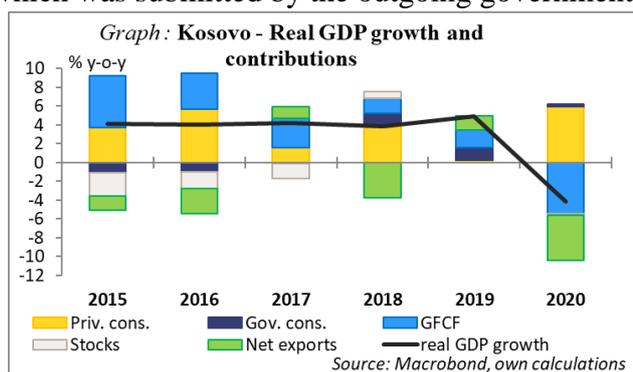
### Economic governance

**Kosovo's economic governance focused on mitigating the crisis impact on households and firms through the adoption of subsequent support packages and the suspension of the deficit rule.** The initial emergency package (EUR 180 million) adopted in March 2020 was supplemented by an additional provision of EUR 185 million for the economic recovery programme in the revised budget adopted in July, bringing the budgeted 2020 crisis-related stimulus to a grand total of about 5.2% of 2020 GDP. The economic recovery programme targeted broadly the same categories as the emergency package. It mainly supported affected businesses and most vulnerable households, formal and informal employment, the health sector, and provided liquidity to financial institutions through credit guarantees and regulatory measures. The implementation of the recovery package in the second half of 2020 was slow, as some support was not possible without the approval of the Law on Economic Recovery, which was adopted with a considerable delay. Once adopted, the law added a new ad hoc spending item to support operational expenses of private firms (EUR 200 million) without transparent allocation criteria. Moreover, the Law on Economic Recovery allowed early, tax-free withdrawals of 10% of pension savings from the Kosovo Pension Saving Trust (KPST) (EUR 200 million or 3% of 2020 GDP), which the government promised to reimburse from 2023 onwards. To bridge the financing gap, Kosovo was granted concessional loans by donors, including Macro-financial Assistance (MFA) from the EU, the IMF emergency liquidity loan (Rapid Finance Instrument, RFI), as well as loans from the World Bank and the Council of Europe.

The policy guidance, jointly agreed at the May 2020 Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, has seen limited implementation. The 2021-2023 Economic Reform Programme, which was submitted by the outgoing government, focuses on economic recovery, but is vague on reform priorities. The return to the 2% deficit ceiling is planned by 2023.

### Macroeconomic stability

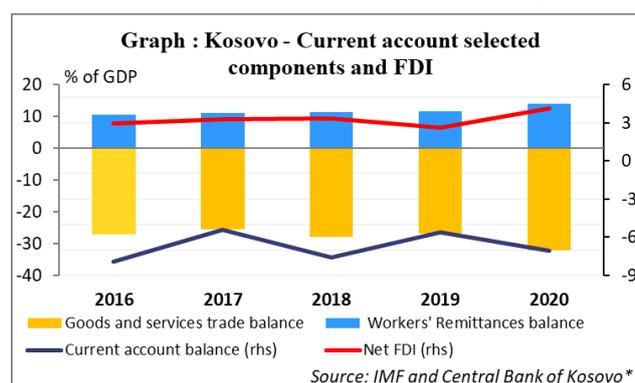
**Following five years of robust growth, Kosovo's economy plunged into recession due to COVID-19-related**



**restrictions.** Annual GDP contracted by around 4% in 2020, driven by a strong fall in private and public investments and a strong negative contribution of net exports. The impact of the crisis on financial flows from the diaspora, notably tourism exports and investment, was a key transmission channel. Declining imports and elevated government spending resulting from fiscal stimulus packages provided some cushion against the economic downturn. In addition, exports of goods held up well and increased by a solid 12.6%, reflecting a strong performance of base metals, which account for more than a third of total goods exports. The reported increase in private consumption seems at odds with falling imports and domestic trade, and likely reflects weaknesses in statistics. Economic activity rebounded in early 2021 with GDP expanding by 5.6% year-on-year in the first quarter, supported by fiscal stimulus and recovering investment. The upward trend accelerated in the summer months due to a massive return of diaspora tourism, stronger remittances and a strong growth in consumption loans. The pandemic underlined the vulnerability of Kosovo stemming from low economic diversification, which was advancing at a slow pace despite robust GDP growth before the crisis.

**Kosovo's per capita GDP remains the lowest in the region.** It stood at about 26% of the EU average in 2020. COVID-19 had a negative impact on employment, wages and poverty. Inequalities remain widespread due to a large informal sector and high inactivity rates, especially among women.

**The current account deficit increased to 7.1% of GDP in 2020 and widened further in the first half of 2021.** In 2020, the deterioration was driven by the collapse of exports of services, mainly diaspora tourism from Western Europe, which fell by 25.7% compared to the previous year. While strong performance of goods exports and declining imports led to a marginal improvement in the merchandise trade deficit, the overall deficit of goods and services rose to 29% of GDP from 27% in 2019. The key offsetting factor was an increase in remittances, which reached 14% of GDP in 2020. The increase of remittances sent via official channels was mainly driven by travel restrictions that made less formal ways of transferring money to Kosovo less viable. In the first half of 2021, the current account deficit more than doubled as compared to the same period in 2020. An impressive return of diaspora tourism led to an increase in the surplus of services trade by 88.3% year-on-year, but the balance of goods trade deteriorated by 37%. Remittances increased by 27% over the same period.



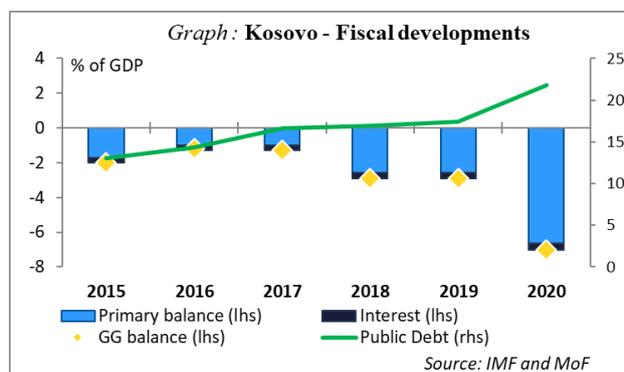
**Net FDI inflows in 2020 increased to 4.2% of GDP on the back of reinvested earnings in the financial sector.** Gross FDI fell by 4%; in particular, FDI in real estate, accounting for the bulk of FDI in 2018-2019, were affected by travel restrictions and the resulting drop in diaspora arrivals in Kosovo. Kosovo does not attract any portfolio investments. In the first quarter of 2021, net FDI inflows increased further to 6.2% of GDP while official reserve assets stood at 3.2 months of imports of goods and services.

**In line with contracting economic activity, average annual inflation declined to 0.2% in 2020.** Weak demand pressures, low imported inflation and the removal in April of 100% import tariffs on products originating from Bosnia and Herzegovina and Serbia led to a steady deceleration of annual consumer price inflation, which turned negative in the summer

despite a positive contribution from food prices. In the first five months of 2021, inflation picked up and averaged 1.2% year-over-year with monthly readings turning positive in February. Inflation's positive trend has continued to increase every month, reaching a record-high figure of 3.5% year-over-year by July 2021.

**In 2020, the budget deficit widened significantly on the back of shrinking revenues and increased pandemic-related spending.** The headline budget deficit reached 7% of GDP in 2020, which corresponds to a deficit of 5.3% of GDP under the fiscal rule definition.<sup>4</sup> The fiscal rule was suspended due to the crisis, allowing the deficit to exceed the prescribed ceiling of 2%. Tax revenue contracted by 9.6% while public spending rose by 6.7% as compared to the outcome of 2019. Tax and non-tax budget revenue fell also short of projections of the revised 2020 budget, with the collection rates from direct and indirect taxation standing at 94% and 96%, respectively. The implementation of the revised 2020 budget was uneven among different categories. Due to the implementation of the economic recovery programme in 2020, social transfers at the general government level rose by 39%. The recurring under-execution of capital spending hit a new record-low in 2020 due to the political stalemate, the pandemic-related restrictions and the resulting inability to advance donor-financed projects. Total capital spending contracted by nearly 28% as compared to 2019. This trend was reversed in the first half of 2021, as the increase in public revenue (19.6%) outpaced growth in expenditure (9.8%) resulting in a budget surplus three times as big as compared to the same period of 2020. Capital spending increased by 27.7% year-on-year largely due to base effects.

**Due to a widening financing gap in 2020, the debt-to-GDP ratio increased to 23.2% in June 2021 from 17.5% at the end of 2019.** Domestic debt, which is held by a narrow investor base, rose by 34% during this period with a large share of new issuances absorbed by the Kosovo Pension Saving Trust (KPST). The share of domestic debt held by the KPST has increased to 45% from 38% in 2019, while the amount held by commercial banks declined from 35% to 31%, respectively. Meanwhile, the share held by the Central Bank of Kosovo (CBK) shrunk by 2 percentage points (pps) to 20%. As Kosovo does not have sovereign credit rating and access to international bond market, foreign financing was provided by international donors. Foreign debt increased by nearly 40% from end-2019 to mid-2021 on the back of external loans, including the EU macro-financial assistance (EUR 100 million), World Bank loans (EUR 76 million) and the IMF Rapid Financing Instrument (EUR 52 million).



**Fiscal governance made little progress in 2020.** While the draft 2021 budget was based on reasonable assumptions, the adoption of the Law on Economic Recovery, which included an additional stimulus package of EUR 200 million and some tax exemptions, made the 2021

<sup>4</sup> The fiscal rule places a cap on the fiscal deficit of 2% of forecast GDP, excluding capital projects financed by privatisation proceeds and donors ('investment clause'). This exemption for donor-financed investments can be invoked until 2025, provided the public debt ratio remains below 30% of GDP. As a part of the fiscal rule, the wage bill rule provides that the increase in the public wage bill cannot exceed nominal GDP growth. The government deposits used as fiscal buffers are legally required to stay at 4.5% of GDP as long as the government is using privatisation proceeds. The debt rule provides that public and publicly guaranteed debt cannot exceed 40% of GDP.

budgetary projections obsolete. The 2022-2024 medium term expenditure framework (MTEF) assumes a very large increase in public investment, which appears overly optimistic, given the repeated under-execution of capital spending over the last years. In June, the government approved the mid-year revision of the 2021 budget, projecting higher tax revenue (8% above the MTEF value) due to a rebound in GDP growth. Public spending is also set somewhat higher as the revised budget includes the economic revival package amounting to EUR 420 million, out of which EUR 190 million was part of the original budget and a further EUR 230 are expected to be financed through additional borrowing, including diaspora bonds. Little progress was made in reforming the pension system, in particular the war veteran pension scheme, which needs adjustments in order to bring its costs into line with the legislated cap. In contrast, allowing the withdrawal of 10% of pension savings from KPST under the stimulus measures undermines the credibility of the contributory system and adds a liability to the public sector. First steps have been taken towards improving the financial oversight and fiscal risk assessment of publicly owned enterprises (POEs) by making POE financial data publicly available. However, these reports have been discontinued in the government's most recent financial statements for the final quarter of 2020.

**While the overall policy mix of temporary loosening of fiscal and financial policies was appropriate, the implementation of the economic recovery programme in 2020 suffered from delays and not clearly defined allocation criteria.** In 2020, some transfers to private firms (EUR 60 million or 1% of GDP) were done universally without analysing whether beneficiaries were hit by the pandemic. As the implementation of the recovery programme continues in 2021, steering recovery-related policies towards growth-enhancing activities is key. While fiscal stimulus is important to support the fragile recovery in 2021, rapidly increasing public debt and the quality of public finance raise concerns. Kosovo's tax base is narrow and is weakened by tax exemptions and preferential tax rates, while public spending is burdened by category-based specific transfers, leaving little space to target poverty and employment policies. The recurrent under-execution of capital investment hinders the enhancement of production base.

#### Functioning of product markets

##### *Business environment*

**The gap between newly registered and terminated firms increased in 2020 due to the slowdown in business closures.** The total number of new businesses in 2020 was 9 805, which marks a decrease of 2% compared to 2019 (10 004 registered new businesses). The number of closed businesses in 2020 was 1,326, a decline of 25% compared to the same period of the previous year (1 769). The gap was especially large in the second quarter when Kosovo had a lockdown.

**Due to pandemic-induced challenges little progress has been achieved in improving the business environment.** The general inspection reform aiming to reduce the number of overlapping and parallel inspections from 36 to 15 has stalled in 2020, but the new government is committed to complete the process. Within the Administrative Burden Reduction Programme, aiming to achieve 30% reduction of the administrative burden over the next eight years, Kosovo initiated a baseline measurement identifying all administrative burdens on businesses. The structural reorganisation of the Kosovo Investment and Enterprise Support Agency (KIESA), whose task is to help businesses and investors, remains behind schedule. The lack of a coherent policy for industry development throughout the supply chain undermines the competitiveness of SMEs.

**Despite measures aimed at fighting the informal economy, it still accounts for more than 30% of GDP.**<sup>5</sup> There was some success in tackling informality and improving voluntary compliance, as the number of registered workers increased in the construction sector due to financial incentives, included in the first emergency package, to join formal employment.

#### *State influence on product markets*

**Kosovo's state aid policy framework is at an early stage and needs to be aligned with EU rules and principles.** Kosovo lacks a coherent approach to state aid as well as a comprehensive strategy and cost-benefit evaluations for aid and subsidies granted. The authorities have established an inventory of aid schemes, as provided in the Stabilisation and Association Agreement (SAA), but their alignment with the existing legislation on state aid is at an early stage. In September 2020, the State Aid Commission (SAC) initiated an assessment of the financial assistance package approved by the government in response to the COVID-19 outbreak. While state aid to public and private companies increased, its allocation is not always well targeted, e.g. the distribution of EUR 60 million to all active private businesses or the suspension of mining royalty for five months in 2021. The SAC currently consists of three members instead of five that might affect its ability to function and carry out decision in a timely manner.

#### *Privatisation and restructuring*

**Privatisation of socially-owned enterprises<sup>6</sup> (SOEs) is advancing very slowly.** Due to frequent government changes and their decisions to suspend and subsequently resume all activities related to privatisation/liquidation proceedings, in 2020 the Kosovo Privatisation Agency (PAK) sold only 93 SOE assets in the value of around EUR 8 million, compared to 222 sold assets in 2019, in the value of EUR 32 million. There is a lack of transparency in SOE financial reporting and recruitment. During 2020, 36 of 589 SOEs have been put into liquidation, while only one liquidation proceeding dated from 2014 was concluded. Historically, most POEs have underperformed financially – a situation that was further deteriorated by the COVID-19 crisis. During the reporting period, both the Hoti government and the Kurti government took decisions to dismiss several boards of Publicly Owned Enterprises (POEs) due to poor performance and replace them with temporary boards. Furthermore, in May 2021 the Assembly dismissed the board of PAK: new board members were elected in August 2021. The board's tasks will be centred on auditing the privatisation undertakings of former PAK boards. The government has announced its plan to dissolve the agency and replace it by a sovereign fund, which would be responsible for investments aiming to increase the value of strategic POEs such as mining company Trepca and Post and Telecom of Kosovo, among others.

#### Functioning of the financial market

##### *Financial stability*

**Supported by regulatory measures, the financial sector continued to expand in 2020 and the first half of 2021 while maintaining adequate capitalisation and liquidity buffers.** The predominantly foreign-owned banking sector accounts for 67.9% of financial system assets, followed by pension funds, insurance and microfinance institutions with 25.3%, 2.8% and 4%, respectively. In response to the crisis, the Central Bank of Kosovo (CBK) allowed for a 3-months loan repayment moratorium in spring 2020 and loan restructurings of up to one year in June-September 2021. In February 2021, the CBK issued a third guide on loan

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<sup>5</sup> IMF 2020 Article 4 consultation.

<sup>6</sup> The ownership of socially-owned enterprises was considered as shared social property in former Yugoslavia.

restructuring which remained open until the end of March 2021. The CBK also applied regulatory forbearance on loan loss provisions and capital requirements on reprogrammed loans. These measures helped contain the impact of the crisis on the banking sector and supported credit growth in 2020, but there might be lagged effects on asset quality once the measures expire. While declining from 18.9% in 2019, banking sector's return on average equity (RAE) remained high at 14% in 2020, and increased to 20% in mid-2021. Profitability increased in the insurance sector, while it dropped sharply for micro-financial institutions, mainly due to the impact of the pandemic. The ratio of bank non-performing loans (NPLs) registered only a small increase to 2.6% in mid-2021 from 2% in 2019, as the deteriorating economic situation was mitigated by the CBK measures on reclassification of loans, but the NPLs might rise as the regulatory flexibility is gradually phased out. The ratio of banks' regulatory capital to risk-weighted assets stood at some 17% in mid-2021, comfortably exceeding the regulatory minimum of 12%. Banks continued to be financed by deposits, predominantly from households. The loan-to-deposit ratio declined to 74.5 % in 2020 from 77.6 % a year earlier, as deposit growth (11.5 %) outpaced the expansion of loans (7.1 %). High deposit growth was supported by the one-off stimulus measure of allowing the 10% withdrawal of pension savings from the KPST, a stable inflow of remittances and precautionary savings. Credit growth accelerated in 2021 and by mid-year the loan-to-deposit ratio increased to 77%.

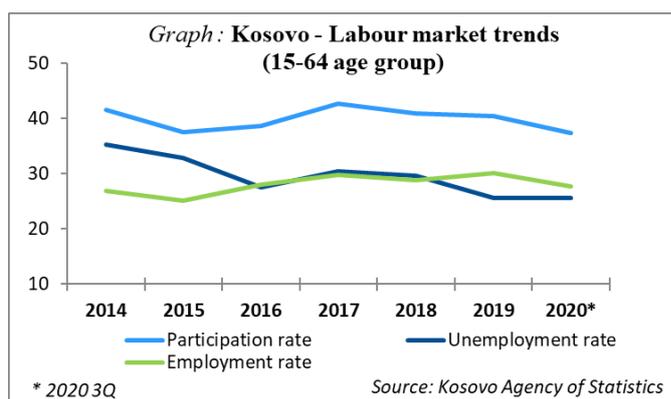
#### *Access to finance*

**Financial intermediation has continued expanding from a low base.** Despite the pandemic, bank lending increased by 7.1% in 2020, while in April-June 2021 it accelerated to over 10 % year-on-year. Loan growth was facilitated by low interest rates, a continued increase of deposits, improved contract enforcement, and increased guarantees extended by the Kosovo Credit Guarantee Fund (KCGF) for lending to micro, small and medium-size enterprises to cushion the impact of the crisis. Lending to both firms and households continued to grow, by 7.2% and 7.1%, respectively. The average interest rate spread increased slightly to 4.7 pps in June 2021 from 4.4 pps in late 2019, suggesting more cautious bank behaviour. The amount of credit compared to the size of the economy remained moderate even by Western Balkan standards, at around 40%. The lack of easily accessible and affordable credit serves as a barrier to the growth of SMEs. This is partly due to the existing disparity between the market value of collaterals and their legally assigned value taken into account by banks. The Kosovo's capital market remains at an early stage of development. The main activities remain in the government securities market, auctioned and recorded by the CBK. A first-ever 'diaspora bond' issuance was made during the summer of 2021 through commercial banks in collaboration with the ministry of finance. Targeting the Kosovo diaspora abroad, this issuance managed to raise EUR 10 million of the EUR 20 million initially offered.

#### Functioning of the labour market

**The economic downturn resulted in a fall in employment and a shrinking labour force.** The labour market situation, which had been a concern already before the outbreak of COVID-19, deteriorated further in 2020. While the unemployment rate (15-64) rose only slightly to 25.9% in 2020 from 25.7% in 2019, employment and labour force participation rates declined to 28.4 % and 38.3 % from 30.1 % and 40.5 % respectively over the same period. *The wide gap between male and female employment rates (42.8% and 14.1% respectively) narrowed slightly due to a fall in male employment (down from 46.2% in 2019).* While the impact of the pandemic was more pronounced in the manufacturing and trade sectors, employment in the construction sector held up rather well despite contraction in

output, due to the financial incentives, included in the emergency package, to join formal employment. *Very high rates of inactivity (61.7 %), in particular for women (79.2%), and an alarming rate of youth unemployment (49.1% for the age group 15-24) persisted, implying structural problems such as undeclared work and misalignment between education outcomes and labour market needs. The share of young people not in employment, education or training aged 15-24, increased somewhat to 33.6% in 2020. Active labour market policies, pre-qualification schemes and vocational training programmes remain inadequate to labour market needs.* Kosovo endorsed the Western Balkans Declaration on ensuring sustainable labour market integration of young people in the summer of 2021, and committed to gradually establish and implement the Youth Guarantee scheme.



**Even before the pandemic, an inadequate system of social assistance was creating disincentives to join formal employment.** Unemployed people do not have social insurance rights, while the social assistance scheme has a limited coverage due to restrictive eligibility criteria. Moreover, category-based social transfers, e.g. war veteran pension scheme, undermines the soundness and fairness of the social

benefit system and motivates other specific groups to request similarly generous allowances. In 2020, the spending on transfers and subsidies exceeded 12% of GDP while within this amount payments on social assistance was less than 1%. Relatively high public wages and remittances increase the reservation wage and hamper private-sector employment. The lack of childcare and elderly care facilities hinders female employment.

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

Kosovo has made **limited progress** and is at an **early stage** in terms of capacity to cope with competitive pressure and market forces in the EU. Little progress was made on improving the quality of education and addressing skill gaps in the labour market. Kosovo made some progress in improving road infrastructure and increasing investment in renewables, but the coal-based, outdated and unreliable energy supply remains a concern. Kosovo made some progress as regards the digitalisation of the economy. Structural changes are emerging only slowly as the economy remains highly reliant on small and very small firms which cannot compete internationally, while the export structure remains dominated by a few products, such as base metals. The recommendations from 2020 were not fully implemented and remain valid.

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

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

### Education and innovation

**Little progress has been achieved in reforming the education system.** Public spending on education stood unchanged at 4.7% of GDP in 2020, which is comparable to the EU-27 average, but given Kosovo's young population, the spending per student is insufficient, focusing mainly on remuneration of teachers. Moreover, schools lack educational material, while the selection of teachers suffers from political influence. The new Law on Textbooks and Educational Material, aiming to improve the quality of learning material, is still in the process of preparation. The enrolment of children in primary, lower and upper secondary education is universal, but a participation of children in early school education and care (3-5 years) is still quite low. Despite some progress achieved with the participation rate increasing to 38.1% in 2020 from 30.9% in 2016, it is still far below the EU average of over 80%. A persistent problem remains due to the urban-rural divide, extreme poverty and a lack of educational facilities. Following the expulsion from the European Association for Quality Assurance in Higher Education, Kosovo Accreditation Agency (KAA) continued efforts to regain membership. A new KAA board was appointed in June 2021, following a competitive process. The draft law on KAA has not been approved due to political situation in 2020, which has a negative impact on the independence of the agency.

**Little progress has been achieved in improving Kosovo's research, development and innovation system.** Public research spending remained very low at 0.1% of GDP, and there is a lack of strategic approach on promoting research activities. In November 2020, Kosovo joined the GÉANT research network, which is Europe's leading collaboration on network and e-infrastructure services.

### Physical capital and quality of infrastructure

**Kosovo is making significant investments in road and railway infrastructure.** The preparatory work on route 7 has been completed, and two segments of the "Peace Highway" part of route 7 received financing from the EU, EIB, WBIF and EBRD, as part of the EU Connectivity Agenda. The Railway Route 10 rehabilitation works, aimed at linking Kosovo with the wider European railway network continued at a slow pace, and are expected to be completed between late 2021 and 2023, with the signalling and telecom project beginning late 2021 until 2025. While Kosovo achieved a significant decline in road fatalities (53.7%) in 2010-2020, the transport system still faces a number of challenges in terms of road safety, inadequate road maintenance, and weak administrative capacity of regulatory institutions.

**Despite some progress on renewables, the unreliable and health-hazardous energy supply, which mainly relies on coal, remains a concern.** The bulk of power supply (880 MW) is produced by two highly polluting lignite power plants which the new government plans to upgrade. The new government does not intend to proceed with the construction of Kosova e Re. In 2020 Kosovo has achieved its target share of energy from renewable sources, which rose to 25.7% in gross final energy consumption. By the end of 2020, Kosovo registered a total of 139 MW of renewable energy capacity, out of which 95 MW of hydropower, 34 MW of wind and 10 MW of solar. Compared to 2019, the increase came entirely due to an additional 19 MW of hydropower, which in some cases implied environmental costs.

**Further options are explored in order to diversify energy supply.** The development of natural gas infrastructure is still to be determined in the upcoming Kosovo's Energy Strategy, currently still being drafted along with the National Energy and Climate Plan (NECP). Preparatory work is continuing for the connection and expansion of the Trans-Adriatic gas

pipeline. Assessment of the interconnection between Kosovo and Albania has been already completed, while a pre-feasibility study for the Kosovo-North Macedonia pipeline is still ongoing. Both projects have the potential to assist in the diversification of energy sources away from coal, as well as in energy-grid stability. Kosovo achieved an important objective with the entry into force of the new Connection Agreement between the Kosovo transmission system operator (KOSTT) and the European Network of Transmission Systems Operators for electricity (ENTSO-E), which allowed for the operationalisation of the interconnection line between Kosovo and Albania, and the formation of the Control Area within Albania-Kosovo Control Bloc (Control Block AK). Following the appointment of the boards of directors, the Energy Efficiency (EE) fund became operational. Some progress was made in extending EE support schemes in private and public buildings, but most of EE investment is done by international donors. The distribution network still suffers from high losses.

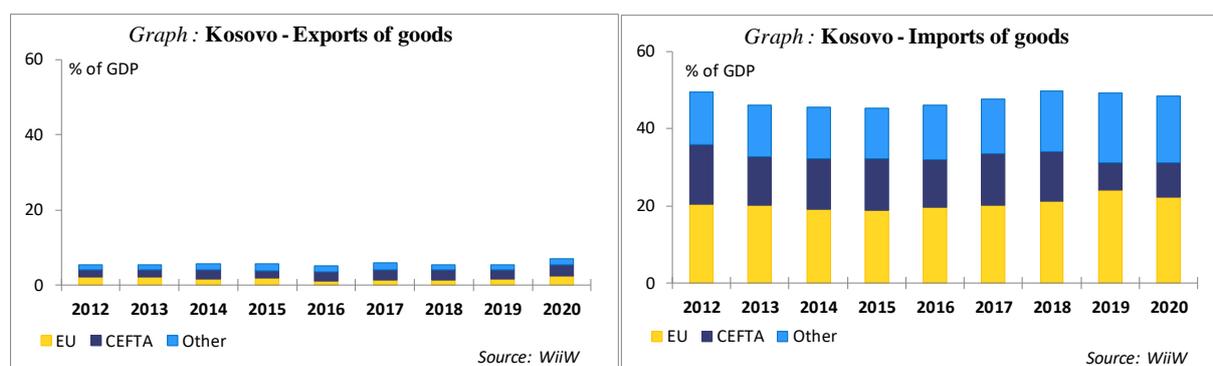
**The digitalisation of the economy is progressing.** After achieving the mid-term targets of its 2013-2020 digital agenda, with the penetration of fixed broadband internet exceeding 90% and the number of mobile phone users standing at 115.7% of the population, Kosovo is preparing a new strategy for 2021-2030. Since 2018, the implementation of a 5-year project, aiming to bridge the urban-rural digital infrastructure divide, and investing in the remote areas which are not attractive for private investors, is continuing.

#### Sectoral and enterprise structure

**The hospitality and construction sectors were the hardest hit by the pandemic.** Based on quarterly data, annual output in the hospitality and construction is estimated to have contracted by more than 20% in 2020, while manufacturing held up well (around 10% increase). More general medium-term problems, such as informal economy, lack of access to finance, insufficient implementation of standards in products, labour skills mismatch, lack of access to information and export opportunities, persisted.

**Kosovo’s private sector is dominated by small firms with difficult access to affordable finance.** Due to delay in legislative approval, the increase of additional guarantees for SME loans via the KCGF has become operational only in January 2021. Guarantee windows, totalling EUR 40 million, focus on lending support to the manufacturing, agribusiness, services, trade sectors, with a particular focus on women in business and start-ups. The KCGF signed the guarantee agreements with its partner financial institutions for the guarantee windows within Economic Recovery Package, which envisage increasing the coverage with a credit guarantee of up to 80% of the loan value and ensures a more transparent process considering that its implementation relies on market mechanisms, i.e. the commercial banks’ assessments on which businesses to support. Kosovo lacks an export risk insurance and finance institution to help promote exports and support market access.

#### Economic integration with the EU and price competitiveness



**The balance of goods trade has slightly improved.** Robust performance of base metals supported export growth while imports of goods declined in line with contracting economic activity. The merchandise deficit narrowed to 38.8% of GDP from 40.2% in 2020, but Kosovo's export structure remains dominated by base metals, which account for about 36.9% of goods exports. In 2020, the EU accounted for more than 45% of the total imports of goods. CEFTA's share increased to 18.7%, as Kosovo abandoned the 100% import tariffs on goods originating from Serbia and Bosnia and Herzegovina. The share of goods exports to the EU and CEFTA rose slightly to 34.4% and 44.4%, respectively.

**The EU remains the main investor in Kosovo.** Net FDI inflows are estimated to have increased by 34% in 2020, on the back of lower profit repatriation in the financial sector and a drop in outward FDI. The shares of Germany and Switzerland (two countries with large diasporas from Kosovo) increased from the previous year to over 13% of net FDI stock each, while the overall share of the EU stood at 36%.

**Due to severe contraction of service exports, trade openness dropped significantly in 2020.** Although Kosovo preserved trade-friendly regulations, overall trade openness fell by 10 percentage points in 2020 to 75.6% of GDP. This is mainly due to the severe export contraction, driven by tourism services to the diaspora, which fell to 21.6% of GDP from 29% in 2019. The imports-to-GDP ratio declined less dramatically from 56% to 54% of GDP over the same period.

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

##### **Public procurement**

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

Kosovo has **some level of preparation/is moderately** prepared in public procurement. There was **some progress** during the reporting period. Transparency of public procurement has further increased with the addition of two new e-procurement modules and improved monitoring of contract implementation. Enhanced coordination and information exchange between the Procurement Review Body (PRB) and the Public Procurement Regulatory Commission (PPRC) is positive and should be further enhanced with other relevant stakeholders. However, public procurement remains prone to irregularities and vulnerable to corruption during the procurement process and contract implementation. As most recommendations from the previous report remain valid, in the coming year Kosovo should in particular:

- adopt a public procurement law in line with the EU *acquis* on public procurement, including concessions, and ensure its proper implementation;
- increase the capacity of all public procurement institutions and the cooperation between them to ensure consistent implementation of the public procurement regulatory framework;
- ensure that the PRB is fully operational, independent and professional, and that staff capacity limitations are addressed.

##### Institutional set-up and legal alignment

Kosovo's **legal framework** on public procurement is partly aligned with the 2014 EU Directives on classical and utility procurement. Legislation adopted on defence and security procurement remains partially aligned with the EU *acquis*.

During the reporting period, Kosovo took some steps to bring the legal framework further into line with the EU *acquis* and adopted a concept document for a new public procurement law addressing the remaining gaps in the areas of e-procurement. However, the authorities have not started to prepare any relevant implementing legislation and guidelines for contracting authorities. This includes legislation on procurement plans and their pre-approvals at commitment stage. In October 2020, the government issued a decision repealing exceptions from the application of the public procurement law, which had been previously granted, including to Kosovo Telecom.

Kosovo's public procurement **strategy** (2017-2021) and action plan (2020-2021) are coming to an end and an assessment of their implementation is still pending. A new public procurement strategy and action plan will be incorporated into the new Public Finance Management Reform Strategy 2022–2026.

The **Central Procurement Agency (CPA)**, under the Ministry of Finance, Labour and Transfers, is in charge of coordinating centralised purchases. The **Public Procurement Regulatory Commission (PPRC)** is responsible for the overall coordination and supervision of the public procurement system. The **Procurement Review Body (PRB)** examines all allegations of breaches to the public procurement law and reviews bidders' complaints. Since October 2020, the Procurement Review Body and the Public Procurement Regulatory Commission held regular meetings to address specific procurement-related issues, ensure coordination of actions and joint policy development. To increase transparency, the Body's decisions are published on its official website and sessions are broadcasted live on its website. Other relevant stakeholders, such as the Kosovo Competition Authority should develop cooperation with the PPRC, the PRB and the CPA to advocate fair competition. On enforcement, inter-institutional coordination, also with the State Audit Office, is relevant to detect any bid rigging and reduce its risks through careful design of the tenders.

#### Implementation and enforcement capacity

Kosovo's **public procurement market** was estimated at 7.5% of GDP in 2020 (based on preliminary data), compared to 10.7% in 2019. End of 2020, approximately 9 576 (6 000 in 2019) economic operators and around 25 000 (10 000 in 2019) active users were registered in the e-procurement system. In 2020, a total of 10 935 public contracts have been signed compared to 12 412 in 2019. Due to the pandemic, a significant amount of public procurement activities, 10.4%, have been carried out via negotiated procedure during 2020.

On **monitoring of contract awards and implementation**, 86.2% of contracts were awarded through open procedure in 2020. 99.02% of public contracts were awarded according to the lowest-price criterion with only 0.98% using the best-price-quality ratio in line with the EU Directive on public procurement. Two new **e-procurement** modules have been introduced to evaluate contractors' performance and monitor contract implementation. Additional efforts are needed to ensure the interoperability between the e-procurement system and other relevant government IT systems, including from Treasury. The exchange of data between the e-procurement and the treasury system will allow the tracking of payments for ongoing contracts.

**The capacity to manage public procurement processes** varies between contracting authorities. The tender evaluation process, market research, and in particular implementation and monitoring of contracts need to improve. Poorly drafted technical specifications can undermine the quality, efficiency and transparency of procurement. The PPRC in cooperation with the Kosovo Institute for Public Administration has organised training for procurement officers to address this issue. A careful design of tenders can reduce the risks of bid rigging.

Limited enforcement with insufficient managerial accountability and quality control throughout the public procurement cycle combined with limited contract management capacity, risks mismanagement and corruption.

Centralised procurement is mandatory for agencies with fewer than 50 employees and 14 listed categories of goods and services. 16 out of 165 contracting authorities, that are accountable to the Assembly, have to procure through the CPA. The Agency continues to be understaffed and lags behind in implementation. The use of negotiated procurement procedures has increased significantly due to the COVID-19 pandemic. In 2020, contracts for a total amount of EUR 56.8 million were concluded using this accelerated procedure. To mitigate the risks of misuse and fraud, it is especially important to ensure solid justification, maintain audit trails and full transparency.

In 2020, the backlog of complaint cases before the PRB increased. The institution needs more qualified staff, especially review experts and legal officials. Its decision-making lacks quality and consistency.

The current legislation on economic recovery, which is due to expire end of 2021, had introduced the preferential treatment to local producers and local services in public procurement, granting an advantage to those bids over others.

There were no developments as regards **integrity and conflicts of interest**. Accountability among the public procurement officers is often lacking. Kosovo has a code of ethics for public procurement but compliance is not monitored. Most contracting authorities do not fulfil their legal obligation to publish public procurement plans. Further efforts are underway to strengthen local government procurement systems and audit oversight and an increasing number of municipalities are publishing procurement contracts.

#### Efficient remedy system

The legislation on the right to legal remedy is broadly in line with the EU *acquis*. The PRB is a quasi-judicial body reviewing complaints from bidders. The remedy system in Kosovo is mainly used by economic operators, which is an indicator for easy access.

During the reporting period, the Body has received 1,184 complaints from economic operators, an increase compared to 2019 (981 complaints). This continued to exert a significant strain on the capacity of its board, which remains impaired, as two of the five members are not appointed, while the mandates of the remaining members expired in March 2021. The government appointed a selection committee for the recommendation of candidates for the PRB Board. The selection process and further appointment by the Assembly needs to urgently advance in order to address the increasing backlog of cases at the PRB.

#### **Statistics**

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

Kosovo has **some level of preparation** in the area of statistics. **Some progress** was made, notably in improving data collection methodology and data transmission to Eurostat. Kosovo's Agency for Statistics needs to intensify its efforts to implement the recommendations of the Eurostat peer review. Communication between the statistical institutions has somewhat improved but the coordination at the technical level and the use of available administrative data sources has not notably improved since last year. During the

reporting period, there has been little improvement in the alignment of sectorial statistics with European standards or the provision of new statistical products. The planned population census was not conducted and has been postponed until the spring of 2022.

Following on last year's not implemented recommendations, in the coming year, Kosovo should in particular:

- increase the number of statistical products and their transmission to Eurostat;
- improve statistical governance and coordination between the main statistical institutions and ensure better access to and use of available administrative data sources;
- improve contacts and relations with external data users;
- intensify preparations for the next population census in 2022 by ensuring adequate resources and full coverage of the territory.

On **statistical infrastructure**, the legal framework is broadly in line with the European statistics Code of Practice; however its implementation needs to be enforced by preserving the lead role of the Kosovo Agency for Statistics, improving statistical governance and coordination between main statistical institutions and ensuring better access to administrative data sources. The Agency needs to intensify the implementation of the **Eurostat** peer review recommendations particularly by increasing its cost-effectiveness, strengthening quality management and relations with data users. During the reported period, the agency has not had any increase in the number of staff, however efficient internal systems, processes and delegated management remain a challenge and should be enhanced. The current Agency premises remain inadequate. Data transmission to **Eurostat** continues to improve, but needs to improve further. Despite improvements with its web-based dissemination of statistics, the Agency needs to strengthen its active relations with data users and academia. Kosovo continues to use the European classification of economic activities (NACE Rev.2) but has not improved in the use of other European classifications. Likewise the existing registers (agriculture, business and schools/education) are updated regularly but the population register still needs significant improvements in order to provide adequate basis for census related activities.

On **macroeconomic statistics**, Kosovo has made some slight improvements from last year; further alignment with the European System of Accounts 2010 is ongoing. The Agency compiles annual and quarterly national accounts and has managed to shorten the production period, however methodological inconsistencies need to be addressed. Annual and quarter sector accounts, supply/use tables and the regional accounts are not regularly compiled. Fiscal notifications are not yet available. The number of ESA 2010 transmission tables to Eurostat has seen some improvements during the reported period. Monthly statistics for trade in goods are submitted to Eurostat. Balance of payments data are compiled by the Central Bank and are broadly in line with the EU *acquis*; annual and quarterly data are submitted to Eurostat. Government finance statistics are published quarterly. The Harmonised Index of Consumer Prices is published based on EU Standards (ECOICOP classification).

Structural **business statistics** and some short-term statistics are partially in line with the EU *acquis* however their availability is limited and they lack distinction between public and private investments or by sectors. Industry statistics are produced broadly in line with the relevant regulation; KAS has for the first time published services sector statistics (covering the period Q1 2018-Q4 2020) in March 2021. Construction sector statistics are largely not available; only the construction cost index is produced on a quarterly basis (Q4 2020 statistics

published in March 2021). Industry statistics (PRODCOM survey) for the year 2019 has not been published (the last one remains the one from year 2018). Foreign Affiliates Statistics (FATS) are not available. Tourism statistics and transport statistics are still not aligned with the EU *acquis*, while statistics on development and innovation are not produced on a regular basis. The information and communication technologies (ICT) statistics for households started in 2018 and is now regularly being published (the results for 2020 have been published in December 2020) whereas the ICT statistics for enterprises were collected for the reference year of 2019 and results have been published in December 2020 but due to technical problems not transmitted to Eurostat.

In the area of **social statistics**, only demographic statistics are broadly in line with the EU *acquis*. The preparations for the forthcoming population census 2021 has been affected by covid-19 pandemics and political instability; KAS conducted pilot census during the autumn of 2021 but was not able to follow with the general census which has been postponed to the spring of 2022. The new Government should allocated adequate funds in order to ensure that the general census can be conducted in its entire territory as planned in April 2022. Statistics on Income and Living Conditions (regular EU-SILC Survey) are produced annually; the one for year 2018 was published in August 2020, whereas the one for 2019 is expected to be published during the current year. Social protection and labour market statistics are only partially produced. An annual and quarterly labour force survey is carried out regularly and its publication timeframe has improved. The labour cost index, structure of earnings data and job vacancy statistics are still not produced. Education statistics are partially produced but are still not classified according to international education classification standards (ISCED 2011). Public health and crime statistics are not yet in line with EU standards. Vocational training statistics are still not produced.

For **agricultural statistics**, the Agency published data on annual agricultural crops, livestock production and orchard statistics. The agricultural holding survey is regularly produced and aligned with *acquis* standards. The last farm structure survey was conducted in 2014 and the new one is not planned until 2023. Agricultural price indices and economic accounts for agriculture are produced on a regular basis. Supply balance sheets and the agriculture labour index are not yet produced on regular basis.

**Energy and environment statistics** are partially in line with the *acquis*. During the reporting period, the Agency shortened the deadlines for publishing energy balance results and has increased the number of statistical products sent to Eurostat, but further improvements are needed in this field. Energy consumption statistics for residential, services and transport sectors are collected but the results are not published regularly. Monthly data and the monthly share of renewables are not provided to Eurostat. The lack of energy efficiency indicators continues to be an obstacle to reporting on energy savings. Waste and water statistics are produced regularly. Greenhouse gas emission statistics are being collected but the information is not published regularly. Other environmental statistics such as air emissions accounts, environmentally related taxes by economic activity, environmental protection expenditure and material flow balances are not yet produced.

### **Financial control**

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

Kosovo has **some level of preparation** in the area of financial control. **Some progress** was made on addressing remaining gaps in the implementation of primary and secondary legislation on public internal financial control.

High level political support is needed for the implementation of appropriate internal controls at all levels of the administration. The functioning of internal control and audit and the timely implementation of internal and external audit recommendations needs to be strengthened. In the coming year, Kosovo should in particular:

- integrate all elements of the PIFC strategy in the new public finance management strategy 2022-2026, and finalise the corresponding PIFC Action Plan;
- improve accountability by aligning special laws with the overarching Law on the organisation and functioning of the state administration and independent agencies, and clarify the accountability lines within and between public institutions;
- improve more systematic and timely implementation of external audit recommendations, especially with regard to performance audits that have been undertaken in recent years.

#### *Public internal financial control*

The **strategic framework** for public internal financial control (PIFC) is generally in place but needs to be updated. The PIFC Strategy expired at the end of December 2019. Kosovo needs to integrate all elements of the PIFC strategy in the new public finance management strategy 2022-2026, which are expected to be rolled out from September 2021, focusing in particular on definition and implementation of managerial accountability. Kosovo also needs to finalise the corresponding action plan to have a stronger connection between the strategic and operational objectives and needs to include indicators that measure not only administrative but also managerial accountability.

Kosovo needs to include **managerial accountability** in an articulated manner within its administrative culture at central and local level. The Regulation on financial management and control spelled out the rules for delegating responsibilities. However, in practice its implementation is incomplete and managerial accountability is focusing mainly on compliance rather than performance. The Law on the organisation and functioning of the administration and independent agencies adopted in 2019 has clarified the lines of accountability within and between institutions and agencies. It now needs to be implemented to allow decentralised delegation of authorities and responsibilities. There is no progress on rationalising agencies, with the aim of reducing the high number of (semi-) independent agencies and introducing better supervision and reporting lines. (*See section on Public Administration Reform*).

While the legal framework on internal control is largely harmonised with international standards, the financial control manual was updated in 2020, Kosovo now needs to further revise its **internal control** functions in line with the Commission of Sponsoring Organizations of the Treadway Commission (COSO) principles. The financial control manual is expected to be updated once more by the end of September 2021. Risk management needs to be included into management and governance processes and reinforced. A risk-based approach to the selection of cases for controls is under preparation.

The administrative capacities of **internal audit** units at central and local level are still limited and **the internal audit practice** concentrates mainly on observing rules and procedures.. Challenges remain with the effective establishment of internal audit committees in all budget organisations, including at municipal level. Most internal audit units submit strategic and annual audit plans as required, but quality assurance should be further implemented.

The **Central Harmonisation Unit** (CHU) monitored eight public sector entities specifically for the quality of their financial management and control (6 in 2019). The CHU prepares an annual report on the implementation of PIFC on the basis of replies to self-assessment questionnaires and its own quality reviews. However, there is a need for more evidence-based recommendations and more systematically implemented.

A certification scheme for internal auditors is in place, but needs to be improved as regards management and technical content. Kosovo should make further efforts to have professionally trained internal auditors, who have undergone rigorous technical examination. Kosovo is expected to finalise the Administrative Instruction for certification of internal auditors by the end of the next reporting period.

#### External audit

In line with the standards of the International Organisation of Supreme Audit Institutions, Kosovo's **constitutional and legal framework** provides for the functional, organisational and financial independence of the National Audit Office (NAO). The NAO became a full member of the European Organisation of Supreme Audit Institutions (EUROSAI) in November 2020. The Law on the Auditor General and the National Audit Office of Kosovo should be modified to remove the obligation to conduct regularity audits annually on all budget organisations (regardless of their size, complexity, risk, etc.); audits should be selected based on risk level assessment of public finance. These changes would increase the number of Audits of Publicly Owned Enterprises and performance audits.

The Office's **institutional capacity** remained largely stable with 171 staff, of whom 141 are audit staff (170 and 141 in 2019). The Office is implementing its 2018-2021 strategic development plan, which includes objectives, performance indicators and a monitoring framework. It introduced audit quality control and assurance procedures and continued to implement a certification programme for auditors.

The Office finalised 11 performance audit reports, compared to 8 in 2020. It worked with civil society organisations, especially at local level, to improve the **impact of audit work**; municipality-level public debates on the audit recommendations took place. The percentage of fully implemented recommendations rose slightly from 40% in the previous year to 45%. A better follow-up and review of performance audits, should be ensured by the government, and the parliamentary committees of the Assembly

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

Kosovo is invited to take the necessary steps in the process of **legislative approximation with the *acquis*** in the fight against fraud in line with the Union's financial interests, and by means of criminal law. Kosovo is also invited to set up an **anti-fraud** coordination service (AFCOS) and adopt an anti-fraud strategy. **Cooperation** is governed by an administrative agreement between the Kosovo Police and the European Anti-Fraud Office (OLAF). It is designed to ensure the timely transmission of information and cooperation in cases relating to alleged fraud and other illegal activities affecting the financial interests of the EU.

#### Protection of the euro against counterfeiting

Kosovo has established competent authorities and procedures for dealing with counterfeit money, but **alignment with the *acquis*** in this area still needs to be assessed. The Law on the Central Bank prohibits the circulation of counterfeit money. The Central Bank has issued a regulation on cash operations to strengthen rules and procedures for financial institutions operating in Kosovo. The Commission has a **cooperation agreement** on coins with the

Kosovo Agency on Forensics. Kosovo takes part in the actions of the Pericles 2020 programme.

### 3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Good neighbourly relations and regional cooperation form an essential part of Kosovo's European integration process and contribute to stability, reconciliation and a climate conducive to addressing open bilateral issues and the legacies of the past. Kosovo maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), Energy Community, Transport Community, the South-East European Cooperation Process (SEECP) and the Regional Cooperation Council.

The COVID-19 pandemic has accelerated the ambition to enhance regional integration, by displaying the important links between markets in the region as well as between the EU and the six Western Balkans economies. Given the European perspective of the Western Balkans, the EU has continued to treat the region as privileged partners by associating them with the Union's mechanisms and instruments, including an exemption from temporary EU export restrictions of medical equipment.

At the **Sofia Summit** on 10 November 2020, the six Western Balkans leaders adopted the Declaration on the Common Regional Market and the Declaration on the Green Agenda for the Western Balkans. This followed upon previous commitments taken at the EU-Western Balkans Zagreb summit in May 2020 and the recognition of the role of deepened regional economic integration to support the economic recovery of the Western Balkans. The Common Regional Market is structured around the four freedoms (free movement of goods, services, capital and people) while also covering aspects of digital, investment, innovation and industrial policy. This makes it the most ambitious regional integration effort to date in the Western Balkans. The Common Regional Market builds on EU rules and standards and represents a stepping-stone to integrate the region more closely with the EU Single Market already before accession.

The **Common Regional Market** will be critical in increasing the attractiveness and competitiveness of the region. It will help Kosovo to speed up the recovery from the aftermath of the pandemic, notably to attract investors looking for diversification of supply and shorter value chains and to maximise the benefits of the infrastructure investments under the Economic and Investment Plan. It is therefore important that all parties play a constructive role in building the Common Regional Market and deliver on their joint commitments.

The **Green Agenda for the Western Balkans** aims at reflecting, the European Green Deal in a proportionate and adapted manner in the Western Balkans. The objective is to turn environmental and climate challenges, similar in the region, into opportunities. Given that natural resources and climate change do not know any border, the Green Agenda foresees joint actions, which will contribute to the sustainable socio-economic development and the green recovery of the entire region in the post-pandemic period. Kosovo should contribute to successfully implement this joint regional vision, with high level of ambition.

The **Berlin Process summit** on 5 July 2021 was an occasion for the Commission to announce targeted assistance related to combating the COVID pandemic and post-pandemic recovery, as well as the preparations of a 2021 financial package under WBIF for the implementation of the Economic and Investment Plan. The participants also took stock of the achievements of the connectivity agenda with the region, which now includes 45 investment

projects, supported by EUR 1 billion in EU grants that have leveraged EUR 3.8 billion in loans. Regrettably, despite good technical progress, the Western Balkan partners were not able to conclude several important agreements related to the Common Regional Market and CEFTA, because of bilateral and status issues. The participating Member States and the Commission called for a constructive approach to making progress on the Common Regional Market, which will help the region take full advantage of the Economic and Investment Plan.

In July 2021, the regional agreement on roaming fees signed at the April 2019 Western Balkans digital summit in Belgrade entered into force, enabling “roam like at home” (RLAH).

The unresolved fate of **missing persons** who disappeared in relation to the conflicts of the 1990s remains a humanitarian concern in the Western Balkans. In April 2021, 9 996 people are still missing as a result of the conflicts in the region. Of these, 6 377 cases are related to the conflict in Bosnia and Herzegovina, 1 980 to the conflict in Croatia and 1 639 to the conflict in Kosovo. The resolution of the fate of 1 639 missing persons related to the conflict in Kosovo and its aftermath continues to be hampered by a lack of new information on gravesites and politicisation of the issue. In addition, the COVID-19 pandemic slowed down the work in this area. A total of seven cases (four in 2020, three in 2021) have been closed with body remaining handed over to their families. The resumption of the EU-facilitated Dialogue between Belgrade and Pristina, in July 2020, gave a new impetus to the work carried out by the International Committee of the Red Cross as chair of the Belgrade-Pristina working group on missing persons, with three sessions held in 2020. With the support of the International Commission on Missing Persons and EULEX, Serbia conducted a joint excavation with Kosovo representatives in Kizevak (Serbia) from November 2020 onwards. During the reporting period, Kosovo’s Government Commission on Missing Persons conducted assessment excavations in nine locations. In January 2021, it signed with ICRC a Memorandum of Understanding reinforcing the exchanges of information in the framework of the ICRC-led Working Group. The government should ensure political and financial support to the Commission including the further strengthening of the inter-institutional cooperation. Efforts continued to produce a unified list of missing persons. Despite recent progress on digitalisation of available archives, a functional case management system is still not in place. The Institute of Forensic Medicine and the Ministry of Justice, after long delays, adopted the secondary legislation needed for the restructuring of the Institute in July 2020.

Kosovo has continued to maintain **bilateral relations** with the countries of the region.

Kosovo maintained overall good relations with **Albania**. In October 2020, both governments met and signed 14 agreements, mainly on economic cooperation and connectivity. Despite the high number of bilateral agreements signed under the Strategic Partnership (70 since 2014), implementation remains limited, but the trade volume is nonetheless increasing. A bilateral agreement to establish a joint electricity control block with Albania became operational in December 2020. Negotiations on a social security agreement and an initiative to conclude a bilateral treaty with Albania on legal cooperation are ongoing.

Kosovo has maintained good relations with **Montenegro**. The Deputy Prime Minister of Montenegro visited Prizren in March 2021. In June 2021, Kosovo and Montenegro signed an agreement eliminating vehicle insurance tax for entry into their respective territories.

Kosovo continues to enjoy overall good relations with **North Macedonia**. There has been some progress towards an agreement to open the rail Border/boundary Crossing Point (BCP) between Kosovo and North Macedonia.

There has been no change in Kosovo's formal relations with **Bosnia and Herzegovina**, which does not recognise Kosovo's independence and the two maintain a strict visa regime. An initiative to simplify the visa procedure for all citizens of Kosovo is still pending.

Kosovo has maintained good relations with **Turkey**, including in the political, economic and cultural sectors. High-level bilateral meetings took place in the margins of the SEECP Summit in June 2021 in Antalya.

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

The EU-facilitated Dialogue on normalisation of relations between Kosovo and Serbia continued in June 2021, after early parliamentary elections were held in Kosovo in February 2021. Until then, the Dialogue had been on hold after December 2020 after the government collapse in Kosovo and organisation of new elections. High-level meetings between the new Prime Minister of Kosovo and the President of Serbia were held on 15 June and 19 July 2021. Additionally, three meetings on chief negotiators' level took place, with the latest meeting held on 30 September 2021. Both parties appointed new chief negotiators and negotiations teams.

During the reporting period, no further progress was achieved in the negotiations on the comprehensive and legally-binding normalisation agreement. Initial progress on the agreement had been made in 2020, when the parties agreed to provisionally close the issues of missing persons, displaced persons and economic cooperation and start negotiations on property and financial claims. The new Kosovo government is encouraged to engage constructively and resume the negotiations on the comprehensive normalisation agreement.

Following tensions in the north of Kosovo, an arrangement was reached in the EU-facilitated Dialogue on 30 September 2021 on de-escalation and a temporary measure for licence plate issues. The Parties also agreed to establish a Working Group led by the EU, to find a permanent solution within 6 months based on EU standards and practices. The EU expects the Parties to engage constructively in this process to ensure freedom of movement for citizens.

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

- The full implementation of the justice agreement drawn from the April 2013 'First agreement of principles governing the normalisation of relations' continues to require further efforts by the authorities in Pristina. During the reporting period, the provisions of the agreement were not respected by Kosovo in one case;
- During the reporting period, there has been no further progress on the implementation of the 25 August 2015 Agreements. No progress has been made on the Association/Community of Serb majority municipalities and Kosovo has yet to engage constructively in its establishment;
- Regarding the energy agreement between Serbia and Kosovo, a new connection agreement between the Kosovo transmission system operator and the European Network of Transmission System Operators has come into effect. Serbia filed an application to license Elektroserver, which is currently being reviewed by the Kosovo Energy Regulatory Office;
- The works on the Mitrovica bridge have long been completed and the bridge should be opened to vehicle traffic without further delay or obstructions;
- As regards the technical dialogue agreements (2011-2012), some are not or only partially being implemented. Both parties need to remain committed to the continued implementation of the agreement on representation and participation of Kosovo in

regional forums. The implementation of the cadastre and university diplomas recognition agreements is still pending. The implementation of some elements of the agreement on freedom of movement, in particular related to license plates, are also pending. Serbia has yet to address the issue of re-located Serbian administrative customs structures with Kosovo denomination that operate from within Serbia, and to cease the issuance of documentation or affixing of stamps with denomination that contravenes the related agreement;

- On IBM, the interim common crossing points with Kosovo continue to be operational. There has been limited progress in establishing the six permanent IBM common crossing points between Serbia and Kosovo as stipulated in the IBM agreement. Serbia agreed to take possession of the newly constructed EU-funded facilities at the Merdare crossing point in October 2020, but it has not engaged constructively in starting the establishment of the crossing points on the Serbian side (in Jarinje, Mucibabe, and Konculj). This has led to a suspension of EU funds for this project in July 2018. Additional measures continue to be required by Serbia to close illegal crossings;
- The parties have continued to largely comply with their respective obligations under the telecoms agreement during the reporting period;
- Requests for mutual legal assistance are in principle being processed;
- Kosovo needs to respect the Arrangements for Official visits consistently.

Overall, Kosovo has remained engaged in the dialogue. However, the Kosovo government needs to uphold its previous commitments and commit to the full implementation of past Dialogue agreements. Moving forward, Kosovo also needs to make further substantial efforts refraining from any unilateral actions and contributing to a conducive environment for the conclusion of a legally-binding normalisation agreement with Serbia, including in its international relations. Kosovo is expected to engage constructively in the negotiations on the legally-binding normalisation agreement in the coming period in order to make rapid and concrete progress. Reaching a comprehensive, legally-binding agreement is urgent and crucial so that Serbia and Kosovo can advance on their respective European paths.

## 5. EUROPEAN STANDARDS

### 5.1. INTERNAL MARKET

Kosovo has some level of preparation in most of the areas of the internal market, namely the free movement of goods, capital, company law and intellectual property, whereas its preparations are moderately prepared on movement of workers, services and right of establishment and on financial services. It is at an early stage of preparation on competition, as well as on consumer policy and health protection. During the reporting period, Kosovo has made some progress in all areas, except on consumer policy and health protection, where only limited progress was made.

#### 5.1.1. Free movement of goods

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

Kosovo has <b>some level of preparation</b> for the free movement of goods. <b>Some progress</b> was achieved during the reporting period by adopting implementing legislation on market surveillance, metrology, accreditation, technical requirements and conformity assessment.
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Efforts were made on the calibration of measurement standards and the electronic register of technical regulations. The administrative and human resources capacity of quality infrastructure institutions needs to be further strengthened and structural weaknesses addressed.

Some recommendations from the previous report remain valid and Kosovo should in particular:

→ increase the enforcement capacity of quality infrastructure, in particular of conformity assessment and market surveillance bodies;

→ adopt the new law on general product safety to further align legislation with the EU *acquis*;

→ amend the law on chemicals to start implementing requirements of the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

### General principles

As regards **production, distribution and marketing of industrial products**, a new law on general product safety needs to be adopted to unify the provisions of Kosovo's order competencies of various inspectorates for non-food product groups and render the system more coherent and transparent. Implementing legislation on the form and content of conformity marking and recognition of foreign documents was adopted in September 2020.

### Non-harmonised area

The action plan on ensuring alignment with the obligations of **Articles 34-36** of the Treaty on the Functioning of the European Union (TFEU) was finalised and adopted by the government. An electronic "intranet" register of Kosovo's **technical regulations** was established. It will enable smoother implementation of existing obligations under the CEFTA Agreement and EU *acquis*.

### Harmonised area: quality infrastructure

The **Standardisation** Management Information System is used for managing the standardisation processes, but also for exchanging vital information and data with European and International Standardisation Organisations. Its functioning is crucial for the adoption of standards in line with the European Committee for Standardisation/European Committee for Electro-technical Standardisation (CEN/CENELEC) and international standardisation bodies. However, the system is in need of urgent upgrading to continue its operation. Kosovo Standardisation Agency's affiliate membership of CEN/CENELEC is still pending.

As a response to the large number of medical laboratories that were established since the beginning of the COVID-19 pandemic, a new scheme for medical laboratories was established which led to the **accreditation** of two medical laboratories. There are now 58 accredited conformity assessment bodies in Kosovo (37 test laboratories and 21 inspection bodies), but their capacity still needs to be strengthened.

In the area of **metrology**, nine relevant pieces of implementing legislation designed to align with the EU *acquis* entered into force during 2020. The Kosovo Metrology Agency had six measurement standards calibrated by metrology bodies in 2020 (on temperature, mass and humidity of air). In May 2021, the Agency sent the necessary data to apply for associated membership of the European Association of National Metrology Institutes (EURAMET).

As regards **market surveillance**, Kosovo adopted legislation on groups of products that were subject to inspection surveillance in October 2020. The legislation is based on the law on technical requirements for products and conformity assessment. This completes the step to unify the rules on competencies of various inspectorates for groups of non-food products.

During the reporting period, 412 product safety inspections were conducted with 5 harmful products identified, including 2 with serious risks.

#### Harmonised area: sectoral legislation

On “**new and global approach**” **product legislation**, Kosovo adopted legislation designed to be aligned with the EU *acquis* on personal protective equipment, machinery, pressure equipment and gas appliances. Some alignment in the area of construction products took place but further alignment is needed.

As regards “**old approach**” product legislation, there is still a substantial lack of capacity for the alignment as well as the practical implementation of the EU Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). The law on chemicals requires substantial changes to align with EU legislation. The motor vehicles legislation is partly aligned with the EU *acquis*.

There was no further progress on alignment with **procedural measures**. Kosovo’s legislation is partly aligned with the EU *acquis* in the areas of cultural goods, textile labelling and defence products.

#### **5.1.2. Movement of workers, services and right of establishment**

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

Kosovo remains **moderately prepared** for the free movement of workers, services and the right of establishment. **Some progress** was made during the reporting period. The legal framework regulating postal services in Kosovo is partially aligned with the EU postal *acquis*. A contact point for services platform was launched in October 2020. There is still no effective monitoring system to check the compliance of sectoral laws with the EU Services Directive and further *acquis* alignment is required. Kosovo needs to align legislation with the EU *acquis* on the mutual recognition of professional qualifications. As most of the last report’s recommendations have not been addressed yet, in the coming year Kosovo should, in particular:

- remove the identified barriers to the right of establishment and freedom to provide services, by rolling out the action plan for the full implementation of the law on services;
- complete the alignment with the EU *acquis* on postal services, including the Regulation on cross-border parcel delivery services;
- align with the EU *acquis* on mutual recognition of professional qualifications.

On the **free movement of workers**, EU nationals and their family members are not eligible to work in Kosovo without a work permit. During the reporting period, the Employment Agency issued 70 short-term work permits, of which 41 for EU nationals. Kosovo has in place one bilateral social security agreement with an EU Member State (Belgium) ensuring

that periods of activity will be taken into account for entitlement to social security benefits. Negotiations for similar agreements are ongoing with the Netherlands, Slovenia and Albania.

In the area of **freedom to provide services**, there is still no effective monitoring system that screens the compliance of relevant sectoral legislation with the EU Services Directive. No track record exists on the implementation of the 5-year action plan adopted in 2018. As the plan has only been partially implemented, the harmonisation process of sectoral legislation with the Services Directive remains slow. At present, foreign companies are still required to establish an office in Kosovo. To coordinate efforts in the process of aligning Kosovo's legislation with the Services Directive, legal departments of relevant line ministries, agencies and other public and professional bodies need to be supported and their capacity enhanced.

The Contact Point for Services platform was launched in October 2020 and contains some 400 laws and bylaws that cover trade in services. This is an important first step in the implementation of the action plan on the establishment of a Point of Single Contact.

The legal framework regulating **postal services** in Kosovo is partially aligned with the EU postal *acquis*. The existing Law on Postal Services in Kosovo stipulates the timetable of full postal market opening. This way, the alignment with the Postal Services Directive will automatically take place as of 1 January 2022, when the reserved area for the provision of universal postal services will be abolished. Alignment with the Regulation on cross-border parcel delivery services is yet to be completed. The Regulatory Authority of Electronic and Postal Communications (RAEPC) is preparing on the system for cost accounting and net cost calculation of universal postal services. The activities of the postal service providers are supervised, monitored and inspected by RAEPC in the event of regulatory violations and customers' complaints. A new sectoral strategy (2021-2025) supporting the transition to full liberalisation of the postal services market is being prepared. At the end of 2020, a total of 45 operators had been registered providing postal services under the general authorised regime, and one universal service provider.

The Law on regulated professions broadly defines the requirements, conditions, and criteria for the exercise of a regulated profession. The division for regulated professions needs to be properly staffed and functionalised. The State Council for Regulated Professions established in December 2020 is not operational. The State Examination Agency has yet to be established.

During the reporting period, the responsible ministry issued implementing legislation on criteria and procedures of regulated professions, on the functioning of the State Examination Commission and the procedures to conduct the relevant exams. Kosovo still needs to carry out a mapping of all regulated professions.

In the framework of regional cooperation, the joint working group on the recognition of professional qualifications has started negotiating a stand-alone agreement on mutual recognition of professional qualifications.

### **5.1.3. Free movement of capital**

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

Kosovo has **some level of preparation** in this area. The movement of capital remains largely free in Kosovo, with no restrictions on foreign ownership or investments in the financial sector. The legal framework still has to be amended to further align with the EU Payment Service Directive. During the reporting period, **some progress** was made by

approving the risk assessment of money laundering and terrorist financing and the action plan for improving the anti-money laundering and counter-terrorist financing system. Inter-institutional cooperation to ensure proper investigation and prosecution of offences in that area should be strengthened. Although initial steps were taken, the recommendations of the previous report remain valid. In the coming year, Kosovo should, in particular:

- further align Kosovo's legal framework with the EU Payment Service Directive 2;
- increase efforts to fight economic and financial crime and align the Law on the prevention of money laundering and terrorist financing with the EU *acquis*;
- strengthen inter-institutional cooperation in the fight against economic and financial crime.

The **movement of capital** is largely liberalised and aligned with the EU *acquis*. The execution of payments and money transfers is limited to banking and non-banking financial institutions licensed by the Central Bank of Kosovo. The law on property rights, which addresses the issue of real estate acquisition by foreigners in Kosovo still needs to be adopted by the Assembly. In terms of **payment systems**, Kosovo needs to further align its legislation with the EU Payment Service Directive 2.

The law on the prevention of **money laundering and combating terrorism financing** needs further alignment with EU standards. A new draft Law on implementation of targeted international financial sanctions to improve the legal framework in line with applicable European and international standards to combat terrorism financing is awaiting approval. An administrative instruction on beneficial ownership has been adopted.

In December 2020, the Kosovo government approved the risk assessment on money laundering and terrorist financing and the action plan for improving the anti-money laundering and counter terrorist financing system. The action plan is based on the 2018 anti-money laundering and combating financing of terrorism assessment and contains measures to improve Kosovo's technical compliance with the Financial Action Task Force and MONEYVAL recommendations. Strengthening inter-institutional cooperation in the fight against economic and financial crime is still needed (*See also section 2.2.2 - Justice, freedom and security*).

#### 5.1.4. Company law

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

Kosovo has **some level of preparation** in the area of company law. **Some progress** was made during the reporting period with the adoption of implementing legislation in the area of company law and financial reporting and the adoption of a corporate governance code. As recommendations from the previous report have only been partly addressed, in the coming year Kosovo should pay particular attention to:

- further strengthen the institutional audit oversight structures and the professional independence and objectivity of auditors and audit firms;
- further align with EU company law *acquis*, including in the field of shareholders rights.

On **company law**, Kosovo took concrete steps to implement the Law on business organisations by introducing a number of implementing acts related to the Kosovo Business Registration Agency (KBRA). Further alignment with the EU company law *acquis* is needed, particularly concerning minimum capital requirements, shareholder rights, company takeovers, some aspects of cross-border mergers and companies' and foreign branches' disclosure requirements and the 2019 EU Directives on use of digital tools and cross-border operations. Insufficient coordination and data sharing between the KBRA and the Kosovo Council for Financial Reporting (KCFR) leads to a situation where timely reporting and publication of accounting documents is limited. Besides, the Agency does not publish information on companies in some legal situations (e.g. under insolvency proceedings). There is no legal obligation to publish accounting documents in the business register.

Although the assessment of technical requirements to ensure the interoperability of Kosovo's business register is still pending, KBRA has signed a memorandum of understanding with the Business Agency of Slovenia for public legal records and related services. A Corporate Governance Code following OECD principles has been finalised and adopted.

The KCFR has pursued implementation of the Law on Accounting, Financial Reporting and Audit, which regulates the **accounting and financial reporting** of businesses. The KCFR issued implementing legislation on reporting of micro-enterprises as well as on the structure, content and submission of financial reports. The legislation still needs to be aligned with the relevant EU *acquis* on non-financial reporting. The KCFR and the Tax Administration have strengthened cooperation by exchanging company information electronically. Some company financial reports submitted in 2020 have been published on the website of the Ministry of Finance, Labour and Transfers. During the reporting period, there were no on-site quality assurance inspections of licensed professional bodies that provide education, examination and certification services. No punitive measures in the form of administrative fines have been imposed on economic operators or professional associations by the Commission on Investigations and Discipline. A sustainable financing solution to enable the Public Audit Oversight Board to function as the competent authority for public audit oversight, has yet to be found.

### 5.1.5. Intellectual property law

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

Kosovo has **some level of preparation** in this area. **Some progress** was made by preparing further alignment of the legal framework on intellectual property rights (IPR) with the EU *acquis* and reducing the backlog of applications. However, limited cooperation between policy-making and enforcement institutions continues to hinder the effective enforcement of intellectual property rights.

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

→ further align legislation with the EU *acquis*, notably regarding patents, trademarks, industrial design, topographies of integrated circuits, trade secrets and copyright;

- take concrete steps to increase the capacity and coordination of policy-making institutions and law enforcement agencies to enforce intellectual, industrial and commercial property rights;
- ensure that appropriate collective licensing agreements are enforced to guarantee remuneration for right holders.

Kosovo did not yet make sufficient progress to guarantee a level of protection of intellectual, industrial and commercial property rights equivalent to that applied in the EU, despite its SAA commitment to do so by April 2021.

Existing laws and implementing legislation in the area of patents, trademarks, industrial design, topographies of integrated circuits and copyright are partially aligned with the EU *acquis*. Implementing legislation in some of the IPR related fields still needs to be adopted.

Initial steps were taken in drafting new legislation on **copyright and related rights** in line with the latest EU Directive.

The National Strategy to Strengthen the Copyright System 2019–2023 foresees the establishment of a division for promotion and education of copyright and of a division for collective management and supervision of collective management organisations, which are still pending.

The implementation of the government decision of October 2020 approving general tariffs for the retransmission of audiovisual works exploitation of copyright-protected subjects has recently started.. On **industrial property rights**, Kosovo has prepared draft legislation on patents, trademark, industrial design, topographies of integrated circuits and trade secrets, but still needs to adopt it. Implementing legislation addressing the restructuring and staffing needs of the Industrial Property Agency is still pending.

In 2020, the Agency received 2,128 applications for trademarks, 26 applications for patents and 12 applications for industrial design. The number of applications for trademarks has increased by 22.81% compared to the previous year. The Agency has carried out only limited activities to raise awareness of businesses and citizens on the importance of industrial property.

The State Intellectual Property Council and the Task Force against Piracy and Counterfeiting are the main bodies tasked with coordinating **enforcement**. No meetings of the Council or the Task Force were held during the reporting period. The Kosovo Prosecutorial Council and Police have established points of contact for IPR infringements in each basic prosecution office and each regional police office. Furthermore, lengthy procedures for treating applications and the enforcement of the final decision remain major constraints to effectively implement the IPR legal framework.

Due to restrictions caused by the pandemic, there were fewer inspections against piracy and counterfeiting. In 2020, Kosovo Customs initiated 182 investigation cases including 101 cases with fake goods for a total value of EUR 478,250, nearly a 75% decrease compared to 2019.

The members of the Commission on Geographical Indication have been nominated. Four pending applications await treatment by the Commission. Members of the Commission still need to receive adequate training.

### 5.1.6. Competition

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

Kosovo is at an **early stage** /has **some level of preparation** on competition. **Some progress** was made in revising the legal framework on Competition and State Aid and by updating the State aid inventory with new schemes. Kosovo needs to strengthen its enforcement record and align implementing legislation with the EU *acquis* in both areas.

All recommendations from the previous report remain valid. In the coming year, Kosovo should in particular:

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

#### Antitrust and mergers

The **legislative framework** is partially in line with the EU competition *acquis*. Kosovo started to further align legislation on protection of competition with the EU *acquis*. The draft legislation is awaiting approval by the government. The Kosovo Competition Authority (KCA) adopted implementing legislation on investigative procedures that sets out clear steps and procedures on its handling. Further revision of implementing legislation related to the new draft Law on Competition is needed.

On the **institutional framework**, the KCA is the institution responsible for implementing competition law, initiating investigations, conduct on-site inspections, impose fines and remedies and prohibit anti-competitive mergers. The Authority's mandate expired in June 2021 and new appointments should be finalised soon. The Authority has developed an annual action plan following last years strategic plan (2020-2023).

On its **capacity to enforce competition**, more efforts are needed to improve cooperation between the Authority and sector regulators. The expertise of judges dealing with competition cases and merger control should be improved through ad hoc training. Challenges remain due to delays and contradictory judgments by some court instances. Advocacy among judges on enforcement of competition law remains key. Further efforts are needed to enforce the decisions by imposing fines or remedies.

On **implementation**, in 2020, the KCA issued 16 decisions, recommendations and professional opinions including in the sectors of energy, petroleum and construction materials. It conducted a study on the insurance market of vehicles and monitored licensed laboratories for COVID-19 tests.

Case numbers remain low and to date, the Authority has not carried out any dawn raids. The leniency programme has never been used.

#### State aid

The **legislative framework** on State aid remains largely in line with the EU *acquis*. Preparations to further align the current legislative framework with the EU *acquis* are ongoing. The regulations on services of general economic interest and horizontal aid including the block exemptions and regional aid rules were drafted and are awaiting adoption.

Kosovo has established an inventory of aid schemes as required by the SAA, although their alignment with the existing legislation on state aid is at an early stage.

As regards the **institutional framework**, the State Aid Department (SAD) as part of the Ministry of Finance remains in charge of assessing proposals for State aid, drafting assessment reports for the State Aid Commission (SAC) and updating the State aid inventory. Steps were taken by Kosovo to advance the cooperation between the SAC and the SAD. The **capacity to enforce** State aid rules and control remains weak and needs to be improved through training. The selection process of two SAC members who previously resigned was started.

On **implementation**, some progress was achieved on the State aid register, which is being updated with new schemes, containing aid authorised or granted, including de minimis aid. In August 2020, the Commission has prepared a draft of the regional map of State aid in Kosovo for the period 2021–2026. In October 2020, the Commission approved its first annual report on State aid. The SAC should be systematically consulted on draft sectoral legislation containing elements of State aid.

The SAC adopted 18 case decisions during 2020, up from three in 2019, out of which 9 were positive but conditional, 7 positive and 2 negative. They were published in the Official Gazette. There are no cases of recovery of aid granted unlawfully yet.

### Liberalisation

Public undertakings are subject to the Law on competition and the Law on State aid. Kosovo has monopolies of a commercial nature within the meaning of Article 37 TFEU. There is still little awareness of the possible application of State aid rules to the activities of central institutions and publicly owned enterprises. The SAC notified potential aid grantors but responses have been received only partially. It is crucial to raise awareness among state aid grantors on the obligation to notify ex-ante aid to the SAC. In this respect, since 1 January 2012, the SAC is working together with the EU and has held several trainings to granting authorities. Vehicle homologation has only been partially addressed and needs to be aligned with the competition rules in force.

#### **5.1.7. Financial services**

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

Kosovo is **moderately prepared** in the area of financial services. **Some progress** was made on implementation of the Solvency I framework and development of the roadmap for implementation of the Solvency II measures. As the recommendations in the previous report have not been fully addressed, in the coming year Kosovo should in particular:

- rapidly make the Non-Executive Governing Board of the Central Bank fully functional;
- continue to implement the roadmap for implementation of Solvency II measures and enhance the supervisory role on the insurance sector;

- further advance in implementation of the Basel III framework and adopt amendments to Kosovo's legal framework governing microfinance institutions and non-bank financial institutions, in accordance with best practices;
- take immediate action to address the issue of uninsured, unregistered vehicles.

On **banks and financial conglomerates**, the Central Bank of Kosovo (CBK) continued with gradual implementation of the Basel III framework around the capital adequacy and leverage ratio requirements. The financial sector withstood the Covid-19 crisis mainly due to the high capitalisation levels of predominantly foreign- subsidiary banks. Overall, banks' capitalisation ratio remained stable and well above the required minimum capital adequacy ratio of 12%. Nevertheless, the CBK needs to strengthen bank supervision as it starts to lift the regulatory forbearance on loan provisions and capital requirements on reprogrammed loans. The CBK negotiated a EUR 100 million re-purchasing line of credit from the European Central Bank to maintain the bank liquidity buffers against any possible shocks.

The Supervisory Governing Board of the CBK continues to be non-operational and without quorum, due to vacancies. This affects the governance of the Central Bank and its decision making process. Kosovo has not yet established an independent recovery and resolution authority. Amendments to the Law on banks, to assign this function to the Central Bank, must ensure that the authority has functional independence. Gaps in the legislation on micro-finance and non-bank financial institutions should be addressed to ensure alignment with international best practices. As a result of the moratorium decision on reprogramming of loans, the number of complaints from the users of financial services has increased. The Central Bank must ensure that complaints are reviewed in a timely manner, in accordance with relevant regulations, to ensure that consumers are adequately protected and to prevent unfair banking practices.

CBK is Kosovo's sole authority on **insurance and occupational pensions**, with full competence for licensing, regulating and supervising insurance companies and occupational pension funds. Without being licensed by CBK, foreign insurers are not allowed to offer or take on direct insurance attached to a person, object or liability located in the territory of Kosovo. Foreign institutions are treated like domestic undertakings, but still need to fulfil additional criteria. CBK continued to implement Solvency I measures and revoked the licence of one insurance company that failed to comply with such measure. It has developed and started gradual implementation of a 5-year roadmap on implementation of Solvency II measures. CBK should enhance the supervisory and surveillance role in the insurance industry. In spite of the opinion presented by the Kosovo Competition Authority, the prices on the compulsory motor liability insurance market remain fixed. The action plan on price liberalisation of Motor Third Party Liabilities has not been adopted by the CBK's supervisory board due to its lack of quorum.

Despite some initial steps being taken, the authorities have still not addressed the issue of uninsured and unregistered vehicles, and the associated costs for the insurance sector. As Kosovo is still not covered by the 'green card' system, insurance is required for foreign-registered vehicles entering Kosovo and vehicles with Kosovo plates leaving Kosovo. This continues to represent a financial burden for travellers (other than those from countries with which Kosovo has bilateral vehicle insurance arrangements). A government working group was recently established to undertake the necessary steps for the future potential membership of Kosovo in the green card system.

No further progress was made with the adoption and operationalisation of the manual on the on-site supervision of pension funds; further alignment with the EU *acquis* is needed.

On **securities markets and investment services**, most activity focuses on the government bonds market, which are solely auctioned by CBK. The Regulation on the repurchase of securities with the Central Bank enables repurchase of the securities between commercial banks on the secondary market. It aims to help eligible banks to manage their liquidity efficiently in the short term.

### 5.1.8. Consumer and Health Protection

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

Kosovo is at an **early stage of preparation** in this area. There was **limited progress** overall, with some progress on consumer protection, and the government's recognition of independent consumer rights organisations. There was limited progress on health protection, notably with the partial introduction of a basic health information system. During the COVID-19 pandemic Kosovo made significant progress in improving surveillance, case investigation, contact tracing, case management and vaccination.

As most of the recommendations of the previous report have not been addressed, in the coming year, Kosovo should:

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

### Consumer protection

Kosovo's legislation is partly aligned with the EU *acquis* on consumer protection; it is not aligned with the EU *acquis* on mortgage credit and alternative consumer dispute resolution or on better enforcement and modernisation of consumer protection rules. In addition, the competent inspection authorities also need to be empowered to have the right to take administrative measures to ensure enforcement. The lack of secondary legislation prevents the application of fines in case of non-compliance. Kosovo still requires products to be labelled with the flag of the country of origin, which is not in line with the EU *acquis*.

Enforcement of consumer rights protection remains limited, pending the reform of the market inspectorate. Progress was made by adopting implementing legislation for maintaining the electronic register of collective claims. Implementing legislation on what product groups are subject to Inspection Surveillance was adopted in October 2020. This is an important step to unify the competencies of various inspectorates for groups of non-food products.

As **regards non-safety issues**, the Law on consumer protection addresses consumers' economic interests, but it cannot be properly enforced pending reform of the market inspectorate. The weakness of consumer rights organisations remains a problem. The Central Bank established requirements via implementing legislation for the safe-keeping of clients' funds by registered Non-Banking Financial Institutions for the provision of payment services

and the issuance of electronic money, as well as encouraging competition in this industry that would increase efficiency in providing payment services by citizens.

## **Public Health**

Health authorities in Kosovo focused mainly on management of **COVID-19** pandemic during 2020-21. They achieved significant progress in improving surveillance, case investigation, contact tracing and case management. Vaccination is ongoing according to the National Deployment and Vaccination Plan. New facilities and equipment was established in Pristina and regional centres to support efforts of the Ministry of Health to manage the pandemic. Diagnostic capacities of central and regional laboratories have been significantly increased.

The COVID-19 pandemic has put Kosovo's health system under significant strain. The government declared a public health emergency in March 2020 and introduced containment measures. In August 2020, the Kosovo Assembly adopted a new Law on prevention and fight against the COVID-19 pandemic. Kosovo became a member of the Joint Procurement Agreement on medical counter-measures, as well as an observer in the EU Health Security Committee. Kosovo is also providing information to the Commission's data collection system on COVID-19 and nominated a correspondent to the European Centre for Disease Prevention and Control.

The COVAX facility, which is foreseen to provide enough COVID-19 vaccines to cover 20% of Kosovo's population free of charge, ensured the first delivery of 24 000 doses arrived in Kosovo at the end of March 2021, marking the beginning of the mass vaccination programme. Further deliveries by COVAX and also via EU funded deliveries facilitated by Austria, are continuing – 163,020 doses were delivered by end June via COVAX, and the EU will deliver over 95 000 doses by the end of August. Government signed an agreement with the Pfizer for 1.2 million doses of the vaccine, which resulted in first deliveries in June 2021.

On **public health** policy, while there was some progress on access to health services, the quality of healthcare remains of concern. Kosovo has yet to introduce a universal health coverage scheme. The adoption of the Law on health insurance is again delayed, as is the start of the collection of health premiums. The public health information system is still not functional. The increasing emigration of health workers, predominantly doctors and qualified nurses, has a detrimental impact on the health system. The overall 2021 budget for the health sector was increased by 10%, compared to 2020. Despite this increase, the overall share of health expenditures at around 3% of GDP.

There was no progress on the **health sector strategy**. Around one fifth of the population have very limited access to healthcare. Access to basic healthcare is free, but spending on diagnostic services and medications is not reimbursed. High reliance on private out-of-pocket expenditures (estimated at 40% of total medical costs – only 65% of annual public health needs are covered by public spending, mostly on fixed costs) limits access for vulnerable groups. Health financing is not based on needs assessments and institutional accountability has not increased.

**Mental health** services function as integrated services, with no notable developments in the reporting period. The comprehensive Law on tobacco control (in force since 2013) is not enforced, due to lack of political will and the poor performance of enforcement authorities.

The legislation on **blood, tissues, cells and organs** is partly aligned with the EU *acquis*. Additional human and financial resources are needed, and the administrative and monitoring capacity should be strengthened. In the field of **serious cross-border health threats, including communicable diseases**, immunisation coverage remains high with vaccination rates of over 95% reported among school-age children. Kosovo has not yet fully implemented

the action plan addressing recommendations from the 2018 European Centre for Disease Prevention and Control technical assessment report. Legislation **on patients' rights in cross-border healthcare** is partially aligned with the *acquis*. For specialised health services that are not available in Kosovo, patients can benefit from the health insurance fund for health services abroad. Kosovo has bilateral agreements with Albania, Croatia and Turkey on certain medical services. However, available funding covers only 45% of the needs of the population.

There was some progress on the development and rollout to some health institutions of the **e-health** information system based on the European core health indicators, though it is not yet used by all health institutions or to support evidence-based health care policy. It captures data on patient admissions, discharges and transfers. Further functionalities (pathology, radiology, blood transfusion, vaccination and other interventions) should be added. In March 2021 primary health care providers in Pristina started providing e-health services, enabling virtual communication between users/patients and their general practitioners and provide counselling services whenever possible.

The revised **cancer**-screening programme is not yet prepared. Although additional funding has been provided for systematic screening for cervical and breast cancer, further support in coordination and capacity building is needed, as well as improving the cancer incidence data. The number of women screened for cervical cancer is low.

An action plan on **health promotion** was adopted in the reporting period as well as strategic plans on mother and child healthcare, intra-hospital infections and human resources management. However, the prevention of **non-communicable diseases** remains weak. Kosovo has not made any progress in adopting the nutrition action plan on **nutrition and physical activity**.

Legislation of medicines for human use and medicines for veterinary use are partially aligned with the EU legislation.

As regards **health inequalities**, the situation of the Roma and Ashkali communities remains a source of concern given their very low immunisation levels and particular difficulties in accessing healthcare due to their difficult socio-economic conditions. The distribution of information on public services and the incidence of discrimination have not improved.

## 5.2. COMPETITIVENESS AND INCLUSIVE GROWTH

Kosovo is moderately prepared in the area of customs, as well as on enterprise and industrial policy. It has some level of preparation in the area of taxation, information society and media, as well as social policy and employment, and is at an early stage of preparation in the areas of science and research, and in the field of education and culture. During the reporting period, some progress was achieved in most areas of this cluster, but only limited progress on research as well as on education and culture.

### 5.2.1. Information society and media

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

Kosovo has **some level of preparation** in the area of information society and media. There was **some progress** with further aligning the legislative framework with the *acquis* and with implementation. Kosovo continued the necessary technical preparations for the full rollout of

the Regional Roaming Agreement, providing Kosovo consumers with roaming free service as of July 2021. Kosovo further advanced with the implementation of the 2013-2020 Digital Agenda. A sustainable solution for the funding of the public broadcaster still needs to be found. The process of digital switchover from analogue to digital television has not advanced.

Last report's recommendations were mostly not addressed and remain valid. In the coming year, Kosovo should in particular:

- ensure that telecoms and media regulators are given adequate resources to fulfil their mandates independently and develop a solution for the sustainable funding of the public service broadcaster;
- implement number portability to ensure effective use of numbering resources and foster competition;
- free the first digital dividend / liberate frequencies;
- revise the Law on the Independent Media Commission in line with the Audio visual Media Service Directive and strengthen the regulator's regulatory, monitoring and enforcement powers.

As regards **electronic communications and information and communication technologies (ICT)**, the existing resources of the Electronic and Postal Communications Regulatory Authority remain limited and not proportional to their responsibilities. According to the Kosovo Agency for Statistics, in 2020 96.4% of households had access to the Internet (compared to 93.2% in 2019). 95.1% (from 91.2% in 2019) access the Internet through fixed connections and 54.7% through mobile connections (up from 39.6% in 2019). In 2020, the share of individuals purchasing or ordering goods and services online rose to 35.4%, a 12.7 percentage point increase compared to 2019.

The authorities should ensure that markets are genuinely competitive including through number portability, without which numbering resources cannot be used effectively. A decision obliging public institutions to use services provided by the publicly owned operator Kosovo Telecom, putting private providers at an unfair competitive disadvantage, was abolished.

Kosovo achieved a satisfactory implementation of its 2013-2020 Digital Agenda. The follow up strategy has not been finalised yet. The authorities continued implementing the Regional Roaming Agreement (RRA), signed in April 2019. To facilitate implementation, the Telecom regulator adopted on 24 June 2021 a new administrative instruction on Implementation of the right use policy and Methodology of Assessment of Sustainability of Removing the Roaming Tariffs in line with the RRA. As regards **information society**, the Kosovo government has adopted the Law on Electronic Identification and Trust Services for Electronic Transactions, aiming to align with the EU Electronic Identification, Authentication and Trust Services Regulation. The draft has yet to be adopted by the Assembly.

Preparation is ongoing for a new Law on Network Security Measures and Information Systems, to ensure alignment with the relevant EU *acquis*. The computer security incident response team remains understaffed. The e-government portal is in place, but further efforts are needed for it to be able to deliver effective electronic services to citizens and businesses. (*see section 2.1.2 Public Administration Reform*)

On **audio-visual policy**, the Independent Media Commission (IMC) failed to make any progress on the digital switchover to align with EU standards. The Law on the IMC gives it broadly sufficient regulatory, enforcement and monitoring powers to ensure pluralism and

competitiveness in the market. However, further alignment with the Audio-visual Media Service Directive is necessary to extend its powers to online audio-visual media, and it lacks adequate staffing and resources to exercise its powers independently. It should also ensure it is transparent and inclusive in its decision-making, including through more consistent public consultation. In part due to a lack of information on media ownership and the distribution of advertising funds, the IMC does not impose effective sanctions on broadcasters and no significant enforcement interventions were undertaken.

A review of the current Law on Radio Television of Kosovo (RTK) was launched in 2019 but the process is slow. The new law includes a realistic and sustainable funding model for RTK. The Assembly dismissed the RTK board in July 2021, citing the RTK's management refusal to be audited, and its failure to comply with procurement procedures and compile a legally required long-term strategy.

The amendment of the two laws should be done in an open and transparent manner, in consultation with civil society organisations, media professionals and other interest groups.

### 5.2.2. Taxation

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

Kosovo has **some level of preparation** in the area of taxation. There was **some progress** in further increasing the excise duty on tobacco in line with EU legislation and with initial steps on implementing the Tax Administration modernisation plan. The recommendations in the previous report have not been fully addressed. In the coming year, Kosovo should in particular:

- pursue further alignment of tax legislation including the personal income tax (PIT), and value added tax (VAT) with the EU *acquis*;
- ensure more systematic implementation of risk-based tax audits and continue implementing the strategy for combating the informal economy, money laundering, financing of terrorism and financial crime (2019-2023);
- increase cooperation with law enforcement and judicial institutions to ensure timely adjudication of tax evasion and fraud cases, with emphasis on high risk sectors.

On **indirect taxation**, the VAT system is broadly aligned with the EU *acquis*. Kosovo applies a standard 18% rate and a reduced 8% rate. The Law on VAT needs to be further harmonised with the EU *acquis*. Considering the increasing levels of e-commerce activity, Kosovo should also further clarify the legal framework and procedures on e-commerce taxation and increase cooperation with other tax jurisdictions on exchange of information. Kosovo has maintained a relatively good operational capacity on lowering the average time of VAT refunds to 20 days down from the 30-day legal maximum; however, it should further improve the average time of VAT returns filing in the taxpayer's registry. In July 2020, the government adopted a calendar of progressive increases in excise duty on tobacco; however, the price remains relatively low compared to the EU.

On **direct taxation**, no progress was made on amending the Law on personal income tax to remove contradictory provisions and further align it with EU *acquis*. On **administrative cooperation and mutual assistance**, Kosovo is not part of the inclusive framework of the OECD Base Erosion and Profit Shifting (BEPS). However, in relation to double taxation agreements, Kosovo has introduced some of the minimum standards of OECD BEPS such as

implementation of BEPS measures related to preventing treaty abuse and mutual agreement procedures. Kosovo should consider adopting the standards enshrined in the OECD-Council of Europe Convention on Mutual Administrative Assistance in Tax Matters. When reviewing its existing legislation, it should also align the tax system/jurisdiction with the rest of the minimum standards of the OECD BEPS inclusive framework. A review of the legislation and the existing tax agreements in this regard is underway.

On **operational capacity and computerisation**, the Kosovo Tax Administration made some progress in streamlining its organisational structure to improve its service delivery. It has initiated actions aiming at strengthening of professional capacities, however, these have to be stepped up especially in the investigation area., Further, more efforts are needed to ensure that principles of transparency and merit-based selection processes apply. Any political influence on the appointments in the tax administration undermines the confidence of the public in this service.

Kosovo should continue to improve and implement its medium-term action plan to reduce the large stock of tax debt, and intensify its efforts to comply with risk-based approach on tax audit processes, with a focus on regional level. Data quality and exchange of data across different agencies for the administration of taxes continue to remain a challenge. Therefore, authorities including the Kosovo Tax Administration, the Kosovo Business Registration and Cadastre Agencies and the Credit Registry of the Central Bank should step up their coordination and improve the quality of their registers. The Tax Administration has developed a good taxpayer service focus, in particular with the widespread use of e-filing and e-payment. Between 2020 and end-March 2021, tax evasion to the value of around EUR 7 million was detected. The number of anti-tax evasion operations increased to 290 compared with 176 operations carried out in 2019. Tax evasion and informality continue to hamper the economy and further efforts are needed, in particular on risk-based field inspections and inter-institutional cooperation. As domestic revenue mobilisation is relatively low, Kosovo should review its tax policy and intensify efforts to broaden the tax base by further formalisation of the economy. The Tax Administration improved the investigation capacities on serious tax fraud allegations and established a new Intelligence Unit within the investigation department.

### 5.2.3. Social policy and employment

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

Kosovo is at an **early stage of preparation** in the area of social policy and employment. There was **limited progress** during the reporting period, in particular on implementation of health and safety regulations. The rate of fatal incidents remains concerningly high.

Last year's recommendations were not fully implemented and remain valid. In the coming period, Kosovo should in particular:

- take steps to establish and implement the Youth Guarantee by developing a Youth Guarantee Implementation Plan in line with the EU model and guidance;
- adopt and enforce the Law on Labour in line with relevant EU *acquis*, in particular in relation to non-discrimination in employment and parental leave;
- adopt and implement the Law on the Socio-Economic Council and enforce rules on health and safety at work to ensure a decrease in workplace accidents;

→ pursue thorough reforms in the area of the social assistance schemes to ensure better targeting and impact on poverty and improve delivery of social services in municipalities.

The adoption of the revised **Law on labour** to ensure further alignment with the EU *acquis*, including EU rules on non-discrimination in employment and social policy and maternity and paternity leave, is still pending.

Half of those benefiting from social assistance are children under the age of 18, but less than 10% are children with special needs. As many as 10% of children in Kosovo are involved in work, of whom 6.8% work in hazardous conditions, with the problem particularly evident among the Roma and Ashkali communities.

In 2020, Kosovo further aligned its legislation with the EU Directives on Occupational **Health and Safety at Work**, but implementation remains weak, particularly in the private sector. Only a small portion of workers, mainly in the private sector, are covered by health insurance or insurance against work-related accidents or illnesses. The Labour Inspectorate carried out an increased number of inspections but with very little impact on the ground, particularly as attention was shifted to COVID-19 related inspections. Plans to increase the capacities with more inspectors have not materialised. The construction sector remains the most problematic. The number of accidents at work increased in 2020 to 177 accidents, of which 55 accidents serious injuries and 11 deaths.

On **social dialogue**, Kosovo should adopt a new Law on the Socio-Economic Council to improve its capacities, decision-making and overall performance. A new General Collective Agreement is being negotiated. The capacity of social partners, in particular that of trade unions, remains limited. Public sector trade unions were relatively active over the past year, in particular in demanding salary increases and organising social dialogue trainings for local branches. The private sector unions are under pressure, with cases of retaliation for industrial action; as a result, they are generally less organised.

On **employment policy**, although the targets of the 2018-2022 Sectoral Strategy (Ministry of Labour and Social Welfare) and the 2018-2020 Youth Employment Action Plan were modest, evaluations show a low implementation rate. Capacities for implementing, monitoring and evaluating such strategies continue to be under-developed and dependent on external support. Taking into account evaluation findings and employment challenges resulting from the COVID-19 pandemic, Kosovo needs to amend the Youth Employment Action Plan and revise the current Employment Strategy. Kosovo has committed to implement the Youth Guarantee Scheme, to address the high unemployment rates among its youth. It has still to start the concrete preparations, starting with the appointment of a coordinator and coordinating body and preparation of a YG implementation plan.

Kosovo continues to face structural labour market challenges stemming from the mismatch between the rapid growth of the working-age population and job creation, the persistently low participation of women and generally precarious employment opportunities (fewer than half of employees have permanent work contracts).

Education attainment is a key predictor of employment. In 2020, the employment rate (15-64) was 59.9% among people with tertiary education but only 11.3% for those with primary education. Although women tend to attain higher education levels (e.g. over 40% active women hold tertiary qualifications against 20% of active men), they remain under-represented in employment. Young people (15-24 years-old) remain most affected by unemployment and inactivity. In 2020, a third of them were not in employment, education or training (33.6%). Youth unemployment remains high (49.1%), particularly among women.

Demographic pressures, joblessness growth pattern, a propensity towards emigration and poor education are key factors in the precarious position of young people. Kosovo has endorsed the Western Balkans Declaration on ensuring sustainable labour market integration of young people (8 July 2021) and committed to take concrete steps to gradually establish and implement the Youth Guarantee scheme. The first expected deliverable is the Youth Guarantee Implementation Plan.

The overall activity rate stood at 38.3% in 2020, a decrease from 40.5% in 2019. The number of registered unemployed people increased to over 120 000 compared to 74 488 in 2019. Unemployment rates in 2020 were 25.9% (25.7% in 2019). The rates are persistently higher among women, 32.3% (34.4% in 2019) and 23.5% among men (22.6% in 2019). There was a decrease in numbers of employees with long-term contracts (42.3% 2020, compared to over 49% in 2019) and increase in temporary contracts (57.7% in 2020 compared to 54.7% in 2019). The indicators that still give rise to most concerns are the high inactivity rate (61.7% in 2020) and youth unemployment (49.1%). Unemployment is even higher (over 90%) in the Roma and Ashkali communities. Members of these communities usually work in the informal sector, holding insecure, low-skilled and low-status jobs and few of them are registered as unemployed. Self-employment slightly increased to 22.1% in 2020 compared to 21.6% in 2019.

The Employment Agency, the key body implementing employment policy, continued to consolidate its management and operational procedures and data management, and to refine the portfolio of active labour market programmes. However, further work is still needed to improve its operational capacity, including as regards monitoring, evaluation, as well as employment counselling, including for priority groups such as youth or long-term unemployed. Further progress was achieved in improving the labour market information system, by launching the Kosovo Labour Market Barometer, to support evidence-based policy making and planning. In May 2021 Kosovo launched the Skills Barometer, as a tool for planning of VET and determining priority sectors in targeted regions. Although half of the unemployed have a low level of education attainment, they are under-represented among participants in the Agency's active labour market measures.

There were no developments as regards preparations for the **European Social Fund**. (*See Chapter 22 - Regional policy and coordination of structural instruments*).

**n social inclusion and protection**, Kosovo's spending on social protection amounts to 6% of GDP, but less than 0.5% of GDP is allocated for the social assistance scheme as most of the amount is spent on old-age and war veterans' pensions. The scheme is the only programme that targets poverty reduction and identifies beneficiaries on the basis of household income and assets. Its poverty reduction impact for families with children is severely limited. The authorities should initiate a thorough reform of the social assistance scheme, including the war veteran pension scheme in order to bring its costs into line with the legislated cap.

Funding allocation by municipalities for social services remained a problem in 2020. The central authorities have yet to introduce changes in the Law on Local Finances to earmark funding from the general grant for municipalities. Furthermore, municipalities should improve service planning and delivery, data collection and integrated care. Care for the elderly remains a serious issue. Shelters for domestic violence remain poorly funded and stretched to their limits with new cases. No specific actions have been undertaken to significantly change public perceptions towards LGBTIQ people.

Around 18% of Kosovo's population lives below the poverty line (EUR 45 per month as defined by the World Bank), with 5.1% percent of the population below the extreme poverty

line. Children from poor households, socially vulnerable communities and those with special needs lack equal access to vital health and education services due to financial barriers.

On **non-discrimination in employment and social policy**, Kosovo has to intensify efforts to address discrimination against women, among else by adopting implementing legislation for the Law on Protection from Discrimination. Institutions continue to perform poorly when it comes to processing and investigating cases of discrimination, including sexual violence and gender discrimination at the working place.

On **equality between women and men in employment and social policy**, gender-based discrimination continued to be widespread in recruitment, promotion, pay, contract length. In 2020, the employment rate for the population aged 20-64 was 16% for women and 48.8% for men, resulting in a very high gender employment gap of 32.8 percentage points. Limited access to childcare and flexible working arrangements, as well as regulations which discourage the recruitment of women (e.g. lengthy maternity leave) remain important barriers. Other challenges faced by women, especially in rural areas, are the lack of care for the elderly, discrimination when it comes to access to property and gender-based violence.

#### 5.2.4. Enterprise and industrial policy

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

Kosovo remains **moderately prepared** in this area. **Some progress** was made in maintaining a functioning business environment during the COVID-19 crisis and lockdowns, which took a heavy toll on Kosovo's economy in 2020. Kosovo's efforts to remove structural barriers to businesses have been stagnant as attention was focused on fighting the immediate effects of the pandemic. The National Council for Economy and Investment has become a more regular and effective forum for public-private business dialogue. The Kosovo Credit Guarantee Fund has further facilitated access to finance by increasing its coverage of credit guarantee of loans.

There was some progress in the recommendations from the 2020 report. in the coming year Kosovo should:

- adopt and start implementing a strategy to support Kosovo's business environment and industrial development;
- reorganise the Kosovo Investment and Enterprise Support Agency (KIESA) to improve its support schemes and provision of advisory services to SMEs and add an investor aftercare unit;

Kosovo's **enterprise and industrial policy** lacks a strategy aiming to improve the business environment and promote industrial development. The capacity of the Ministry of Industry, Entrepreneurship and Trade to provide industrial policy advice is limited, even though this should be its main function. The Kosovo Investment and Enterprise Support Agency (KIESA) is responsible for implementing Micro, Small, and Medium Enterprise support programmes, attracting foreign direct investment and following up the Small Business Act recommendations. To date, KIESA is unable to cater all these needs, which are fulfilled by other organisations. Kosovo does not have a streamlined process to handle investors' grievances to prevent disputes and retain investments. Its reorganisation with clear strategic goals is long overdue. The stepping up of the role of the National Council for Economy and Investment as the dialogue platform between the private sector and the government has been a welcome move.

The COVID-19 crisis took a heavy toll on Kosovo's economy in 2020. Sluggish growth at the beginning of the year turned into a recession due to the pandemic-related lockdown and travel restrictions. On the back of severely contracting service exports and investment, economic activity fell by an estimated 6.7% in 2020. Kosovo authorities have provided financial support via the economic recovery package, which is largely insufficient to mitigate the economic fallout and private sector backdrop. The Government distributed EUR 60 million to all active businesses, using a flat rate to subsidise salaries without taking into account the financial state of the benefiting economic operator. .

Courts continue to struggle to ensure a timely and coherent adjudication of cases in courts. The draft legal framework to establish a Commercial Court for resolving trade disputes of businesses and foreign investors was prepared during 2020. However, the overall implications and effective implementation of this initiative have been only partially assessed, while financing from the annual budget still needs to be foreseen.

Some efforts were made towards simplifying licences and permits through repealing a number of unnecessary procedural requirements. However, coordination between central institutions responsible for licenses and permits remains limited.

Although the current legislation on foreign investment foresees to treat foreign nationals and companies on equal basis with local investors, in practice foreign citizens and legal persons encounter difficulties to register property rights. In line with its SAA commitments, Kosovo still has to amend the legal framework to grant national treatment to EU nationals acquiring real estate in Kosovo. Initial steps were made towards amending legislation on strategic investments.

Amendments to the Law on economic zone were prepared. The decision to establish the Malisheva Economic Zone was repealed as the zone had no feasibility study. Decision-making on the establishment of economic zones remains based on unclear criteria and lacks economic analysis. On **access to finance**, the lack of easily accessible and affordable credit serves as a substantial barrier to the growth of SMEs in Kosovo. The Central Bank of Kosovo placed a temporary moratorium and postponed loan payments because of the COVID-19 crisis, which alleviated some financing issues in the economy.

Because of the delayed legislative approval, the increase of additional security for loans issued to SMEs via the Kosovo Credit Guarantee Fund has only been possible as of January 2021. Guarantee windows totalling EUR 40.7 million focus on lending support to the manufacturing, agribusiness, services, trade sectors, with a particular focus on women in business and start-ups.

In total, 644 MSMEs and four major investments were financed from the Enterprise Development & Innovation Facility (EDIF), and over 1 200 transactions benefited from the programme for the competitiveness of SMEs (COSME) since these instruments were set up. Organisations from Kosovo successfully participate in the COSME financed Enterprise Europe Network and Erasmus for Young Entrepreneurs. Efforts are needed on raising private sector awareness on how to make better use of COSME and EDIF. Kosovo has officially requested to join the Single Market Programme 2021-2027.

On **sectoral policies**, the approach in policy-making is not sector-specific, resulting in the lack of specific sector policies and programmes.

#### 5.2.4. Science and research

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

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

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

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

Kosovo's **research and innovation policy** remains nascent. It lacks a strategic approach to develop, prioritise and promote research activities. The legal framework, namely the Law on scientific research activities and the Law on scientific innovation, transfer and technology lacks efficient implementation.

Work is ongoing on revising and upgrading research strategies, as well as taking advantage of the available research and programmatic partnership grants by pairing with international partners.

In November 2020, Kosovo joined the GÉANT research infrastructure. Work is ongoing to establish a Kosovo register of researchers and to collect statistics on research and development, including in higher education institutions. **A Smart Specialisation Strategy (S3)** is under development since 2019. A thematic analysis identifying scientific priorities has been done. A new online platform serves as a communication platform between/among stakeholders.

The sector continues to be underfunded, with public research spending amounting to only 0.01% of GDP, despite a 0.7% target mandated by law. An increased budget in this area would support the economic recovery, also given the relevance of innovation to the Economic and Investment Plan for the Western Balkans. The quality of programmes preparing postgraduates for research careers remains unsatisfactory (*see 6.13 Education and culture*).

There was no progress on integration into the **European Research Area**. Kosovo needs to submit reliable statistics to monitor progress in this field. On **framework programmes**, Kosovo has upgraded its system of National Contact Points, in line with EU requirements and will be associated to Horizon Europe.

Kosovo entities have participated 20 times in 18 collaborative actions, Marie Skłodowska-Curie actions and European Research Council actions of Horizon 2020, receiving EUR 2.5 million. Despite 2019 being by far Kosovo's best year of participation with a success rate of 20.4%, well above the 12% overall Horizon 2020 average, its performance could still improve. Kosovo participates in the European Cooperation in Science and Technology

(COST), which enables researchers to participate easily in research and innovation meetings all over Europe.

### 5.2.5. Education and culture

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

Kosovo is at an **early stage of preparation** in the field of education and culture. There was **limited progress** over the past year and the quality of education needs to be improved considerably.

Last year's recommendations were only partially implemented and remain mostly valid. In the coming year, Kosovo should in particular:

- systematically apply quality assurance mechanisms at all education levels, improve access to quality education at pre-school level and for disadvantaged groups, improve quality assurance in higher education by meeting the recommendations of the European Association for Quality Assurance in Higher Education and revising the relevant legislation (such as the Law on higher education and the Law on Kosovo Accreditation Agency);
- finalise the implementation of the new curricular framework for basic education with quality textbooks and by providing sustainable training to teachers;
- increase the provision of quality vocational education and training for professions in demand;
- Take steps to establish and implement Youth Guarantee by developing a Youth Guarantee Implementation Plan in line with the EU model and guidance.

Kosovo's public spending on education in 2020 remained unchanged, at 4.7% of GDP. However, expenditure per student remains insufficient, with expenses focused on salaries and capital expenditures rather than quality education. It is estimated that a total of 9,070 (or 2.8%) children were not involved in distance learning organised during the period March-June 2020, during the pandemic, due to lack of access to learning tools and equipment. Authorities should increase financial support to scale up community-based social and health services for children with disabilities and increase efforts to integrate them effectively into educational institutions. University classes were organised online during the pandemic.

Enrolment of children in compulsory education - **primary, lower and upper secondary education** - is universal (100% attending grades 1-5, 90.5% 5-9 and 86.6% 9-12). Participation of children in pre-school education and care (age 0<5) remains low, despite an increase to 8.5% from 6.2%, and well below the OECD average (over 87%) or the 2020 Education and Training targets (95%). A persistent problem remains the small number and uneven distribution of pre-school institutions in Kosovo (44 public kindergartens in 23 out of 38 municipalities), lack of appropriate infrastructure and lack of didactic materials. The new Law on Pre-school Education has not been approved and the curriculum for this level of education still has to be re-developed. The proportion of students in higher education remains high, but the graduation rate is still low.

The quality of education remains poor, as evidenced by the last two OECD Programme for International Student Assessment (PISA) evaluations, with Kosovo ranking third from bottom. Kosovo participated in the 2019 Trends in International Mathematics and Science

Study (TIMSS), and in participating in the in the 2021 Progress in International Reading Literacy Study (PIRLS) and PISA 2022. In TIMSS 2019, Kosovo was among the 10 poorest performers. Reforms are still lagging behind due to the lack of suitable textbooks, teaching materials and sustainable professional development schemes for teachers. Another major issue is the mismatch between education outcome and skill requirements.

Higher education institutions should invest more in research and appraise the scientific achievements, publications and performance of teachers. Academic integrity remains an issue, despite improvements as a result of public scrutiny. Progress was made in meeting minimum transparency criteria (according to international norms) of higher education institutions.

Kosovo should adopt the new Law on Higher Education that would strengthen the autonomy and academic integrity of higher education institutions and improve quality assurance.

The Kosovo Accreditation Agency (KAA) continued efforts to regain membership of the European Association for Quality Assurance in Higher Education and the European Quality Assurance Register for Higher Education. The capacities of the Agency were increased with four additional staff in 2020 and another eight vacancies will be open in the course of 2021. The Agency managed to complete the full accreditation cycle for the 2021-2022 academic year, reducing the number of programmes and institutions, based on quality criteria. New members were appointed to the KAA Board, having been selected through open and transparent procedures, following the resignations of five Board members.

The number of secondary schools students choosing **vocational education and training (VET)** remains high but nearly all of them enrol in higher education afterwards. The statistics for the 2019/2020 academic year show that out of 77,907 students enrolled in upper secondary education, 40,817 students are enrolled in vocational education schools, compared to 37,090 students enrolled in gymnasiums. The problems of the VET system need to be addressed, specifically the lack of practical and applied courses, lack of teaching materials and textbooks, insufficient cooperation between vocational schools and business entities, and most importantly, the absence of adequate professional development opportunities for VET teachers. Some 27 new occupational standards were approved by National Qualifications Authority in 2020, bringing the total number of approved occupational standards to 122.

More efforts are required to provide children with disabilities access to quality education. Currently, only 86 supporting teachers and 71 assistants are working with children with special needs. Lack of sufficient assistants forces parents to engage such services with their own finances. In an effort to address this, the Ministry has organised training of 26 teams for assessment of children with special needs. Further capacity building will continue.

The dropout rate remains higher among Roma, Ashkali and Egyptian children though statistics are unreliable. Kosovo must increase support for municipal dropout prevention teams. Kosovo needs to pay more attention to learning progress and academic achievement in these communities, while they continue to face instances of discrimination in universities and halls of residence. After several years without budget, the Ministry has opened a call to support the learning centres assisting children from those communities and the implementation is due in October 2021. Budget for the next fiscal year is also planned for this purpose.

Participation in Erasmus+ under call 2020 was increasing moderately compared to 2019, with 141 selected projects in International Credit Mobility involving around 1 700 students and staff going to and from Kosovo. There was one Erasmus Mundus Joint Master Degree selected in 2020 involving a higher education institution in Kosovo, and three selected

projects in Capacity Building in Higher Education with coordinating higher education institutions from Kosovo.

On **culture**, Kosovo should maintain efforts to meet the standards of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. Progress has yet to be made on drafting the Law on cultural heritage, reflecting its commitments under Annex V of the Ahtisaari Plan. The Implementation and Monitoring Council needs to resume meetings and identify joint solutions to be reached between Kosovo and the Serbian Orthodox Church.

Kosovo currently participates in the Creative Europe programme, as a partner. Kosovo is to apply for the MEDIA sub-programme and initiate efforts to apply for full membership, once legislation is aligned with the EU Audio-visual Media Service Directive.

### 5.2.5. Customs

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

Kosovo is **moderately prepared** in the area of customs. It made **some progress** during the reporting period by continuing to improve systematic exchange of excise data with other customs jurisdictions and by enforcing customs measures, such as for the protection of intellectual property rights (IPRs). As the recommendations in the previous report have been addressed to a limited extent, in the coming year Kosovo should in particular:

- pursue further alignment with the Union customs code and the excise *acquis*, including the Customs and Excise Code.
- continue to carry out field inspections and coordinated actions between Kosovo Customs and other law enforcement agencies in the fight against customs fraud and tax evasion;
- phase out the use of privately owned inland customs terminals and remove the fees charged to exporters/importers, in accordance with EU customs legislation.

In the area of **customs legislation**, there was no progress in the progressive alignment of the Customs and Excise Code with that of the Union customs code, as recommended in the previous report. Due to status issues, there was no progress on Kosovo's application to become an observer under the Common Transit Convention. Kosovo has not ratified the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin but it applies its provisions. Kosovo Customs continues to participate in the systematic electronic exchange of excise data among Western Balkan economies. It has been further improved automated exchange of information. The legislation on customs measures governing intellectual property rights (IPRs) and export controls for cultural goods is aligned with the EU *acquis*, but the legislation on drug precursors requires further alignment. Kosovo Customs continues to progress on trade facilitation with approving the fourth authorised economic operators and continued to improve its systems, procedures and administrative capacities in this area. Initial steps were taken in establishing an inland custom terminal in public premises. However, no progress was made on removing the associated fees charged to every truck to discharge custom obligations when entering the inland terminals located in privately owned facilities. These fees, which are not in line with the SAA provisions and EU *acquis*, need to be abolished.

Kosovo Customs maintains a reasonable **administrative and operational capacity**, in spite of further reduction on customs revenues from certain products as a result of implementing

the Stabilisation and Association Agreement (6.4% in 2020 – yet largely mitigated by increased trade under the Agreement).

Kosovo Customs should strengthen its administrative and professional capacity, and ensure that merit-based and transparent transfers and selection processes apply. As in other revenues services, any political influence on the appointments in the customs administration undermines the public's overall confidence vis-a-vis the service. Continuous work on paperless approach and an e-payments system, including voluntary declarations by businesses will help eliminate administrative barriers and lead to a streamlining of customs clearance procedures. Such approach would help decrease the currently high number of business complaints against the administration's decisions. Kosovo Customs should continue to implement its medium term strategic plan (2019-2023) aimed at strengthening its capacity, modernising revenue collection and facilitating trade and the fight against tax evasion, organised crime and other illicit activities.

While Kosovo Customs work on the fight against illegal cross-border activities, including the smuggling of goods such as narcotics and hazardous materials, including that of IPR infringements, additional measures are needed to improve its effectiveness and efficiency. Among these, the need to step up the implementation of its anti-corruption plan, conduct more investigations and asset declarations checks filled by customs officials. Increased cooperation is noted in the fight against the informal economy and customs fraud between the Kosovo Customs and other law enforcement authorities and other line institutions. Kosovo authorities should step up the implementation of the strategy against the informal economy and regularly report on achievements.

Only two of the six permanent Common Crossing Points (CCPs) have been established (Merdare and Mutivodë/Mutivode). Facilities of two EU-funded crossing points Merdare and Mutivodë/Mutivode are ready. However, at the latter Serbian authorities are still working in old interim facilities and in the former only one side (exit from Kosovo) is open, because Serbia has not manned the other side (exit from Serbia) despite agreeing to take possession of the newly constructed EU-funded facilities at the Merdare crossing point in October 2020. (*See section on normalisation of relations between Kosovo and Serbia*).

### **5.3. The Green Agenda and sustainable connectivity**

Overall, Kosovo has some level of preparation on areas related to the Green Agenda and sustainable connectivity. Kosovo is actively participating in the Transport Community and Energy Community meetings. Like all Western Balkans, Kosovo endorsed the Green Agenda for the Western Balkans at the Sofia Summit in November 2020. It made some progress during the reporting period in the energy sector, notably with the increased investments in renewables. Despite this progress, Kosovo remains heavily reliant on coal. Limited progress was made in the areas of transport, environment and climate change. Kosovo needs to substantially increase its ambition to properly implement EU standards on transport and environment. Administrative capacities needs to be reinforced in all sectors. Strategies, action plans and legislation in these sectors need to be more consistent among themselves and with the principles and objectives of the Green Agenda.

#### *5.3.1. Transport policy*

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

Kosovo remains at an **early stage/has some level of preparation** in the area of transport policy and has achieved **limited progress**, notably on road safety. As all recommendations from the previous report are still pending, in the coming year Kosovo should in particular:

- continue its efforts to prevent road accidents by targeting the reduction of fatalities, investing in road maintenance, prevention campaigns and the establishment of a systematic monitoring mechanism for the collection of crash data;
- strengthen the capacity of the railway regulator, ensuring its financial and operational independence and updating its legal framework;
- continue efforts to align Kosovo's Aviation Regulation with the European Common Aviation Area agreement;
- adopt legislation and implementing regulations on the Intelligent Transport System (ITS), aligning with the *acquis* on the establishment of common rules for certain types of combined transport of goods between Member States and, ensure sufficient capacity and resources for its implementation and continue efforts to transpose the EU passenger rights *acquis* across all modes of transport;

On **general transport** issues, Kosovo maintained its level of involvement in the Transport Community, despite the limitations imposed by the COVID-19 pandemic. Kosovo should continue its engagement with the Permanent Secretariat of the Transport Community and speed up the process of the appointment of the road and rail technical committee members. Kosovo should pay its share of financial contribution to the Transport Community Secretariat.

The implementation of Kosovo's 2015-2025 multimodal transport Strategy and action plan was affected by the changes of government as well as the impact of the COVID-19 pandemic. The document needs to be updated to reflect higher ambition for environment, greener transport projects, civil aviation and intelligent transport system (ITS). The staffing of the independent investigative bodies of air and railway accidents needs to be strengthened. Decisive progress will be needed to match the objectives of the Green Agenda for the Western Balkans in the area of transport.

There has been little progress on the legal framework related to **road transport**. Further efforts to align with the EU road transport *acquis* is necessary. Kosovo started to prepare a Strategy for road maintenance. However, further work is needed to extend road maintenance planning to the entire network. The implementation of legislation continues to face delays due to a shortage of inspectors and qualified staff the Ministry of Infrastructure. Kosovo should continue to identify high-risk road axes and implement in full the recommendations to improve the quality of the road network.

Kosovo has improved its traffic accident figures (the number of fatalities per million inhabitants is 43). Kosovo should fully implement the actions set out in the Transport Community Treaty Road Safety regional action plan adopted in October 2020. In addition, Kosovo should develop a comprehensive road safety strategy for 2021-2030, which includes targets and more reliable collection of crash data. This initiative needs to be reflected by the development of a proper institutional set-up with the establishment of a lead Agency for road safety. The CONNECTA report recommendations on rail and road maintenance, road safety inspections, intelligent transport systems and the establishment of a crash data system have not yet been implemented. Further work needs to be done to adopt the Road Safety Inspection guidelines and develop the three-year inspection plan, the establishment of the Road Accident Records database and a permanent awareness public campaign on road safety.

The legislative framework of Kosovo's **rail transport** system needs to be updated, in line with the objectives established in the Transport Community Treaty Rail Transport Action Plan endorsed in October 2020. Efforts are needed to further align legislation with the EU single rail market *acquis* including opening the market for domestic passenger transport services by rail and the governance of the railway infrastructure. Rail networks extension, maintenance and rehabilitation are necessary to increase the number of passengers and freight transported.

Kosovo should ensure the signature and implementation of the 2020-2024 financial agreement with INFRAKOS, the railway network operator. A new managing board needs to be appointed at INFRAKOS.

On **air transport**, Kosovo is part of the European common aviation area and covered by the single European sky arrangements. The sector continues to face a number of challenges from Kosovo's non-membership of several international civil aviation organisations. Lack of revenue from upper airspace management and institutional weakness of the Air Navigation Service Agency and the Civil Aviation Authority remains a challenge. These institutions should be strengthened, with the appointment of managers respecting merit-based recruitment principles. The Civil Aviation Authority reorganisation and administrative reforms should take into account both the commitments made on public administration reform principles, as well as the specific circumstances and requirements of the aviation sector. Additionally, Kosovo has continued its progressive alignment with the EU *acquis* of the European Common Aviation Area Agreement and should continue this work in order to fulfil all requirements.

### 5.3.2. Energy

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

Kosovo has **some level of preparation** in the field of energy. Kosovo has made **some progress**, with the increase of investments in renewable energy, achieving 2020 goals under the Energy Community Treaty and developed interconnection with the region's energy networks.

In line with the principles and priorities of the Green Agenda for the Western Balkans, the review of the energy Strategy and Action Plan should ensure their coherence with the integrated National Energy and Climate Plan and put in place policies and measures to reach those targets in the most cost-effective way. Kosovo remains heavily reliant on coal, which in addition to being a dominant greenhouse gases emission source, causes serious health and environmental hazards.

Recommendations from the previous report were only partially addressed. In the coming year, Kosovo should in particular:

- continue the environmental upgrade of the Kosovo B thermal power plant and works for decommissioning of the Kosovo A thermal power plant;
- continue the roll out of the Energy Efficiency Fund, implement energy efficiency projects in municipalities and introduce energy efficiency incentives in residential and private sectors;
- update Kosovo's energy strategy with a main focus on renewables, energy efficiency and decarbonisation targets. Take measures to enable a cost-effective deployment of

renewable energy and introduce renewable energy auctions;

→ adopt a plan for the gradual adjustment of energy tariffs, reflecting expected increases in costs, and including mitigation measures for vulnerable consumers.

Good progress was made on **security of supply**. A Connection Agreement between Kosovo's transmission system operator KOSTT and the European Network of Transmission System Operators for Electricity (ENTSO-E) entered into force, leading to the operationalisation of the 400kV interconnection line between Albania and Kosovo. In December 2020, KOSTT has started operation as a Control Area within the Albania-Kosovo Control Bloc and the first auction of capacity took place.

In order to further strengthen the security of energy supply, Kosovo should implement several connectivity reform measures, such as the continuous operation of the branch of the Albanian Power Exchange (ALPEX) in Kosovo, increasing the cross-border capacity and coordinating cross-border capacity with all neighbouring Transmission System Operators.

With 98% of electricity generated by two aging and highly polluting lignite thermal power plants, Kosovo's electricity system remains highly inflexible. This adds significantly to Kosovo's heavy air pollution and environmental and health problems. Kosovo should continue its work on the decommissioning of the obsolete parts of Kosovo A thermal power plant, where there is an urgent need to find a location for the disposal of hazardous waste. Works to enhance the environmental performance of Kosovo B thermal power plant started in 2020 and are expected to bring levels of gaseous emissions into line with the EU *acquis*. The legal framework needs to be aligned with the EU Directives on large combustion plants and industrial emissions.

Kosovo abandoned the project to build a new 500 MW coal-based power plant ("Kosova e Re") after the company selected to build the new plant announced in March 2020 that it would not proceed with the project.

The development of gas infrastructure is not determined in the upcoming Kosovo's energy Strategy. Investments and preparation continue for the realisation and expansion of the Trans-Adriatic gas pipeline. Assessment of the interconnection between Kosovo and Albania has been already completed, while a pre-feasibility study for the Kosovo-North Macedonia pipeline is still ongoing. Both projects have potential to assist in the energy transition away from coal and energy-grid stability.

As regards the **internal energy market**, the implementation of the retail market opening, as well as the gradual adjustment of energy tariffs, reflecting expected increase in costs and mitigation measures for vulnerable consumers remain necessary. The Energy Regulatory Office is now functional with a complete board.

Kosovo made some steps in implementing the EU *acquis* on petroleum trade and compulsory oil stocks, as well as biofuels and bio liquids. Kosovo achieved its target share of **energy from renewable sources** in 2020, which rose to 25.7%. By the end of 2020, Kosovo registered a total of 139 MW of renewable energy, 95 MW of hydropower, 34 MW of wind and 10 MW of solar. The increase is due to an additional 19 MW of hydropower. Despite this increase, the current trend should be revised to achieve ambitious goals of the Green Agenda for the Western Balkans. An assessment of alternative sustainable energy sources should be carried out, in line with the sustainable green transition in the EU. The adoption of an integrated National Energy and Climate Plan should present the 2030 renewable energy targets and establish policies and measures to reach them in the most cost-effective way.

Measures to make the biomass power plant in Gjakova/Đakovica operational should be

carried out. The development of small hydropower plants faced strong public resistance due to concerns over their environmental impact. Any new projects should comply with the EU *acquis* on concessions and the environment, and they should always be accompanied by proper environmental and social impact assessments. The existing rules for granting support to renewable energy producers should include a competitive process and improve the support schemes for renewable energy projects by introducing competitive bidding for support for renewables. The necessary legislation should be amended to achieve these goals.

There was some progress on the implementation of the **Energy Efficiency** Fund. Kosovo should prioritise energy efficiency investments in residential buildings and the private sector, increasing efforts to monitor and verify energy savings, including making the online platform for energy efficiency monitoring and verification operational. Kosovo should take into consideration the replenishment of the fund and enforce secondary legislation needed to implement the Law on energy efficiency. The fund should mobilise investments for energy in the residential and private sectors. A revolving mechanism needs to be designed for residential and private sectors to ensure long-term sustainability of the fund

The capacities of the **Nuclear Safety and Radiation Protection** Agency remain weak, and Kosovo has still not found a solution for the temporary storage of radioactive waste. Kosovo should adopt the Regulation on Radiation Emergency and Monitoring and a radiological emergency plan.

### 5.3.3. *Trans-European Networks*

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

In the area of trans-European networks (TENs), Kosovo has **some level of preparation**. **Limited progress** was achieved, notably by implementing parts of the Transport Community Treaty and the operationalisation of the electric interconnection with Albania. Recommendations from the previous report were only partially addressed. In the coming year, Kosovo should:

- harmonise the legal framework with the TEN-T and TEN-E *acquis*;
- implement the pending connectivity reform measures and strengthen institutional and administrative capacities for the implementation of strategic infrastructure projects;
- improve the capacity of the Regulatory Authority of Electronic and Postal Communications to enforce telecommunications market regulations.

On **transport networks**, Kosovo is encouraged to maintain its active involvement in Transport Community Treaty meetings. The development of the trans-European Transport Network (TEN-T) is covered in Kosovo's multimodal transport strategy 2015-2025 and action plan. However, progress was limited due to government changes and the COVID-19 pandemic. The inter-institutional capacity to implement infrastructure projects remains very limited, not only for the completion and extension of priority projects, but also for the maintenance of the existing networks. Current and future transport infrastructure investments need to be based on realistic cost/benefit analyses and should comply with EU standards on public procurement, state aid and environmental impact assessment.

Segment of the "Peace Highway" part of Route 7 received financing, as part of the EU Connectivity Agenda. The road has been classified as an extension of the Trans-European Transport Network (Orient/East Mediterranean corridor). The works on the Orient/East-Med railway Corridor (R10) connecting Fushë Kosovë/Kosovo Polje and Mitrovicë/Mitrovica to

North Macedonia continue. Despite preparations, there is no five-year road and rail maintenance plan yet. The missing railway Border Crossing Protocol with North Macedonia was signed.

Kosovo achieved some progress on rail market opening, with the Transport Community Secretariat assessing a 60% implementation rate. Obstacles remain, such as the mutual recognition of train driver licenses, institutional framework and recognition of safety certificates and authorizations.

On **energy networks**, the new Connection Agreement between the Kosovo transmission system operator (KOSTT) and the European Network of Transmission Systems Operators for electricity (ENTSO-E) entered into force, leading to the operationalisation of the 400kV transmission line and load frequency control between Kosovo and Albania. As of December 2020, KOSTT has started operation as Control Area within Albania-Kosovo joint control bloc and the first auction of capacity took place.

Investments and preparation continue for the realisation and expansion of the Trans-Adriatic gas pipeline. Assessment of the interconnection between Kosovo and Albania has been already completed, while a pre-feasibility study for the Kosovo-North Macedonia pipeline is still ongoing. Both projects have the potential to assist in the sustainable energy transition away from coal and energy-grid stability.

On **telecommunications networks**, the institutional capacity of the Electronic and Postal Communications Regulatory Authority needs to be reinforced. Kosovo completed the necessary technical preparations for the full rollout the Regional Roaming Agreement, fully enabling Kosovo consumers to roam freely as of July 2021.

#### 5.3.4. *Environment and climate change*

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

Kosovo is at an **early stage of preparation** on environment and climate change. **Limited progress** was achieved during the reporting period, notably on environmental reporting and air quality monitoring. In order to be aligned with the Green Agenda for the Western Balkans goals, Kosovo needs to increase its political commitment to address environmental degradation and climate change challenges. All recommendations from the previous report are still pending. In the coming year, Kosovo should in particular:

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

## Environment

As regards **horizontal** issues, Kosovo authorities should reassess and review relevant strategies, action plans and legislation to ensure the coherence with Green Agenda objectives. Kosovo should urgently prepare the environment strategy for the post 2021 period. Insufficient funding and administrative capacity prevent the proper implementation of the current strategic framework. Environmental protection is hampered by the lack of alignment with the Environmental Liability Directive. Environmental inspections legislation is not adopted and inspectorate lacks the capacity for enforcement. The preparation and implementation of the environmental impact assessment and strategic impact assessment laws need to be considerably enhanced. Inter-institutional coordination and civil society involvement remains limited. Awareness raising needs to be improved, as most activities are carried by the international community and civil society organisations. Some strategic investments have been cancelled or postponed due to pandemic.

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

The solid **waste management** system continues to be unsustainable. The legal framework is partially aligned with the EU *acquis* but still needs to be extended as regards producer responsibility and the polluter pays principle. The Law on waste needs to be further aligned with the Waste Framework Directive. There was progress in the alignment with the hazardous waste management legislation, but implementation is lacking. The Strategy on integrated waste management, and its dedicated action plan, for 2021-2030 was adopted. It addresses the EU principles of waste management. Currently most waste ends up in landfills that are not properly managed, or are categorised as illegal dumpsites. The number of illegal dumpsites has decreased (from 2,529 in 2019, 1,489 in 2020 and 1,189 in 2021). Proper implementation would require an increase in capacity at all levels and establishment of targets and a timeframe for the main stages in the integrated waste management and circular economy in Kosovo. There was some progress in the reporting of waste and adoption of modern integrated municipal waste management plans; however, these plans have not been endorsed by all municipalities. The coal ash deposit lake operated by the Kosovo Electricity Company and the Mirash landfill in Obiliq/Obilić remains open despite its negative impact on the environment. The government need to step up efforts in selecting locations for the new landfills and ensure agreements with the local authorities.

Progress was made on aligning **water** legislation with the EU *acquis*. Kosovo has a 2017-2036 water Strategy, but the level of alignment with the EU *acquis* remains very low and monitoring mechanism is not sufficient. The implementation of the water Law needs to be significantly strengthened. The setting up of an inter-ministerial water council within the Office of the Prime Minister is a positive step. Water resource monitoring networks are still incomplete, especially for groundwater. Water protection zones are not being monitored or properly managed. Urgent efforts are required to ensure that the river basin district authority becomes operational. The management plan for the White Drin basin has been completed and progress is ongoing for the other river basin plans. There was some progress on cooperation

with neighbouring partners on integrated water management and flood protection. Some progress was achieved with the planning and construction of wastewater treatment plants. Tariff collection needs to be improved and water losses to be reduced, especially commercial losses. The construction of numerous small hydroelectric power plants should be done in full respect of the environmental legislation and go through proper environmental assessments, due to their harmful environmental cumulative effects. Preliminary flood risk assessments have been completed for all basins but flood risk and hazard maps need to be developed. Treatment facilities are not properly functional and untreated sewage and discharge remain the main sources of water pollution. Kosovo should identify agglomerations and sensitive areas, in line with the Urban Waste Water Treatment Directive. Tariff collection has been affected by the pandemic and the government did not provide support for the coverage of social cases.

Limited progress was made in the area of **nature protection**. The Law on the proclamation of protected and strictly protected wild species of plants and animals is approved and provides alignment with the Habitats Directive. The 2016-2020 action plan for biodiversity is partially implemented. However, these areas continue to be polluted and poorly maintained. Illegal activities such as construction, hunting and logging are not properly addressed. Effective measures remain necessary to ensure protection of critically endangered species. The establishment of a monitoring system for the Balkan lynx in Kosovo represents a first step towards its conservation. Kosovo has taken steps to start inventories of natural habitats and species, but designation of potential NATURA 2000 sites is still at a very early stage. Some progress on forestry was made on planning and management, with the adoption of relevant secondary acts as well as steps towards afforestation. The forest Strategy and the forestry Law are yet to be adopted. Deforestation and particularly illegal logging remain improperly addressed and problematic.

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

No progress was registered on **chemicals**, where alignment with the EU *acquis* and implementation of existing legislation remains at low level. Kosovo is not party to the Rotterdam Convention and still needs to implement the regulatory framework on the export and import of hazardous chemicals. Some progress was achieved in providing information to stakeholders but further effort are needed to develop a centre for control of chemical poisoning.

There were no significant improvement in the area of **noise** in the reporting period.

Kosovo is not part of the Union **Civil Protection** Mechanism, but benefits from regional civil protection programmes under the Instrument for Pre-Accession Assistance. Kosovo can also benefit from certain tools under the Union Civil Protection Mechanism such as trainings, exercises, prevention and preparedness projects and exchange of experts. It has not yet established an operational centre and emergency communication system. The COVID-19 pandemic highlighted the need to strengthen the legal framework and institutional capacities as well as human and financial resources of civil protection authorities also with regard to health emergencies. Some progress has been made regarding the risk assessment development and the preparation of disaster response plans. Kosovo is encouraged to

participate more actively in the activities under the Union Civil Protection Mechanism, such as trainings, exchange of experts, prevention and preparedness projects, exercises, peer reviews and advisory missions.

### Climate change

The implementation of the 2019-2028 climate change Strategy is still at an early stage. The action plan for the period 2021-2023 has not yet been drafted. Strategic and legislative framework is not adapted to the EU strategic goals stemming from the European Green Deal. The Law on climate change is in the early stage of preparation. Kosovo continues to rely heavily on coal and is not complying with the emission ceilings established under its National Emission Reduction Plan (NERP). The Council for the Environment and Climate Change took no concrete measures to mainstream climate action or raise public awareness, and there is little evidence of policies being aligned with climate change objectives. Administrative capacity and awareness raising declined and need to be strengthened considerably at all levels. Although Kosovo is not a signatory to the UN Framework Convention on Climate Change and therefore does not have a nationally determined contribution under the 2015 Paris Agreement, full implementation of its climate change Strategy should serve as a guide to achieving the objectives of the Agreement. Kosovo drafted the updated inventory of Greenhouse gas emissions for the period 2014-2019.

## **5.4. Resources, agriculture and cohesion**

Kosovo has some level of preparation on cluster 5 as the system for the implementation of the agricultural and rural development policy is in place. Legislation in food, rural development, spirit drinks, plant protection and forestry still needs to be adopted. The agricultural information system interconnecting the various elements is still under construction. The measures encouraging land consolidation are insufficient. The long lasting problem of transferring the inspectors from municipalities to the Kosovo Food and Veterinary Agency remains unaddressed. Kosovo needs to increase its efforts to properly implement chapter 12 of the *acquis* as several areas need progress. Implementation of the relevant *acquis* on fisheries requires some effort, as well.

### **5.4.1. Agriculture**

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

Kosovo has **some level of preparation** on agriculture and rural development. **Limited progress** was made overall, especially in relation to the design and implementation of the agriculture and rural development programmes. Progress on land consolidation and land protection is insufficient.

Not all 2020 recommendations were implemented. In the coming year, Kosovo should in particular:

- perform a qualitative assessment of the effectiveness of direct payments and rural development programmes provided under the financial framework 2014-2020, and adopt the strategy and program for agricultural and rural development 2021-2027;
- take urgent and effective measures to stop the loss of agricultural land and implement the legislation on spatial planning.

On **horizontal issues**, Kosovo's institutional set-up includes the necessary system for the

development and implementation of agriculture and rural development policy. The sector is affected by a predominance of small farms and fragmented arable land. The positive trend with respect to budget allocation for direct payments and grants continued in 2020: the allocation rose to EUR 61.6m, 35% higher than in 2019. The agriculture and rural development programme 2020 included important support for agricultural households, processing and marketing of agricultural products, farm diversification and irrigation of agricultural land. Cross-compliance remains unaddressed. In order to secure good efficiency and effectiveness of future direct payments and grant programmes, the Ministry of Agriculture initiated the preparation of the agriculture and rural development program 2021-2027, based on independent sector studies. However, an ex-post evaluation of the programmes implemented under the financial framework 2014-2020 is needed to better prepare and adopt the strategy and the programme for agricultural and rural development for 2021-2027.

Kosovo is in the process of establishing an integrated agricultural information system by upgrading and improving interconnectivity of the existing elements, which include the administration and control system (IACS), the agricultural market information system (AMIS) and the farm accountancy data network (FADN). Cross-compliance remains unaddressed under IACS. A number of issues that could affect effectiveness of this system require urgent attention, such as the old ortho-imagery for the land parcel identification system (LPIS) and the online connection between stakeholder institutions.

On **common market organisation (CMO)**, no progress was made. Foreseen already for 2020, the law on Common Market Organisation as well as the related implementing legislation have been postponed to 2022.

On **rural development**, a Kosovo-wide strategy remains to be developed.

Regarding **quality policy**, some secondary legislation was adopted but no progress was registered in aligning the relevant legislation with the EU *acquis*. The members of the Commission on Geographical Indication have been nominated.

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

There was no progress on arable land consolidation and protection. Kosovo is yet to establish a clear action plan and a taskforce, involving the Ministry of Agriculture and Rural Development, the Ministry of Environment, Spatial Planning and Infrastructure, and local authorities, to address the steady loss and degradation of farmland.

#### **5.4.2. Food safety, veterinary and phytosanitary policy**

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

Kosovo has **some level of preparation** in the area of food safety, veterinary and phytosanitary policy. **Limited progress** was achieved in developing the food control and traceability system as well as the management of the food safety and veterinary laboratory information.

Not all 2020 recommendations were implemented. In the coming year, Kosovo should in particular:

→ operate fully the existing Food Control and Traceability Management System as well the

Laboratory Information Management System, including by finalising the transfer of inspectors from the municipalities to the Food and Veterinary Agency;

- select the operator for managing the rendering plant and animal by-product collection system and put into operation the animal by-product collection and disposal system;
- implement the disease control and surveillance programmes and inform the European Commission on the results.

Kosovo made some progress in developing its IT infrastructure for the control of **food safety and traceability** as well as the laboratory information management system. Further effort is required in order to achieve alignment of legislation with the EU *acquis* in order to ensure consistent implementation of food safety and phytosanitary legislation. The long overdue process of transferring 76 inspectors from municipalities to the Food and Veterinary Agency started in August 2021 with the adoption of the Law on budget, providing the necessary funds, and should be urgently finalised in order to allow for the proper implementation of legislation. The food and veterinary laboratory has continued testing and participated in proficiency testing with EU reference laboratories. However, no progress was achieved in obtaining international accreditation.

No relevant progress was made on the **veterinary policy**, where the Food and Veterinary Agency is yet to design and implement a comprehensive disease monitoring and control system, in line with EU legislation and World Organisation for Animal Health requirements. The long-term planning and implementation of programmes to eradicate diseases that are endemic in Kosovo still require approval and implementation. The same applies to animal health controls at farm level, the transport of animals, and livestock markets. The implementation of programmes in these areas is unsatisfactory due to the lack of necessary resources, both human and financial, as well as the lack of in-service training and education programmes. The overall 2021 budget of the Agency decreased by 18%.

No relevant developments were made on **animal health**. The multi-annual animal disease control and surveillance programme still requires adoption and implementation. Kosovo continued rabies eradication vaccination campaigns with EU support. Taking full ownership of these campaigns, Kosovo should transition to using its own means for future campaigns in line with obligations to harmonise with the relevant EU *acquis*.

No progress was made on the system for collection and disposal of animal by-products, which is not yet functional despite the existence of a new and equipped rendering plant. The Agency is due to select an operator to manage the rendering plant and the collection system in 2021.

No progress was made on **animal identification and registration**, where the under-reporting of animal movements remains a challenge. The Agency has yet to adopt measures to enforce the relevant regulation at the level of livestock markets, slaughterhouses and transport. No progress was made on identifying basic **cross-compliance measures** in the areas of food safety, animal health and welfare.

With regard to **phytosanitary** matters, no progress was made on the harmonisation of the relevant legal acts. The Kosovo Institute of Agriculture (the scientific body supporting the phytosanitary sector) is yet to implement the quality assurance system and complete the accreditation of the plant protection laboratory.

#### 5.4.3. Fisheries

*The common fisheries policy lays down rules on fisheries management, protects living*

*resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on markets and aquaculture, and support for fisheries and coastal communities.*

Kosovo is still at an **early stage** of preparation in the area of fisheries. **No progress** was made during the reporting period. None of the recommendations of previous reports was implemented. In the coming year, Kosovo should in particular:

- further align its market policy with the EU *acquis*;
- establish an inventory of fish species.

Kosovo has no coastline, therefore the EU *acquis* on catch quotas, inspection and control is of very limited applicability. The fisheries sector consists of aquaculture operations and the focus should be on establishing a **market policy** in line with the EU *acquis* as well as an inventory of fish species and stronger administrative capacity for policy management, inspection and control.

The Ministry of Agriculture provided grants and subsidies to registered producers. The grants selection was based on the potential for jobs and production capacity, without considering the market and export potential criteria.

## **5.5. External relations**

In the area of trade, Kosovo is at an early stage of preparation. Some progress was made during the reporting period in reducing Kosovo's trade deficit, however Kosovo has not yet adopted a comprehensive trade policy, nor ratified the CEFTA Additional Protocols on trade facilitation and trade in services.

### **5.5.1. Trade issues**

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

Kosovo is at an **early stage of preparation** in this area. **Some progress** over the past year was made in reducing the long-standing trade deficit, thanks to a good performance of exported goods, and in spite of the COVID pandemic limiting the existing opportunities for service exports.

Work has continued to develop a trade policy aimed at addressing Kosovo's chronic trade deficit. The ratification and subsequent implementation of CEFTA protocols 5 on trade facilitation and 6 on trade in services, and more efforts in line with Kosovo's international and regional trade commitments would expand export opportunities further. To date, Kosovo has not been able to make full use of the trade preferences of the Stabilisation and Association Agreement (SAA) with the EU. Kosovo is at an early stage of preparation as regards its application for WTO observer status.

Not all recommendations from the previous report were implemented. In the coming year, Kosovo should in particular:

- finalise and adopt a trade policy to address Kosovo's chronic trade deficit on goods and to expand trade on services;
- ratify and implement CEFTA Additional Protocol 5 on trade facilitation and Additional Protocol 6 on trade in services, and negotiate Additional Protocol 7 on dispute settlement; implement commitments under the Common Regional Market Action Plan 2021-2024.

Overall, Kosovo remains highly reliant on imports and suffers from a chronic trade deficit.

However, in 2020 the trade deficit has decreased by 10% compared to 2019, with EUR 2.82 billion of imports and EUR 475 million of exports. The increase of exports in 2020 compared to the previous year has been significant, representing almost 24%. The SAA has shown positive effects on the economy, with an increase of exports by 83% since 2016, whereas imports increased by 38%.

The Ministry of Trade, Entrepreneurship and Industry worked on developing a comprehensive framework (trade policy document and laws) for domestic and international trade. However, none of these has been adopted yet

Most of Kosovo's goods exports still consist of basic raw materials and mineral products, reflecting a limited diversification of the production sector. Although Kosovo's use of the EU's wine tariff rate quota increased last year, only 85% of the available quota was used. There is therefore still some room for further expansion.

Services exports are strongly dependent on travel services, which represented 65% of the total in 2020. While lower than in previous years due to pandemic travel restrictions, the majority of them were Kosovo diaspora visits, not foreign tourism. This alongside overall mobility in Kosovo raises concerns over the sector's long-term sustainability.

Kosovo took initial step towards implementing the Common Regional Market Action Plan 2021-2024, launched in November 2020 during the Western Balkans Summit in Sofia. The Common Regional Market will facilitate Kosovo's integration into regional and European value chains, and help increase the attractiveness of the economy for FDI in tradeable sectors.

There is a need to enhance the capacity of the trade department to undertake trade defence related investigations, in line with EU procedures, and to determine protective measures for imports. Information on the scope and reach of trade defence measures should be better disseminated to the private sector. Delays in access to the Kosovo Customs trade databases and to the Kosovo Agency of Statistics statistics negatively affected the efficiency of the trade department.

The Contact Point on Services was launched in October 2020. Its platform allows businesses to explore opportunities and expand their services between Kosovo and EU Member States. The National Committee on Trade in Services was formed in July 2020, with public and private representatives.

The current framework on e-commerce in Kosovo suffers from regulatory shortcomings such as a weak electronic payment system. A draft Law on Electronic Identification on Trusted Services in Electronic Transactions was approved and is now in the final stages of adoption by the Assembly. The law will reduce the administrative burden for electronic transactions between parties and increase their security.

The CEFTA area has remained Kosovo's main export market, accounting for 43% of its total exports in 2020. The ratification of CEFTA's additional protocols 5 and 6 is still pending, limiting the potential for increasing the export of goods and services. In June 2021 the government has proposed a new framework to replace CEFTA called the Southeast European Free Trade Agreement (SEFTA), however its adoption by CEFTA parties remains under question. The first Joint Committee between Kosovo and the European Free Trade Association (EFTA) took place in November 2020, where Kosovo proposed the examination of a free trade agreement. A bilateral Agreement between Kosovo and Hungary on the mutual promotion and protection of investments was signed and entered into force in March 2021. Kosovo also concluded an investment incentive agreement with the USA, which entered into force the same month. The partnership, trade and cooperation agreement with the United Kingdom, concluded in 2019, entered into force on 1 January 2021.

## ANNEX I – RELATIONS BETWEEN THE EU AND KOSOVO

In April 2016, the EU-Kosovo **Stabilisation and Association Agreement** (SAA) entered into force. The SAA constitutes the first contractual relationship between the EU and Kosovo. It is a comprehensive agreement that provides a framework for political dialogue and covers cooperation in a wide variety of sectors, including justice and home affairs, trade, education, employment, energy, environment and a range of other policy areas. Four Stabilisation and Association Council meetings and five cycles of subcommittee meetings took place since 2016. Kosovo also participates in the ministerial dialogue between the economic and finance ministers of the EU and the candidate countries and potential candidates, which aims at helping the latter to gradually meet the economic accession criteria and be better prepared in terms of economic reforms, competitiveness and job creation. The most recent meeting was held in June 2021.

To guide reforms under the implementation of the SAA, the Commission and Kosovo adopted in November 2016 the **European Reform Agenda** (ERA) for Kosovo. The Agenda outlines priority actions in the fields of good governance and the rule of law, competitiveness and investment climate, and employment and education. Kosovo adopted the second phase of the ERA through a dedicated action plan in August 2021. Since 2012, the Commission has issued five reports on Kosovo's progress towards **visa liberalisation** (the most recent in June 2018). In July 2018, the Commission confirmed that Kosovo has met the two outstanding requirements, thus fulfilling all benchmarks set out in the Visa Liberalisation Roadmap. The European Parliament has voted in support of the Commission proposal. The proposal is pending in the Council.

The bilateral EU support for Kosovo under the **Instrument for Pre-accession Assistance** (IPA II) in 2014-2020 amounts to EUR 562 million. The 2019 and 2020 action programmes include an EU contribution amounting to EUR 181 million. The assistance is implemented under direct management by the EU Office in Kosovo, as well as through budget support operations on public administration reform, public financial management and on support to Kosovo's socio-economic recovery.

As part of the response to the COVID-19 pandemic, EU's COVID related assistance to Kosovo amounts to EUR 68 million: EUR 5 million have been refocused for urgent medical equipment and EUR 63 million for socio-economic recovery measures, including a resilience contract (budget support). As part of the wider COVID-19 response, the EU also made available a Macro Financial Assistance scheme of EUR 100 million in highly favourable loans in order to underpin the local economy.

The IPA III Regulation for the 2021-2027 financial period<sup>7</sup> will continue to provide financial support to the region and will also finance the Economic Investment Plan (EIP) for the Western Balkans. The EIP, accompanied by the Green Agenda for the Western Balkans, was agreed by the Commission and the candidate countries and potential candidates of the region in October 2020 and aims to spur the long-term economic recovery of the region, support a green and digital transition, and foster regional integration and convergence with the European Union.

Kosovo continues to benefit from support under the IPA multi-country and regional programmes. These programmes have been also, in part, repurposed to address the response to the COVID-19 crisis. Additionally, Kosovo participates in three cross-border cooperation

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<sup>7</sup>Official Journal L 330, 20.9.2021

programmes, and also benefits, with IPA support, from participation in some EU programmes.

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

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

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

Since 2008, the **European Rule of Law Mission in Kosovo (EULEX)** has been assisting Kosovo authorities in establishing sustainable and independent rule of law institutions. Under its current mandate extended in June 2021, the Mission continues to undertake monitoring activities and has limited executive functions.

To date, according to the government, Kosovo has been recognised by 117 countries, including 23 EU Member States.

During the reporting period, the UN Secretary-General continued to provide regular updates on the implementation of the UN's mission in Kosovo (UNMIK). He notably welcomed the resumption of the EU-facilitated Dialogue in 2020.

The NATO-led Kosovo Force (KFOR) has continued to help ensure a safe and secure environment in Kosovo. In June 2021, it had 3,672 personnel.

**STATISTICAL DATA (as of 09.09.2021)**
**Kosovo**
**Basic data**

	Note	2008	2015	2016	2017	2018	2019
Population (thousand)		2 153 s	1 805 es	1 772 es	1 784 es	1 799 es	1 796 s
Total area of the country (km <sup>2</sup> )	1)	10 908 w	10 908 w	10 908 w	10 905 w	10 905 w	10 905 w

**National accounts**

	Note	2008	2015	2016	2017	2018	2019
Gross domestic product (GDP) (million euro)		3 538	5 674	6 037	6 357	6 672	7 056
GDP (euro per capita)		1 803 s	3 217 es	3 426 es	3 596 es	3 740 es	3 956 s
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 (%)		:	5.9	5.6	4.8	3.4	4.8
Employment growth (national accounts data), relative to the previous year (%)		:	c	c	c	c	c
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	c	c	c	c	c
Unit labour cost growth, relative to the previous year (%)		:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		13.5	9.4	10.2	9.2	8.1	9.0
Industry (%)		23.5	23.8	24.3	24.1	24.2	23.4
Construction (%)		9.0	9.4	9.1	10.1	10.4	10.1
Services (%)		53.9 s	57.4 s	56.4 s	56.5 s	57.2 s	57.5 s
Final consumption expenditure, as a share of GDP (%)		105.1	98.7	93.8	91.1	91.9	92.6
Gross fixed capital formation, as a share of GDP (%)		29.8	28.3	28.0	30.0	31.7	31.0
Changes in inventories, as a share of GDP (%)		7.5	2.2	5.5	4.7	4.6	3.5
Exports of goods and services, relative to GDP (%)		17.2	22.5	23.8	27.3	29.1	29.3
Imports of goods and services, relative to GDP (%)		59.5	51.6	51.2	53.1	57.3	56.4

Gross fixed capital formation by the general government sector, as a percentage of GDP (%)

: : : : :

	Note	2008	2015	2016	2017	2018	2019
<b>Business</b>							
Industrial production volume index (2015 = 100)		:	:	:	:	:	:
Number of active enterprises (number)		:	35 472 w	33 274 w	34 355 w	31 028 pw	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		:	11.7 w	9.2 w	8.7 pw	4.8 pw	:
Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		:	8.3 pw	15.8 pw	4.3 pw	3.7 pw	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	78.3 sw	78.5 sw	78.8 sw	78.4 psw	:

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 and house prices</b>	Note	2008	2015	2016	2017	2018	2019
Consumer price index (CPI), change relative to the previous year (%)		9.4 w	- 0.5 w	0.3 w	1.5 w	1.1 w	2.7 w
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:
<b>Balance of payments</b>	Note	2008	2015	2016	2017	2018	2019
Balance of payments: current account total (million euro)		- 460.9 w	- 512.1	- 499.9	- 348.6	- 508.8	- 399.5
Balance of payments current account: trade balance (million euro)		- 1 644.7 w	- 2 109.3	- 2 290.7	- 2 464.2	- 2 737.7	- 2 840.2
Balance of payments current account: net services (million euro)		146.6 w	473.8	650.7	827.3	855.8	926.0
Balance of payments current account: net balance for primary income (million euro)		164.0 w	88.7	73.8	127.4	113.1	160.6
Balance of payments current account: net balance for secondary income (million euro)		873.2 w	1 034.6	1 066.3	1 161.0	1 260.0	1 354.1
Net balance for primary and secondary income: of which government transfers (million euro)		:	171.2	173.0	199.7	226.1	236.6
**3 year backward moving average of the current account balance relative to GDP (%)		:	- 5.9	- 7.5	- 7.6	- 7.1	- 6.3
**Five year change in share of world exports of goods and services (%)		:	5.9	6.6	28.5	37.9	37.5
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		341.5 w	271.8 w	177.2 w	212.0 w	225.8 w	188.4 w
Foreign direct investment (FDI) abroad (million euro)		28.4 w	37.1	42.7	43.4	46.3	66.2
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	8.4 w	13.2 w	14.1 w	13.0	6.1
Foreign direct investment (FDI) in the reporting economy (million euro)		369.9 w	308.8 w	220.0 w	255.4 w	272.1 w	254.6 w
of which FDI of the EU-27 countries in the reporting economy (million euro)		:	60.6 w	16.4 w	86.1 w	58.7	158.6
**Net international investment position, relative to GDP (%)		23.5 w	- 0.7 w	- 1.3 w	- 1.8 w	- 6.1 w	- 5.8 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		:	13.0 s	11.3 s	11.9 s	12.0 s	12.1 s
<b>Public finance</b>	Note	2008	2015	2016	2017	2018	2019
General government deficit / surplus, relative to GDP (%)		:	:	:	:	:	:
General government gross debt relative to GDP (%)		0.0 zw	13.1 ew	14.6 ew	16.6 ew	17.1 ew	:
Total government revenues, as a percentage of GDP (%)		24.3 w	29.6 w	:	:	:	:
Total government expenditure, as a percentage of GDP (%)		24.5 w	28.0 w	:	:	:	:
<b>Financial indicators</b>	Note	2008	2015	2016	2017	2018	2019
Gross external debt of the whole economy, relative to GDP (%)		19.0 sw	33.3 sw	33.2 sw	32.6 sw	:	:
Gross external debt of the whole economy, relative to total exports (%)		121.1 w	151.6 w	140.1 w	120.2 w	105.0 w	106.4 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		:	:	:	:	:	:
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		:	:	:	:	:	:
Money supply: M3 (M2 plus marketable instruments, million euro)		:	:	:	:	:	:
Total credit by monetary financial institutions to residents (consolidated) (million euro)		1 183.4 w	2 101.9 w	2 338.9 w	2 629.5 w	2 939.2 w	:
**Annual change in financial sector liabilities (%)		:	:	:	:	:	:
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:

Interest rates: day-to-day money rate, per annum (%)		:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	2)	14.80 w	8.32 w	7.47 w	6.83 w	6.65 w	6.51 w
Deposit interest rate (one year), per annum (%)	2)	4.20 w	0.90 w	1.01 w	1.04 w	1.31 w	1.46 w
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 (2010 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2010 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		670.3 w	706.4 w	605.1 w	683.4 w	769.3 w	863.7 w
<b>External trade in goods</b>	Note	2008	2015	2016	2017	2018	2019
Value of imports: all goods, all partners (million euro)		1 930	2 635	2 790	3 047	3 347	3 497
Value of exports: all goods, all partners (million euro)		196	325	310	378	368	384
Trade balance: all goods, all partners (million euro)		- 1 734	- 2 309	- 2 480	- 2 669	- 2 980	- 3 114
Terms of trade (export price index / import price index * 100) (number)		:	100.0 sw	90.6 sw	93.0 sw	91.0 sw	94.2 sw
Share of exports to EU-27 countries in value of total exports (%)		48.0 s	32.4 s	22.3 s	22.0 s	27.5 s	33.2 s
Share of imports from EU-27 countries in value of total imports (%)		38.2 s	41.6 s	42.4 s	42.3 s	42.7 s	49.1 s
<b>Demography</b>	Note	2008	2015	2016	2017	2018	2019
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		12.7	9.2 e	8.4 e	8.2 e	7.7	6.9
Infant mortality rate deaths of children under one year of age (per thousand live births)		9.7	9.7	8.5	9.7	10.6	8.7
Life expectancy at birth: male (years)		:	:	75.9 p	:	:	:
Life expectancy at birth: female (years)		:	:	81.6 p	:	:	:
<b>Labour market</b>	Note	2008	2015	2016	2017	2018	2019
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		:	42.8 w	44.0 w	49.0 w	46.6 w	45.2 w
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		:	29.1 w	32.3 w	34.4 w	33.2 w	34.2 w
Male employment rate for persons aged 20–64 (%)		:	44.9 w	49.9 w	54.0 w	52.6 w	53.0 w
Female employment rate for persons aged 20–64 (%)		:	13.2 w	14.6 w	14.6 w	14.1 w	15.6 w
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		23.8 w	27.2 w	29.6 w	32.7 w	31.5 w	32.2 w
Employment by main sectors							
Agriculture, forestry and fisheries (%)		8.0 w	2.3 w	4.2 w	4.4 w	3.5 w	5.2 w
Industry (%)		15.4 w	18.7 w	18.0 w	17.4 w	14.3 w	15.1 w
Construction (%)		8.6 w	9.5 w	11.5 w	12.9 w	11.9 w	12.6 w
Services (%)		68.1 w	69.5 w	66.3 w	65.3 w	70.3 w	67.1 w
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	32.6 w	30.8 w	28.4 w	30.8 w	27.6 w
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	67.4 w	69.2 w	71.6 w	69.2 w	72.4 w

Unemployment rate: proportion of the labour force that is unemployed (%)		47.5 w	32.9 w	27.5 w	30.3 w	29.4 w	25.5 w
Male unemployment rate (%)		42.7 w	31.8 w	26.2 w	28.5 w	28.3 w	22.4 w
Female unemployment rate (%)		59.6 w	36.6 w	31.7 w	36.4 w	33.3 w	34.4 w
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		73.0 w	57.7 w	52.4 w	52.7 w	55.4 w	49.4 w
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		18.5 w	23.8 w	18.0 w	21.7 w	17.2 w	16.2 w
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		:	45.1 w	29.6 w	32.5 w	35.8 w	28.3 w
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		:	17.4 w	15.6 w	23.4 w	16.8 w	18.0 w
<b>Social cohesion</b>	Note	2008	2015	2016	2017	2018	2019
Average nominal monthly wages and salaries (national currency)		:	415 w	422 w	431 w	453 w	477 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		:	:	:	:	:	:
GINI coefficient		:	:	:	:	44	:
Poverty gap		:	:	:	:	47.4	:
*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 (%)		:	14.5 w	12.7 w	12.2 w	9.6 w	8.2 w
<b>Standard of living</b>	Note	2008	2015	2016	2017	2018	2019
Number of passenger cars relative to population size (number per thousand population)		74.1 sw	156.1 esw	146.8 esw	153.6 esw	155.9 esw	162.2 sw
Number of mobile phone subscriptions relative to population size (number per thousand population)		376.2 w	487.8 w	545.1 w	553.1 w	927.1 w	982.7 ew
Mobile broadband penetration (per 100 inhabitants)		:	:	:	1.2 w	:	:
Fixed broadband penetration (per 100 inhabitants)		:	:	:	:	:	:
<b>Infrastructure</b>	Note	2008	2015	2016	2017	2018	2019
Density of railway network (lines in operation per thousand km <sup>2</sup> )	1)	:	30.5 sw	30.5 sw	30.5 sw	30.5 sw	30.5 sw
Length of motorways (kilometres)		0 zw	80 w	98 w	108 w	119 w	137 w
<b>Innovation and research</b>	Note	2008	2015	2016	2017	2018	2019
Public expenditure on education relative to GDP (%)		:	4.5 sw	4.6 sw	4.4 sw	4.5 sw	:
*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 (%)		:	:	:	89.0	93.0	93.0
<b>Environment</b>	Note	2008	2015	2016	2017	2018	2019
*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)		537.5	444.9	451.3	409.0	398.1	392.3

Electricity generated from renewable sources relative to gross electricity consumption (%)		1.0	1.8	4.0	3.6	4.2	5.2
Road share of inland freight transport (based on tonne-km) (%)		:	:	:	:	:	:
<b>Energy</b>	Note	2008	2015	2016	2017	2018	2019
Primary production of all energy products (thousand TOE)		1 676	1 804	2 016	1 793	1 822	1 849
Primary production of crude oil (thousand TOE)		0	0	0	0	0	0
Primary production of solid fuels (thousand TOE)		1 438	1 536	1 640	1 412	1 428	1 503
Primary production of gas (thousand TOE)		0	0	0	0	0	0
Net imports of all energy products (thousand TOE)		601 s	697 s	638 s	769 s	757 s	815 s
Gross inland energy consumption (thousand TOE)		2 219	2 524	2 704	2 569	2 585	2 669
Gross electricity generation (GWh)		5 162	6 119	5 982	5 918	5 915	6 351
<b>Agriculture</b>	Note	2008	2015	2016	2017	2018	2019
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		98.5 w	100.0 w	116.9 w	112.4 w	108.3 w	119.0 w
Utilised agricultural area (thousand hectares)		413.2	410.8	416.7	417.0	419.5	421.0
Livestock numbers: live bovine animals (thousand heads, end of period)		341.6 w	258.5	265.0	259.7	259.7	257.7
Livestock numbers: live swine (thousand heads, end of period)		55.3 w	44.2	42.3	41.1	40.2	40.5
Livestock numbers: live sheep and live goats (thousand heads, end of period)		180.1 sw	224.1 s	212.0 s	210.7 s	209.8 s	216.3 s
Raw milk available on farms (thousand tonnes)	3)	:	:	375.7 w	365.1	334.3	342.3 w
Harvested crop production: cereals (including rice) (thousand tonnes)		437.5	443.6	562.9	477.9	441.8	459.4
Harvested crop production: sugar beet (thousand tonnes)		:	:	:	:	:	:

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

: = not available

c = confidential value

e = estimated value

p = provisional

s = 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

z = not applicable and therefore equal to 0

\* = Europe 2020 indicator

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

\*\*\* = 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.

Footnotes:

- 1) The change of the area between 2016 and 2017 reflects measurements made by the Kosovo Cadastral Agency.
- 2) Includes disbursement fee charged by banks.
- 3) Including estimated data for four municipalities in the north of Kosovo which did not participate in the survey.