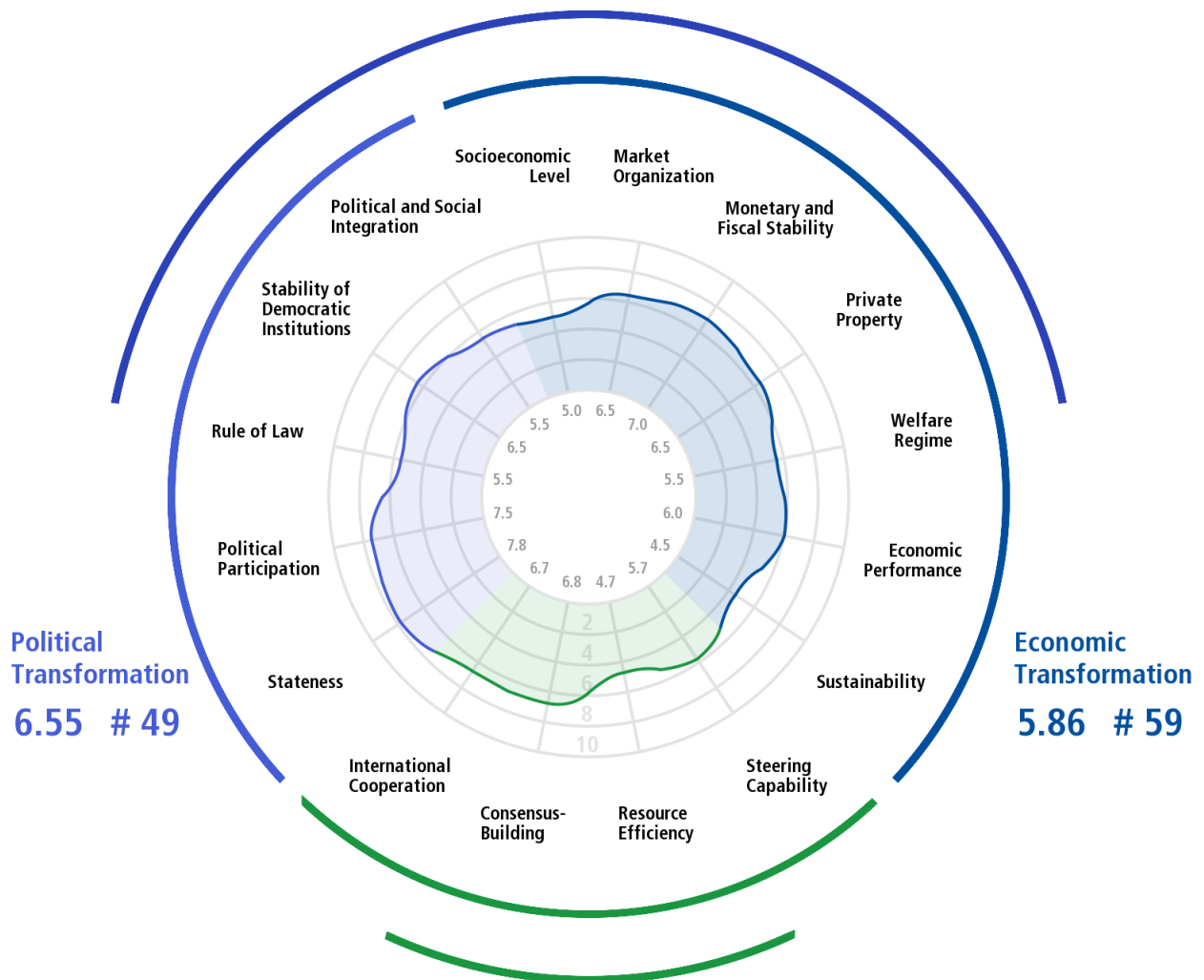


Kosovo

Status Index

6.20 # 50

on 1-10 scale out of 137



Political Transformation
6.55 # 49

Economic Transformation
5.86 # 59

Governance Index

5.23 # 57

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	1.8	HDI	-	GDP p.c., PPP \$	11368
Pop. growth ¹	% p.a.	0.8	HDI rank of 189	-	Gini Index	29.0
Life expectancy	years	71.9	UN Education Index	-	Poverty ³	% 2.6
Urban population	%	-	Gender inequality ²	-	Aid per capita \$	214.3

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

In the last three years, the Kosovo government has decisively steered away from European/international integration to a more independent, even nationalist, position that could endanger achievements since the declaration of independence. In 2013, Belgrade accepted Prishtina's authority over majority Serb areas (North Kosovo) in exchange for increased autonomy for Kosovo Serbs. The move, considered unthinkable since the declaration of independence in 2008, promised to ease tensions. Belgrade for the first time officially encouraged Kosovo Serbs to participate in Kosovan parliamentary elections. An agreement on good neighborly relations following EU-coordinated Belgrade-Prishtina talks was signed by Serbian Prime Minister Ivica Dacic and Kosovan Prime Minister Hashim Thaçi. It was sharply criticized by hardliners on both sides who, on one hand, believed that Serbia recognized a rogue state, and, on the other hand, that Kosovo had accepted illegitimate Serbian influence in its internal affairs. A successful reconciliation is as precondition for EU membership and socioeconomic recovery for Serbia and Kosovo. In 2013, the EU and Kosovo began negotiating the EU association process, celebrated as a great achievement and recognition of Kosovo's reform efforts.

In December 2017, after the third legislative (snap) elections since 2008, a decidedly nationalist "war wing" (because of its association to the 1998-99 conflict with Serbia) coalition of President Hashim Thaçi (Democratic Party of Kosovo, PDK) and Prime Minister Ramush Haradinaj was sworn in. The nationalist left-wing Vetevendosje/Self-Determination party under Albin Kurti won 26.6% of votes, roughly doubling its support from the previous election in 2014. The new coalition government inhibited the rapprochement process by its own conviction, but also because of the persistent pressure from Vetevendosje. Kurti has repeatedly demanded an end to the reconciliation process with Serbia, organized street protests and media campaigns against "selling out" Kosovan interests.

To reduce tensions, improve the economic situation and ultimately speed up the EU integration process, Serbia's president Aleksandar Vučić in August 2018 even proposed a territorial swap of

Albanian-populated areas in Southern Serbia and the Serbian-populated North Kosovo. The idea was supported by U.S. President Trump and French President Macron, but openly rejected by Kosovan President Thaçi and regional experts who warned of new ethnic strife. Thaçi's government rejected a division of Kosovo and in December 2018 decided to form a national army that according to Serbian Prime Minister Ana Brnabic bears the risk of a military intervention in North Kosovo or even "ethnic cleansing." Kosovo's parliament voted to transform the light-armed Kosovo Security Force (KSF) into a full-blown armed force, based on the still valid UN Security Council Resolution 1244 from 1999. NATO officials criticized the plans as untimely. They could have serious consequences for Kosovo's Euro-Atlantic integration and further NATO involvement in Kosovo. Since the end of the Kosovo conflict in 1999, the NATO-led KFOR mission has been responsible for security in Kosovo, presently comprised of roughly 4,000 soldiers. Russia also warned the Kosovan government against militarization that could destabilize the entire region. The parliament's failure to sign the important demarcation agreement with Montenegro renewed doubts about Kosovo's commitment to regional cooperation and national sovereignty, especially among the neighbors with a strong Albanian minority. The low turnout in the 2017 elections (41.4%), together with the fact that the PDK, one of Kosovo's leading parties, was weakened at the ballot box and forced into a coalition government with the Alliance for the Future of Kosovo (AAK), were disquieting signs of Kosovars' dwindling trust in their country's democratic institutions. The national economy is made vulnerable to changes in the external environment by high trade imbalances and the reliance on the inflow of worker remittances. Kosovo should also strengthen its production base to benefit fully from the Stabilization and Association Agreement (SAA). The National Development Strategy (NDS) for 2016 to 2012 disclosed the fact that income per capita in Kosovo is 11% lower than the EU average. According to NDS Kosovo's GDP per capita amounted to 2,935 euro in early 2016.

History and Characteristics of Transformation

Prior to the break-up of Yugoslavia and the Kosovo conflict of 1998/99, Kosovo was an autonomous province within the Republic of Serbia, but wielding most of the rights the other Yugoslavian republics had. According to the census conducted in 1991, about 80% of Kosovo's residents identified themselves as ethnic Albanian. In 1989, in violation of both the Kosovo and federal constitutions, Belgrade abolished Kosovo's autonomy and established a repressive police and military regime. Kosovan Albanians were expelled from public service. Throughout the 1990s, Kosovo was ruled directly from Belgrade, with the local Serbian community playing a significant role in implementing Serbia's rule over Kosovo. The majority of Kosovans, led by the Democratic League of Kosovo (LDK), chose peaceful resistance, which defied Serbia's authority over the territory and tried to build up a system of "parallel government institutions." The failure of peaceful resistance combined with increasing repression by Belgrade, culminated in the emergence of the Kosovo Liberation Army (KLA) and armed conflict in 1998. The conflict was brought to an end by NATO military intervention in the spring of 1999. After the war, in June 1999, an international administration was established in Kosovo through U.N. Security Council

Resolution 1244, administering the territory until early 2008. The U.N. Interim Administration Mission in Kosovo (UNMIK) was designated as the authority holding civilian responsibility over Kosovo, while NATO's presence in Kosovo (Kosovo Force/KFOR) was responsible for safeguarding security. The mission established an interim constitutional framework for provisional self-government in 2001 and organized Kosovo's first democratic elections on November 17, 2001. It also represented Kosovo on the international stage. Interethnic clashes in March 2004 between radical Kosovo Albanians and Kosovo Serbs raised concerns in the international community whether a delay of the final status of Kosovo would further deteriorate security and stability. The U.N. Secretary-General therefore appointed a special envoy, Martti Ahtisaari, who, after a period of unsuccessful negotiations with Belgrade and Prishtina, in 2007 proposed an internationally supervised process of establishing a sovereign state. The Kosovo-Albanian political elite readily accepted the plan, while Serbia opposed it and continued to consider Kosovo an integral part of its territory. On February 17, 2008, the Kosovo Assembly declared Kosovo an independent state, which was recognized by the United States and most EU member states (103 U.N. member states in June 2013), but not by Russia and China, and five EU member states, for the time being. After the recognition of Kosovo, major Western states formed an international steering group and appointed an international civilian representative (ICR) to supervise the state-building process and the implementation of the Ahtisaari Plan. The ICR was simultaneously appointed as the EU special representative for Kosovo. To support the rule of law in Kosovo, the EU in 2008 deployed a legal police and judicial mission (EULEX). In April 2008, Kosovo's parliament adopted a new constitution based on the Ahtisaari Plan. Following Serbia's request, the International Court of Justice in July 2010 issued an advisory opinion that Kosovo's unilateral declaration of independence did not violate international law. Since 2008, Kosovo's governments tried to adapt their state to international standards and alleviate worries in the region that the new state's example would foster separatist tendencies in the Balkans and destabilize the region. These efforts were often inhibited by political and social inertia and radical political tendencies.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

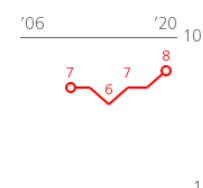
Since the formation of national conservative, “war wing” government after 2017 elections and the political integration of Serbian-populated North Kosovo, the state’s monopoly of the use of force is established and fairly uncontested in the entire country. The government’s decisions might be criticized in the north and minority enclaves, but they are enforced. After 1999, the United Nation’s Mission in Kosovo (UNMIK) and the NATO-led Kosovo Force peacekeeping mission (KFOR) were, besides the Kosovan government, the organizations internationally recognized in administering Kosovo. After the declaration of independence and the formulation of a new constitution in 2008, UNMIK and KFOR continuously retreated but still promoted security, stability and respect for human rights. In 2008, UNMIK was assisted by an international civilian office (ICO) and a European Union Rule of Law Mission in Kosovo (EULEX). The ICO supervising the implementation of the Ahtisaari Plan was closed in September 2012. EULEX continues to exercise executive powers with regard to investigating, prosecuting, adjudicating and enforcing cases of war crimes, terrorism, organized crime, corruption, interethnic crimes and financial/economic crimes.

The 2008 Kosovan Constitution dictates that the state and its constitutional bodies have authority over security, justice and law enforcement, but are obliged to cooperate with international authorities and to act in accordance with Kosovo’s international responsibilities. The state’s monopoly used to be contested by parallel administrative structures in municipalities with dominant Kosovo-Serb population. In 2012, border controls conducted by the Kosovo government in North Kosovo resulted in clashes of the ethnic Serbian population with KFOR and in demands from Prishtina that Mitrovica accept the country’s independence and the legitimacy of the state’s institutions. Serbian enclaves were long split between disregard for these institutions and cooperation. In order to improve the relationship between the Serbian minority and the Kosovan government and to protect the country’s territorial integrity, Belgrade and Prishtina signed the Brussels Agreement in 2013. Serbia

Question
Score

Monopoly on the
use of force

8

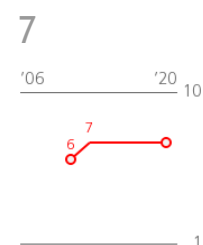


assented to Kosovo's territorial integrity, ceding control over North Kosovo to the Association of Serbian Municipalities (ASM), a supra-municipal structure of Kosovan Serbs. This led to sharp protests by the Serbian minority that the agreement would violate Serbia's constitution, and by Kosovo-Albanian nationalists against any compromise with Belgrade and political upgrading of the Serbian minority but the Brussels Agreement was accepted and enforced. The parallel police departments have been integrated into the Kosovan system. The change of government in June 2017, the publicized adverse attitudes toward Serbian regional autonomy and certain political acts interpreted as anti-Serbian tend to weaken the Serbian minority's trust in the state's authority.

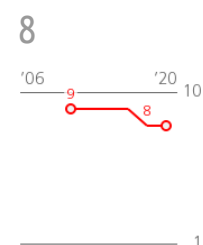
The vast majority of Kosovo's population is of Albanian ethnic origin. Kosovan Serbs are the largest ethnic minority in Kosovo (about 7% according to the 2000 census), forming a local majority in North Kosovo and in enclave municipalities elsewhere. Until the 2013 Brussels Agreement, most Kosovan Serbs had a negative attitude toward the nation-state, demonstrated by the North Kosovo referendum in 2012 when the voters near-unanimously refused to recognize Kosovo's institutions. The attitude has somewhat improved with the establishment of regional autonomy but suffered with negative signals from Kosovo's new government elected in June 2017. Ashkali/Egyptian, Bosnians, Roma and other smaller minorities sometimes doubt the impartiality of the Kosovo-Albanian dominated state institutions, fearing marginalization, but do not generally contest the state's legitimacy. The Kosovan Constitution and electoral laws guarantee ethnic minorities a minimum share of seats in the Assembly and local self-government bodies. Citizenship is available without exceptions but the Serbian minority, for the most part, has so far declined citizenship because it would imply recognition of Kosovo's independence. The political goal of most North Kosovan Serbs has evolved from challenging the Kosovo state's national legitimacy to the creation of non-contiguous autonomy within Kosovo.

The constitution defines Kosovo as a secular state with religion separated from state affairs. Freedom of belief, conscience and religion are guaranteed. Islam is the dominant religion with adherents amounting to 88% to 94% of the population according to different estimates; the rest of the population is mostly Christian, predominantly Serbian Orthodox. Kosovan Islam is moderate and syncretic, even with elements of worship derived from Christianity. The Kosovo-Albanian political sphere claims to be secular and neutral as a result of historically superficial acceptance of Islam and close connections to Christian neighbors, including a Christian Albanian diaspora in southern Italy. The hijab was banned from public schools in 2010. Some observers claim that the influence of hardline Islamist clerics and states with a fundamentalist interpretation of Islam has increased in recent years. In 2014, Foreign Minister Enver Hoxhaj warned against religious currents spreading Islam in the public life, emphasizing the government's pro-Western attitude of sacredness of secularism for the Kosovan state, an attitude shared by the new government formed in 2017.

State identity



No interference of religious dogmas



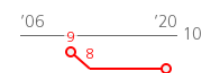
A small radical party Islamic Movement to Unite (LISBA), which gained no seats in the 2013 municipal elections, has called the political elite Islamophobic. The Alliance for the Future of Kosovo (AAK), which entered the government coalition with the Democratic Party of Kosovo (PDK) in 2017, criticized LISBA's attacks. The Kosovan PM and AAK President Ramush Haradinaj expressed respect for all religions, but contempt toward young Islamist radicals. He stressed that for 500 years Islam had coexisted in perfect harmony with other religions of Albanians. There have been attempts by Wahhabi organizations to undercut the country's Muslim clerical apparatus, but it has faced resistance from local believers.

The Serbian Orthodox Church's political outlook varies from conservative to hardline, but it has practically no political influence beyond the Serbian community. It supports the official Serbian and Kosovo Serbian interpretation of the Kosovo issue. Since 2014, the Ukrainian-Russian conflict has heated up the political discourse on Kosovo within the Orthodox Churches. The Kosovan issue is considered an example of "Western" indulgence toward radical Islam. The number of attacks on Serbian Orthodox religious sites has fallen recently, but there are still cases of desecration of Orthodox religious sites.

The basic administrative structures in Kosovo, more than ten years after the declaration of independence, are still deficient. After the Kosovo conflict, the United Nations Mission in Kosovo (UNMIK) started to establish an interim civil administration and replace the Yugoslav authorities. EULEX was trying to improve law enforcement in Kosovo but struggled with clan and veteran structures dating back to the Kosovan conflict, which impede the prosecution of crimes committed during the conflict, and with internal issues of intimidation and rivalries. Judges have been allegedly bribed, provoking dissatisfaction among the Kosovan population. Minorities have complained about ethnically biased jurisdiction. The collection of taxes and fees is limited to such an extent that provision of gas and electricity has to be subsidized by the state. Public transport (buses) is best in the Prishtina region. The rail system is unreliable and a project to connect it across the border to the Albanian system remains unfinished. Overall, services remain poor, but the public does not have high expectations, limiting the dissatisfaction.

Basic
administration

8



1

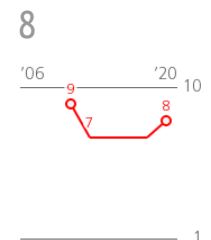
2 | Political Participation

The third parliamentary election since the declaration of independence in 2008 was held in 2017 with a low turnout of 41.4% (2014: 42.6%). The snap election followed a vote of no confidence in government over the border demarcation with Montenegro and the autonomous association of Serb-majority municipalities stipulated in the 2015 Brussels Agreement. The election broadly conformed to international standards. However, Kosovo's long-term challenge is to avoid backsliding after elections such as delays, uncompromising positions and behind-the-scene manipulations. Previous elections in 2014 were considered successful, mainly due to the almost 30,000 monitors who helped to prevent a repeat of the fraud observed in 2010 when the Central Election Commission had to organize multiple re-votes and perpetrators of electoral fraud were not properly prosecuted. Electoral conduct significantly improved in 2017 compared to previous elections due to amendments to the Criminal Code, and the elections were deemed orderly by international observers such as the OSCE. While equality of opportunity is not questioned at the ballot box, it is in the unequal funding for parties' campaigns and their disproportionate exposure in the media. Furthermore, laws do not foresee any sanctions for election campaign abuses. The spending of public funds on election campaigns and the use of media controlled by the government or political parties are considered standard practice.

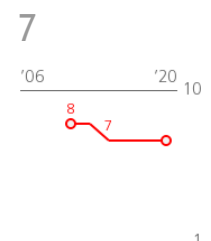
Ethnic Serbs in North Kosovo had long boycotted local and national elections, but they had participated in increasing numbers elsewhere and have also ran for seats in the Kosovo Assembly. The municipal elections in November 2013 were overshadowed by violence in Serb-dominated North Kosovo. Voting had to be repeated in parts of northern Mitrovica and in other towns after Serbian extremists raided polling stations, attacked voters and demolished ballot boxes.

The democratically elected representatives' effective power to govern has been undermined by the Serbian minority and radical Albanian groups. Predominantly Serbian North Kosovo refused to be subjected to Prishtina's rule. Following the EU-brokered 2013 Brussels Agreement, Belgrade agreed to the integration of North Kosovo into the new state. Radical ethnic Albanian political organizations and Kosovo Liberation Army (KLA) veterans' organizations have put considerable pressure on the political decision-making process, accusing political elites of giving in to demands from Belgrade and the international community. The nationalist left-wing party Self-Determination (Vetevendosje, VV) organized demonstrations when suspected Kosovo-Albanian war criminals were about to be extradited to the International Criminal Tribunal for the Former Yugoslavia and demanded a revision of the 2013 Brussels Agreement regarding the border demarcations with Montenegro. VV, which doubled its support in 2017 elections, is known for its radical methods such as hurling tear gas in parliament.

Free and fair elections



Effective power to govern



In December 2017, a new draft law on freedom of association of NGOs was finally adopted by the Kosovo government that limited restrictions on their activities and contained more favorable provisions for freedom of association compared to the previous law. It was hailed as an important step toward empowering civil society and the development of democracy in Kosovo. The draft law came in the wake of almost two decades of efforts to improve the legal framework for civil society organizations.

Freedom of assembly is generally safeguarded by the government, EULEX and KFOR, but demonstrations have been restricted for reasons of security and public order. NGOs generally function freely, but courts can ban groups that infringe on the constitutional order or encourage ethnic hatred. The constitution protects the right to establish and join trade unions. However, workers face intimidation, and private sector unions are nearly nonexistent.

Freedom of expression is guaranteed by the constitution (Article 40) with the exception of inciting ethnic or religious hostility. Although Kosovan governments claim to have improved the legislative framework for media independence, enforcement has always been quite weak. The public Radio and Television of Kosovo (RTK) struggles with financial problems, and journalists face political pressure and even physical attacks. Journalists reporting on radical Muslim groups have received death threats. While media diversity has increased by the expansion of cable operators, television stations have complained that cable operators are not transmitting their signals because their programs criticize the government. The state directly finances RTK, with markedly pro-government coverage as a result. Journalists have been accused of defamation of government officials, though there are efforts to decriminalize such “defamation.” Selective advertising by the government was used to influence newspapers, but new amendments to the law on public procurement banned this practice. Since private media outlets lack stable and sufficient revenues from sales and advertisements, they strongly depend on their owners and have to take into account their political or economic interests. New media formats have raised awareness of contentious political and social issues not hitherto publicly discussed, such as homosexuality or corruption. Access to information via the internet is not restricted. In 2014, the parliament adopted a law on the protection of journalistic sources.

Association / assembly rights



1

Freedom of expression



1

3 | Rule of Law

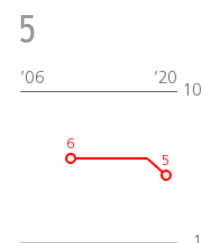
The constitution defines Kosovo as a democratic republic based on the principle of separation of powers and checks and balances between the legislative, executive and judicial branches. Legislative power is exercised by the Assembly of Kosovo, which consists of 120 deputies (including 20 minority representatives), the executive is exercised by the government of Kosovo (prime minister, ministers), and judicial power by the courts, including the Supreme Court, the highest judicial authority, and the Constitutional Court. However, the executive branch has repeatedly (informally) interfered in the work of the legislature and judiciary. The Kosovo Assembly has been repeatedly criticized for not exercising its constitutional mandate of controlling the government. Parliamentary committees in the Assembly have been ignored by the executive branch, in essence diminishing their parliamentary oversight role. Checks and balances of democratically elected institutions, though formally established, are weak and inefficient in reality.

The independence of the judiciary continues to be impaired by political authorities and high levels of corruption. EULEX and its Kosovan counterparts have made some progress in terms of sustainability, accountability, freedom from political interference and multi-ethnicity, including compliance with European best practices and international standards. A 2016 survey on citizens' perception of the justice system revealed that only 12.3% considered the courts to be independent while 61.2% believed that individuals with political links were less likely to be punished and 50.5% that justice officials received or requested bribes. Only 36% could notice recent improvements in the justice system, while 24.4% were convinced that no improvement was achieved.

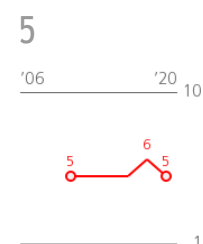
EULEX judges have warned that the local judiciary was insufficiently prepared to manage complex and sensitive lawsuits. After 2013, new laws on courts, on the state prosecutor, on the Judicial Council, on the Prosecutorial Council and on the Special Prosecutorial Office entered into force, and the criminal code and the criminal procedure code were reformed. The reform replaced municipal and district courts with basic courts that serve as first-instance courts for minor criminal offenses.

Political interference in the work of the judiciary remains a problem, and witness protection is insufficient. Both the appointment and promotion of judges according to professional criteria and the protection of the judiciary from political interference are still weak. The government determines court budgets, thus creating an extreme dependence. Closed court cases have been discussed in the Assembly. Kosovo's Judicial Council and prosecutorial councils have so far failed to protect judges and prosecutors from external influence. In 2014, the assembly failed to appoint its quorum of members of the Judicial Council, which constrained the functioning of this self-governing body. Other persistent problems include the discrimination against minorities by the judiciary, delays and overburdened courts with a huge backlog of

Separation of powers



Independent judiciary



cases. Senior representatives of the judiciary branch have blamed the poor functioning of the judiciary on the scarcity of judges and support staff, and budgetary restrictions.

According to the 2015 Brussels Agreement, courts in ethnic Serbian North Kosovo should be integrated into Kosovo's judicial system and the judicial and prosecutorial posts should be ethnically balanced. Some progress has been achieved although the new government has brought a certain setback to the reconciliation and integration process.

Despite promises to fight corruption and an existing legal basis, the enforcement of corresponding actions is still deficient. Corruption remains widespread that contributes to the public view that elected officeholders and civil servants operate with impunity. A 2014 European Commission report warned about the conflicts of interest arising from the fact that more than 1,400 senior officials held multiple publicly-funded positions. The law on the financing of political parties has not been enforced because the Central Election Commission lacked resources to hold parties accountable for not disclosing their funds. In 2014, the Kosovo Assembly criminalized public officials' undeclared assets and false asset declarations. The European Commission report concluded that the number of convictions was low, and the sanctions were an insufficient deterrent. In October 2018, Musa Cena, deputy minister for regional development was fired on suspicion of bribery and office abuse as the police arrested two other people for the same charges. In November 2018, five police officers were suspended due to homophobic verbal abuse during interrogation. The limited number of publicized cases stands in contrast to the high level of corruption in official positions and citizens' low trust in the impartiality of politicians, judges and civil servants. The Kosovo Anti-Corruption Agency is ineffective against corruption involving members of the Kosovar political class.

The reputation of international organizations in Kosovo has been damaged by multiple corruption charges against EULEX – the EU Rule of Law Mission with a staff of 800 launched in 2008 – that has been hesitant to take decisive measures against corruption and organized crime. In 2014, a EULEX judge was accused of accepting bribes to close a murder case (later cleared of all charges). An EU external investigation from 2015 concluded that EULEX was unable to lay the foundations of a system capable of fighting corruption in Kosovo. EULEX would not be willing or capable of convicting criminal members of Kosovo's political elite in cases of high-level political corruption. In 2018, EULEX ended its presence in Kosovo after having delivered 479 convictions for criminal cases, including corruption, organized crime, money-laundering, war crimes and human trafficking. But according to local anti-corruption organizations the EU judges failed to convict some high-ranking Kosovo officials on charges of corruption and organized crime even after their arrests, hailed as big successes. The chief editor of Koha Ditore newspaper stated in 2017 that “instead of Europeanizing Kosovo, Kosovo has balkanized EULEX.”

Prosecution of
office abuse

5

'06 '20 10

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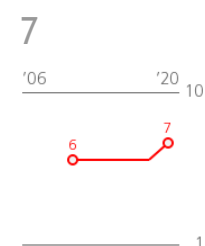
Civil rights are constitutionally guaranteed. The law against discrimination and the constitution prohibit discrimination based on race, religion or sexual orientation. However, cases of domestic violence or discrimination and hate crimes against ethnic minorities are common and rarely prosecuted. Kosovan Serbs and other minorities complain about the bias of courts assessing crimes against their communities. The police force, though multiethnic in principle, is said not to behave properly when confronted with Roma, Gorani or Kosovan Serbs. Civil society in Kosovo is generally too weak to serve the watchdog function. The political deadlock after the snap elections of June 2017, with a government formed only in September that year, hindered progress on human rights. Progress in enforcement is expected from the special court for serious war crimes committed during the Kosovo conflict.

Kosovo has many internally displaced persons most of whom are Serbs (76%, 68,000) or Roma (about 15%, 10,000). The number of voluntary returns of displaced persons has continued to decline as well as successful examples of property reclamations by displaced persons. Another important problem is the issue of persons missing since the Kosovo conflict. Human and civil rights defenders who, for instance, provide support to women who are raped, even faced death threats. Human rights NGOs have called for the protection of human rights defenders in line with international and domestic obligations. The protection of persons with mental disabilities is quite weak. Hate crimes have been committed by radical groups against LGBTQ publications and organizations. Human rights NGOs report that Kosovo society is very homophobic, and LGBTQ groups face violence and threats. Law enforcement officials often show limited knowledge and understanding of LGBTQ rights. Fewer threats were reported in the last two years, possibly due to greater caution taken by LGBTQ people in their activities and their reduced visibility. Women's rights are guaranteed on paper, and due to constitutional gender quotas, Kosovo has one of the highest number of women in its legislative and executive branches in the Western Balkans (32.5% of MPs in 2014) but traditional values generally reduce their educational and career opportunities.

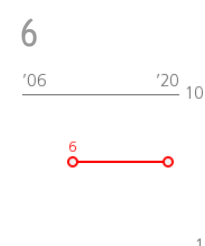
4 | Stability of Democratic Institutions

The Kosovo Assembly lacks capacity to effectively supervise the government's policies. Corruption and patronage are widespread in public administration. Relations between the government coalition and the opposition have been difficult and polarized since the declaration of independence. Important debates in parliament, for example, on the approval of the budget and resolutions on dialog and neighborly relations with Serbia, have been interrupted by violent protests of the nationalist opposition inside the Assembly building. The propaganda of the opposition, accusing the pro-European governments of treason to the advantage of Serbia, resulted in a victory of a nationalist party coalition in the June 2017 elections. A consolidation of Kosovo's democracy is seriously undermined by a number of factors, including the

Civil rights



Performance of democratic institutions



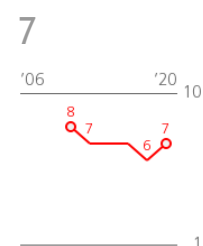
lack of accountability of the political class reducing their efficiency and responsiveness within the political process. Democratic institutions are perceived as opaque and not willing to cooperate with each other. Voters criticize that electoral promises were often not implemented thereby reducing the citizens' willingness to get involved or to participate in elections.

The relevant political actors, political parties, associations and interest groups support the democratic institutions of independent Kosovo. Prime Minister Ramush Haradinaj, appointed in 2017, stressed that Europe and European democratic values were "Kosovo's destiny." Ethnic Albanian parties in the Assembly regularly show their pride in the establishment of democratic Kosovo. Especially the declaration of an independent Kosovo in 2008 was seen as a reward for bringing about a new, open and democratic society after the Serbian repression. On the other hand, the Kosovo Liberation Army (KLA) veterans' organization or the self-determination movement has openly disputed the legitimacy of democratic institutions, calling the reconciliation process with Serbia or the integration of Kosovo's predominantly Serbian north a sell-out of Kosovan interests. The ethnic Serbian parties, though cautious first about cooperation after the declaration of independence, have started participating, whereas relevant Serbian actors in North Kosovo, in particular until the 2013 Brussels Agreement, rejected any cooperation with democratic institutions as they did not recognize Kosovo's independence. Political, civic and religious representatives of Kosovo's minorities have voiced critique of the democratic institutions as being Albanian-dominated and a facade for an anti-democratic, ethnically-biased political process.

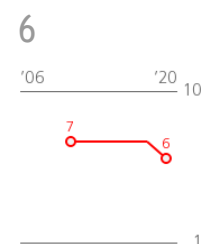
5 | Political and Social Integration

After the declaration of independence in 2008, the party system was dominated by the "war faction" – leading figures deriving their status from involvement in the Kosovo conflict. Other characteristics were a hierarchical internal order, lack of party factions, indirect election of central party bodies, weak role of functional groups like women or retired persons and absence of affiliated organizations. Electoral volatility was relatively low and the party system quite stable, as the reputation of leading parties as victors in the Kosovo conflict was undisputed. The governing parties rely extensively on clientelism by providing public sector jobs and resources for their supporters. Party programs have long focused on Kosovan national identity and especially independence, leaving aside other vital issues like social and economic problems. As governments failed to offer solutions to these problems while trying to get Kosovo internationally integrated, they prepared ground for more nationalist political forces such as the left-wing Self-Determination (Vetevendosje) party, occasionally leading to violent clashes with the government.

Commitment to democratic institutions



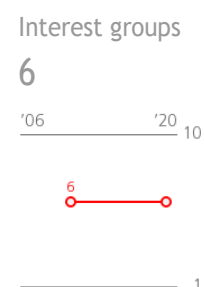
Party system



The main political parties are the Democratic Party of Kosovo (PDK) that came to power again in September 2017 in a fragmented coalition that includes the Alliance for the Future of Kosovo (AAK, the party of PM Haradinaj), and the Democratic League of Kosovo (LDK), whose former leader Ibrahim Rugova was Kosovo's first president. Self-Determination became the single largest party after the 2017 elections and exerts increasing pressure on the traditional post-conflict parties, causing polarization and fragmentation. Ethnic minority parties are torn between participation and implicit acceptance of the state of Kosovo and explicit alienation. In local elections, the candidacy of Kosovo Serbian politicians has been a heated issue. After signing the Brussels Agreement, Serbia recommended the Kosovan Serbs' to vote and run as candidates in their own interests.

The strong influence of political parties and the fragmentation of society make it difficult for interest groups to leave a mark on social and political developments. Generally, interest groups, NGOs and unions can associate and operate freely without government control. However, political parties have tried more than once to influence the proceedings in the Chamber of Commerce or the Association of Kosovan Businesses for their own benefit. Political and economic clientelism has its origins in the Kosovo conflict and the bonds it has created among the political elite. This factor has inhibited socioeconomic progress and the evolution of an open political discourse.

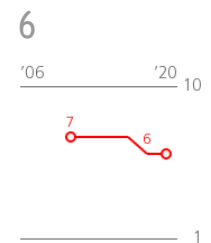
Several thousand civil society organizations or NGOs exist in Kosovo (2017) but few are active. The politically active ones are primarily concerned with municipal policy, anti-corruption and environmental protection. NGOs generally have weak membership and membership-based groups are only slowly emerging. Despite their high number, NGOs' success has been limited due to several factors, for instance, some were founded to profit from the international assistance without any access to the political decision-making process. Associations of ethnic minorities complain about official neglect. Interest groups with a religious, especially Islamic background, receive ample financial aid from other countries, leading to critique from the local Muslim communities. The trade unions' work remains inefficient and depends largely on the government's good will. Despite the labor law from January 2011 and the law on trade unions, adopted in July the same year, the private sector remains out of reach for the trade unions. The deficient economy, anti-union pressure from employers and inefficient court protection make many workers abstain from union membership, or shy away from reporting rights' violations. The large informal economy puts many workers out of the unions' scope of action.



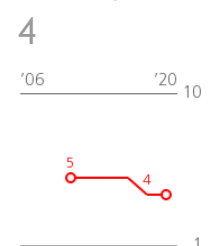
As a young state without long-standing democratic tradition, Kosovo's political elite and population greeted in 1999 not only liberation but also the emergence of a free and democratic society. Polls regularly show strong support for democracy. The Kosovo-Albanian majority considers it preferable to any other political system, while members of the ethnic minorities sometimes argue that democratic structures are monopolized by the ethnic majority. The national conservative Kosovo-Albanian political elite supports democratic norms, but mostly as a means of intra-ethnic cohesion than of cooperation between all ethnic groups. A European Bank of Reconstruction and Development (EBRD) survey from 2010 showed that 75% of Kosovans had a positive attitude toward democracy. However, in 2017 only 36% said that Kosovo was a democracy, even though there still was room for improvement, while 22% stated Kosovo was not a democracy, as it only delivered for a small group of individuals. The high approval of democracy has suffered in the wake of socioeconomic changes, the government's reconciliation process with Serbia and the Serbian communities in Kosovo and the 2015 street protests organized by the opposition. Approval of democratic institutions has been fledgling as about one-third of the population is satisfied with the government and parliament – although low, there has been a significant improvement in the last four years (UNDP Public Pulse 2018). To be in favor of democracy is not necessarily an identification of corresponding values but appears to be a signal towards the West, for instance towards the United States, which first and foremost supported intervention in the Kosovo conflict. For instance, the new Trump administration has had high approval ratings in Kosovo.

The main factor of social solidarity in Kosovo is the family and social organizations within villages and ethnic communities, due to the historical experience of an all-engulfing and discriminatory socialist welfare system. The repression of the Albanians in the 1990s made them create an underground society to uphold social ties, education and cultural life. Interethnic trust was almost completely destroyed in the years of repression and during the conflict. The reconciliation process, with the Brussels agreement in 2013, tries to rebuild the social capital of a Kosovan multiethnic society, a principle enshrined in the international community's standards for Kosovo and the Kosovan constitution. The more than 7,000 social associations and organizations in Kosovo seem a lot, but only a few are active, mainly in the Prishtina area. Interpersonal trust is low by European standards but close to the regional average level (European Social Survey 2012). Still, there are some valuable initiatives both in the for-profit and nonprofit sectors that might develop into social enterprises. The tendency to establish associations for social support is rather limited – also due to the negligence of political parties.

Approval of democracy



Social capital



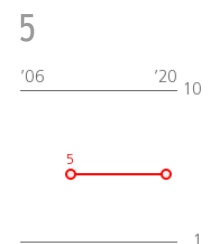
II. Economic Transformation

6 | Level of Socioeconomic Development

In spite of the united efforts of the international community and considerable foreign spending, Kosovo still suffers from considerable poverty – according to World Bank data, 17.6% of the population live under the national poverty line; however, extreme poverty (population living on less than \$3.20) was modest at 3.1% in 2016 and inequality low compared to other countries in the region (Gini index was 26.5 in 2016). Unemployment is a significant problem that encourages outward migration and feeds a significant informal, unreported economy. Most of Kosovo’s population lives in rural areas outside the main cities, cutting them off from the less traditional urban classes in Prishtina and Prizren. Inefficient, near-subsistence farming is widespread, the result of small plots, limited mechanization, and lack of technical expertise. The unemployed in Kosovo are mainly young people, women and those with insufficient education. Youth unemployment in 2017 was very high at 50.5%, although down from 61% in 2014. Minorities (Roma, Ashkali, Egyptians) complain of political and socioeconomic exclusion and racism on ethnic grounds. Ethnic stereotypes propagated by the media are likely to deepen social exclusion. According to the Human Development Index, Kosovo has not made visible progress in recent years. As a country without considerable natural resources and the youngest population in Europe, Kosovo lacks the structural, industrial and economic capacities to provide the necessary jobs and reduce the risk of social strife and exclusion. Gender equality and economic opportunity for women suffers under these conditions. Political promises of job creation made in election years were regularly exaggerated and tended to aggravate public discontent with democratic actors. In the June 2014 parliamentary elections PM Thaçi, LDK and AAK under Haradinaj promised to create 200,000 new jobs. Kosovo would need an annual economic growth rate of 20% to meet that promise. In 2014, the total number of newly created jobs was around 40,000. In the 2017 election campaign, the debate between the leading parties about job creation and reducing social exclusion circled around foreign investments, support for local enterprises, the natural resources of the Trepca mine complex and the reinvigoration of the agricultural industry.

Question
Score

Socioeconomic
barriers



Economic indicators		2015	2016	2017	2018
GDP	\$ M	6440.6	6714.7	7227.8	7900.3
GDP growth	%	4.1	4.1	4.2	4.1
Inflation (CPI)	%	-0.5	0.3	1.5	-
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	5.3	3.6	4.5	3.0
Export growth	%	1.9	2.4	16.8	9.0
Import growth	%	3.8	6.4	5.4	8.5
Current account balance	\$ M	-547.4	-530.2	-449.4	-634.4
Public debt	% of GDP	13.1	14.4	16.3	17.0
External debt	\$ M	2158.3	2124.8	2504.2	2297.2
Total debt service	\$ M	160.7	219.3	195.9	272.5
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	15.4	14.1	13.4	13.8
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	-	-	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.8	0.8	0.8	0.8

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The main obstacles for prosperous development of Kosovo's economy are the scarcity of natural resources, an underdeveloped industrial sector, aging equipment, insufficient investment and a labor supply exceeding demand. The economy still relies heavily on international assistance, and on the Kosovo-Albanian diaspora's remittances, which have decreased recently. A large part of the industry is located in the Serbian-dominated north, and in spite of the 2013 Brussels Agreement, the mining industries and natural resources have not been integrated. Nevertheless, since 2008, Kosovo has made considerable progress in transforming its economy to a market-based system and maintaining macroeconomic stability. The weak rule of law remains a challenge to all businesses in Kosovo.

Institutional and cultural barriers to business growth are more important than regulatory ones or the disputed status of the country. For example, according to the Doing Business 2019 report, it only takes three procedures, 5.5 days and costs 1% of income per capita to start a business in Kosovo, which places the country exceptionally well at rank 13 out of 190 assessed states in the sub-index "Starting a Business." Overall, in 2019, Kosovo was ranked 44 out of 190 economies in the World Bank's Ease of Doing Business (up from 75 in 2015 and 117 in 2012). Weak enforcement of rules perpetuates anti-competitive business practices and business environment does not seem to be important for the public sector.

Emigration and a sizable informal economy are a direct result of the high unemployment rate. The informal sector accounts for 30% to 35% of the GDP. In order to reduce unemployment, Kosovo is in urgent need of investments in equipment. Electricity shortages, weak rule of law, lack of access to finance and inadequate professional education inhibit the development of a private sector. NGOs have claimed that corruption has made Kosovo almost impermeable for businesses unless they have political connections. Other significant problems, which continue to thwart the development of a successful market economy, are the volatile political situation and a limited banking system that lacks the ability to issue long-term loans to support serious investment. Currency convertibility is free as Kosovo uses the euro. The Kosovan tax system is simple and has relatively low tax rates. Tax revenues could be much higher, but the tax administration lacks the necessary staff for collection enforcement. Tax evasion, among national and international firms, is a serious problem.

Market
organization

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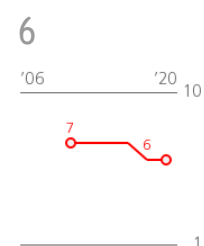
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There are anti-monopoly and competition laws to prevent excessive concentration and the abuse of dominant market positions and cartels, but these remain inconsistent and poorly enforced. A law on competition was passed in 2004 in order to ensure the sustainable development of the market economy, and a law on protection of competition in 2010. In 2013, the Assembly also adopted a law on state aid, and established a commission to monitor and approve state aid. The Kosovo Competition Authority was created to safeguard enforcement of anti-monopoly and competition laws. The enforcement is being hampered by the lack of qualified staff. The main problem weighing on Kosovo's prospects is widespread corruption, a factor that makes many young Kosovans leave the country. Public enterprises (energy, electricity, telecommunications, postal services, railways, air traffic) are believed to offer ample opportunities for corruption. There are administrative barriers for entrants in several key sectors and a limited number of suppliers, keeping prices artificially high.

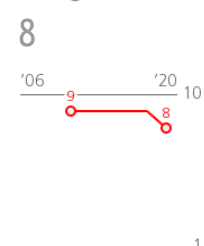
At the end of 2018, trade deficit reached to €273.5 million (up from €267.8 million in December 2017). State institutions are aware that reversing the negative balance requires a comprehensive economic and political approach and fundamental reforms to liberalize the operational environment and improve the competitive position of Kosovo in the global market. Kosovo introduced a liberal trade regime as part of regional trade liberalization, particularly that initiated by the Stability Pact for Southeast Europe. Although it is not an official member of the stability pact, the country committed itself to respecting the obligations together with other countries of Southeast Europe in 2001. The memorandum provided for the elimination of tariffs on 90% of the volume of trade and 90% of tariff lines, the elimination of non-tariff barriers to trade for intra-regional trade, and the strengthening of trade in services. After acquiring full membership in the Central European Free Trade Agreement (CEFTA) in 2006, Kosovo tried to establish trade rules based on EU and WTO principles, thus making businesses competitive in the EU and world markets. In November, Kosovo increased customs tariffs on Serbian imports to 100% following a row over its failed bid to become a member of INTERPOL, opposed by Serbia.

Kosovo's banking sector is fairly stable. The ten banks licensed by the central bank have healthy profits. The banks have not yet shown any obvious signs of excessive risk-taking behavior. Rather, they have been blamed for stifling business. The framework of banking supervision, risk assessment and emergency liquidity assistance has improved to strengthen corporate governance and the management of credit risk. The share of non-performing loans is low and decreasing (3.1% in 2017) and the capital-to-assets ratio is relatively high and increasing (12.6 in 2017). Kosovo has adopted the Basel regulations on banking supervision. The central bank of Kosovo created the Local Capital Regulation in order to completely integrate the Basel regulation in the near future. Major harmonization was performed in 2012, when the new law on banking supervision was enforced. In March 2017, the central bank signed a memorandum of understanding with the European Banking Authority,

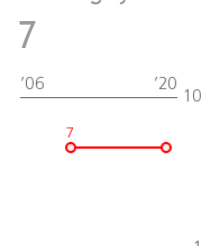
Competition policy



Liberalization of foreign trade



Banking system



establishing a framework for cooperation and information exchange and on the European Single Supervisory Mechanism. The central bank was criticized for not taking sufficient care of adequate protection of consumers and the prevention of unfair banking practices. Kosovo was asked to establish an independent recovery and resolution authority. What still has to be adopted with respect to the harmonization of the regulatory framework with Basel II and EU standards is the chapter on risk-weighted exposure amounts for credit risk. The law on accounting, financial reporting and auditing, meant to bring Kosovo banking law in line with EU acquis, has not been adopted yet. Banks complain about a weak rule of law that would prevent them from lowering interest rates, since it consumes significant resources for them to collect non-performing loans. Many of the banks focus on the mining sector in the north of the country, which has yet to become more accessible through the Brussels Agreement.

8 | Monetary and fiscal stability

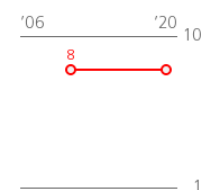
Inflation has been volatile despite the 2002 unilateral adoption of the euro as the only currency when Kosovo was still administered by the U.N. mission (the Serbian dinar is still widely used in North Kosovo and Serb enclaves). At the end of 2018, the inflation rate was 2.9% (up from 1.5% in 2017). The average inflation rate was 2.0% between 2003 and 2018 (all-time high 14.2% in May of 2008 and record low of -4.4% in May of 2009). The occasional drastic shifts in inflation have been caused mainly by changes in food and international commodity prices, but they could be partly countered by investments in infrastructure aimed at supporting the economy.

Because of dollarization, the central bank is not able to conduct independent monetary policy nor is it a lender of last resort. Its role is limited to that of a regulator, with the main responsibility of ensuring a stable financial system. To strengthen banking sector stability in 2012, an Emergency Liquidity Fund and a Deposit Insurance Fund were established and a new law on banking, microfinance and the establishment of non-bank financial institutions was passed. After two presidents of the central bank had defended the institution's independence against the interests of the country's political elite, Bedri Hamza (appointed in 2013) was considered too close to Thaçi's PDK to be independent. The current governor, Fehmi Mehmeti, was appointed in March 2018 after a narrow vote in his favor by the Kosovo Assembly, after he had been serving on an interim basis for six months. Mehmeti's selection process was criticized for not being transparent.

Officially, all Kosovan governments since 2008 pledged to promote macroeconomic stability, but there is still an apparent lack of institutional safeguards and budgetary policies are prone to populist changes, especially in election times. The government budget deficit averaged 0.12% of GDP between 2000 and 2017, reaching an all-time high of 7.17% of GDP in 2007 and a record low of -4.58% in 2004. In 2017, the national debt of Kosovo amounted to around \$1.5 billion. These are low figures in

Monetary stability

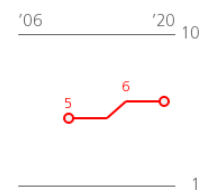
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Fiscal stability

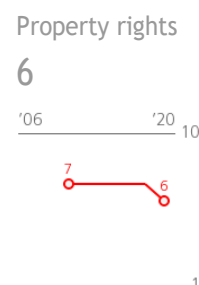
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comparison with other Southeast European countries. They are at least partly attributable to Kosovo's short history of independent political decision-making. The consistent budget deficit is the result of continuous outlays based on initially high cash balances and irregular receipts that could not be met later by regular receipts, according to Kosovan economist Lutfi Zharku. What has also caused the deficit is the lack of a legal infrastructure or fiscal rules for several years. Examples for populist decisions weighing heavily on the budget are numerous. Before the 2014 elections, the government increased public sector wages and social pensions by 25%, promising new benefits for war veterans. The 2014 election victors promised to maintain sustainable deficits and debt levels, but still planned to increase the domestic debt. The previous government led by Prime Minister Hashim Thaçi adopted a rules-based fiscal framework setting an overall ceiling on the general government deficit of 2% of GDP per year. In a 2015 report on Kosovo the IMF expressed its concern about the deteriorating fiscal situation and noted that public sector wages had more than doubled since independence. To afford these increases and contain the fiscal deficit, governments cut spending on infrastructure investments and spent less on education than other western Balkan countries. In the 2017 election campaign, competing parties made costly, sometimes reasonable, often untenable promises, such as school construction projects or improvement of water supply infrastructure.



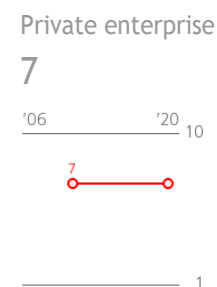
9 | Private Property

Property rights are poorly defined as an effective property rights framework is still missing. Establishing clear property relations is still marked by unresolved issues from the pre-conflict and immediate post-conflict era. Court procedures to adjudicate property claims and disputes need to be improved. Citizens in rural areas lack information on how to exercise their property rights; traditional social attitudes and behavior hamper property rights claims made by women. Only 17% of Kosovan women own real property. The fact that these deficiencies have a negative effect on democratic governance, human rights, the empowerment of women and sustainable economic growth is supposed to be countered by the U.S.-funded Property Rights Program. It should help the Kosovo government develop and implement its National Strategy on Property Rights and strengthen property rights legislation. With regard to the internal and external refugees, return, restitution and reparation remain vital issues. The Kosovo Property Agency (KPA) introduced legal mechanisms to address individual property rights. Complications arise from the unreliable cadastral records, multiple claims and allegations that properties were sold several times. The KPA needs to improve its information policy and the cooperation with the Serbian state so that internally displaced persons are informed of the restitution process. Serbian refugees can reacquire property, but they are often barred from using it. Municipalities failed to comply with expropriation procedures and to prevent the demolition of displaced persons' properties and the construction of illegal structures on their property. Before EULEX retired from Kosovo, this was an issue the mission



failed to efficiently deal with, while the Kosovo Police Service (KPS) proved to be quite responsive to property crimes. Cooperation between the EU, the Kosovo Ministry of Justice and the U.S. Agency for International Development (USAID) is focused on implementing the Property Rights Program (PRP). It is intended to improve the property rights regime in Kosovo, strengthen the rule of law, and increase economic growth and investment.

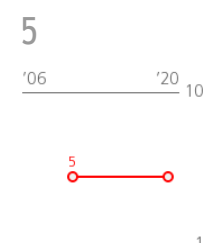
All parties in the election campaign 2017 stressed the importance of private companies for sustainable economic growth and production. A report published in March 2018 by the Kosovo Chamber of Commerce said 84% of 505 companies interviewed state that the business situation in Kosovo has been improving recently. The private enterprise sectors with the highest growth rates (employment, output) were construction, manufacturing, the wholesale trade sector and information and communications technology. The main barriers businesses still face are a lack of capital, high interest rates, payment delays of consumers and a lack of qualified staff. New fiscal measures were implemented in January 2018 that should positively impact Kosovo's private sector and increase the state's competitiveness in the Western Balkan region. The private sector as the main driving force for economic growth accounts for about 70% of GDP. The international community, EU and the United States, stressed their interest in a correct transition of Kosovo to a market economy, including a correct privatization process, direct incentives for private business and a USAID-funded Kosovo private enterprise program. The privatization process is often non-transparent, democratically flawed and charged by patronage relationships between politicians and business cronies that are condoned by the political elite despite official declarations to back the international initiatives. The legal problems associated with privatizing large publicly owned enterprises are complex and politically charged, which has serious consequences for the economy. The complexity and non-transparency of the process allows owners or employees to take advantage of specific legal loopholes at the expense of the state budget or the performance of the companies. Ethnic minorities complain about discrimination concerning their ability to benefit from privatization. Privatization often did not have the desired effect because it was conducted in an unstructured and hasty manner. For instance, the privatization of the Electricity Distribution Company (KEDS) and other public companies has been fraught with irregularities and has been opposed by the public and experts who doubted that Kosovo's economy, energy sector and citizenry would benefit from it. The privatization of KEDS also suffered from a lack of transparency; civil society had no access to the documents in this bid. The Kosovo Civil Society Consortium for Sustainable Development (KOSID) even filed an indictment against the Ministry of Economic Development, alleging that the lack of transparency violated the constitution and the law on access to public documents.



10 | Welfare Regime

Though Kosovo's constitutional and political framework is compliant with European standards, the social safety net complies only in very basic terms. Kosovo's social safety system does not offer real unemployment benefits, maternity allowance, or child benefits. The social system offers social and disability pensions, including benefits for persons disabled in the Kosovo conflict and families whose members were killed. These veterans' benefits have been augmented significantly in recent years, with interest groups campaigning for their further expansion. Still, Kosovo officially spends a marginal 3% of GDP on health care and the social safety, which explains the high poverty rate. Between 2008 and 2012, social assistance spending for the poorest has been in constant decline but has been somewhat raised recently. According to estimates, about 40% of health expenditures is private spending, resulting in unequal access. In some regions, health care is almost unavailable, and even in the capital of Prishtina medical treatment is deficient. Patients who have the resources to seek medical care still face long waits, outdated technology and doctors who lack advanced education and training. Satisfaction with Kosovo's health services stands still at about 30%. The evolution of a social protection system started after the conflict, supported by international organizations. After 1999, UNMIK first focused on emergency relief. After two years, it shifted priorities to establishing a working social safety net. In 2003, the law on the social assistance scheme in Kosovo was enacted, which regulates the monthly amount of benefits for families who fulfill the eligibility criteria. In early 2009, the current scheme was decentralized, and the responsibility was transferred to the Center for Social Work (CSW). The Kosovo Social Assistance Scheme consists of last-resort income support (LRIS), war veteran benefits and disability pensions. The main focus of the LRIS is to alleviate poverty. In 2013, about 115,000 pensioners received a basic pension that was at the poverty threshold (average of €60 per month). In 2009, Kosovo introduced financial aid for families taking care of children with severe and permanent disabilities. The social safety system in Kosovo includes two categories of assistance. The first covers poor households with no working member or in which the only adult able to work is permanently taking care of a dependent person. The second category covers households with unemployed adult family members and at least one child aged five or below, or an orphan up to age 15. After rates were raised in 2009, the gross standard rate of social assistance for a one-person household became €40 per month, and €55 for a two-person household. If aid is added for every additional person, the household maximum is €80. The social safety scheme might be well-targeted – 78% of funds go to the poor and 45% of funds to the bottom quintile – but it reaches only 23% of the poor. The most marginalized groups, Roma, Ashkali and Egyptians, almost completely fall out of the social safety system. They suffer higher rates of poverty, infant and under-five mortality rates (among the highest in Europe) and stunted growth and malnutrition in young children.

Social safety nets



Kosovo is still basically a very traditional society. Equality issues might be discussed in the political arena, among liberal intellectuals in urban areas, and they are part of codified law, but opportunities remain unequal for women and minorities in practice. Provisions for equal opportunity for women and minorities are made in the constitution, an anti-discrimination law exists and projects are supported to help persons with disabilities. Kosovo has the most advanced gender equality law in the region, passed in 2004. The law should provide equal opportunities for participation in political, economic, social, cultural and other fields, yet it is poorly enforced. Stereotypes about domestic duties of women persist; domestic violence against women is widespread according to a 2018 OSCE report. Gender inequality and stereotypes are deeply embedded in general culture and economic relations, and little progress has been made in combating it. Governing politicians are part of the problem of non-inclusion of women in leadership positions, which are mostly occupied by men. Strong political interventions would be required to change this situation, the journalist Dafina Halili argued. In the 2017 mayoral elections, 96% of candidates were men. According to the 2011 census, illiteracy was about 8% overall, but it is much higher among women, especially rural women (14%). The dramatically high youth unemployment (sometimes over 55%) especially disadvantages women. Every year about 30,000 new job-seekers enter the labor market, while only 15,000 new jobs are created. Only about 10% of the active youth population get a chance to work, often leaving the female applicants aside.

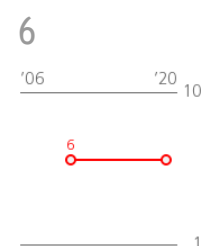
The Kosovan constitution grants equal rights to ethnic minorities. However, since 2008, the number of Serbs leaving Kosovo for Serbia has kept growing, as they see no economic prospects in Kosovo. The labor market and the civil service is theoretically open to minority members, but they are often barred due to prejudice. The 2013 Brussels Agreement has not brought about significant changes in that respect. The pervasive inequalities are also illustrated by educational attainment – the average length of schooling is ten years, but the rural population lags behind the urban, women behind men and non-Serb minorities behind Kosovo Albanians and Kosovo Serbs.

11 | Economic Performance

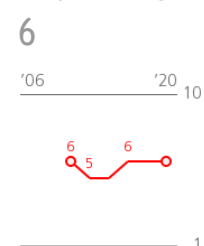
In recent years, Kosovo has experienced modest GDP per capita growth (3.6% in 2017) as household consumption and fixed investment have grown fast. The inflation rate increased to 2.9% at the end of 2018 having averaged 2.0% between 2003 and 2018 (all-time high of 14.2% in May 2008 and a record low of -4.4% in May 2009).

While other Western Balkan countries face stagnation or contraction due to falling exports and foreign investment, Kosovo can still count on remittances from Kosovans living abroad (15.3% of GDP in 2017, but down from 20% in 2006) and diaspora investments in the real sector. They drive the Kosovan economy but much of it goes to imports instead of strengthening the local economy. Foreign direct investment

Equal opportunity



Output strength



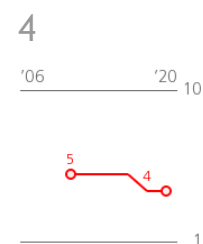
(FDI) was high and amounted to 4.6% of GDP; the figure has been fairly stable since 2012 but has decreased compared to 2007-2011.

Kosovo is plagued by a high rate of unemployment that has hovered around 30% or more since independence and was still 30.7% at the end of 2018. A large shadow economy employs most of the registered unemployed. Economists estimate that Kosovo's economy would have to grow by 8% each year in order to absorb the young people entering the job market and hold unemployment steady. The structural problems of Kosovo's economy are visible in the capital's industrial zone, dominated by trading firms or retailers importing food, clothing and other essentials. Little is produced for domestic consumption or export. Kosovo had increasingly large trade deficits (57% of GDP in 2007, 35% of GDP in 2012 and 40% in 2013) due to a very weak export base.

12 | Sustainability

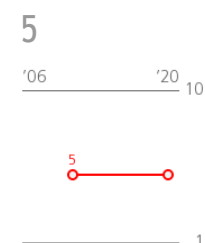
Environmental problems are visible in Kosovo even to the untrained eye, but they only receive superficial political consideration and are subordinated to growth efforts. According to a 2017 survey, only 1.3% of respondents indicated that environmental pollution is the most pressing problem in Kosovo. The EU, the main international donor in environmental affairs, launched an environment campaign in 2018. Kosovo has forests, beautiful landscapes and a rich biodiversity that face a lot of problems: contaminated soil, polluted rivers, illegal construction and logging, waste of water, and bad air quality, particularly in the winter months. In October 2013, the Kosovo Assembly adopted a law on the inspectorate of environment, waters, nature, spatial planning and construction. But there is a lack of administrative capacity to implement this law and other environmental regulations. Kosovo has so far failed to adopt a coherent strategy of CO₂ emissions. Almost half of the air pollution in Kosovo is caused by cars. Around 75% of the water carried is lost due to the dilapidated pipe system. A serious problem is deforestation, as over 40% of Kosovo's land mass (approximately 465,000 hectares) is covered by forest, with state property accounting for 60%. Kosovo has a long wood processing tradition, a sector that is considered one of Kosovo's most dynamic and promising industry sectors. Among Kosovo's other environmental problems are the use of uranium dating from the Kosovo conflict, mining pollution in the Mitrovica region, water pollution, the destruction of the White River, the largest river in Kosovo, resulting in a water shortage. Poor waste management is another pressing problem that need to be addressed. Spatial planning is rudimentary outside urban areas, which has resulted in construction on arable land, and dispersed towns, often with septic tanks and no more efficient provision for sewage. There is a public perception of environmental problems, but little political realization. According to a 2017 survey, at least 25% of Kosovans consider their local environment to be very polluted. Kosovo has still not signed the Paris Agreement on climate change.

Environmental policy



The favorable demographic situation in Kosovo which sets it apart from most of Europe (38% of the population is under 19) could positively contribute to the social and economic development if the poor standards of the education system were considerably improved. In the 1990s, the education system in Kosovo was working in extremely difficult circumstances. Teaching and learning were done privately and in secrecy. In the postwar period, the pre-university sector was restructured and the infrastructure of schools improved. Quality of education differs in the municipalities. Kosovo has three public universities and 14 public research institutes. In order to boost participation in international research projects, Kosovo passed a scientific research law. But the main hindrances are the lack of scientifically qualified personnel, the low number of PhD students, poor laboratory equipment and insufficient technical know-how, all of which isolate the Kosovo research community from the international one. The shortage of a skilled, well-educated workforce is already felt in some sectors of Kosovo's economy. The education system in Kosovo was supposed to integrate all members of society, but remains ethnically divided, mainly owing to ideologically fraught textbooks that offer the outlook of the dominant ethnicity. Education in primary schools is conducted in five languages (Albanian, Serbian, Bosnian, Turkish and Croatian). Higher education is offered mainly in the capital and in the Serbian-speaking Mitrovica. The last ten years have seen a proliferation of private as well as public universities across the country, many of dubious quality. Although Kosovo has achieved full gender parity in basic education, in higher education female enrollment is still low. Another problem is the high number of university graduates, which is more than the labor market can accommodate. The value of diplomas is in constant decline, as there were reports of students who passed without attending exams. The practice of selling and buying university diplomas, both undergraduate and graduate degrees, was criticized in the region and on international level. Today universities in Kosovo are still affected by corruption, political collusion and poor levels of performance, and remain ethnically separated. Despite the 2013 Brussels Agreement, which tried to solve the education issue by mutual recognition of diplomas, it has already failed in the implementation phase. This had negative consequences for job opportunities of young graduates – both Serbs living in Kosovo and Albanians living in Serbia. Although in every budget debate since 2008 governments emphasized the great importance of education, Kosovo has spent less than 5% of GDP on education (2017), which constitutes an increase from 3.3% of GDP in 2007. 15% of the education budget went to increase teachers' wages in 2011 and 2015. Kosovo lags behind OECD countries in per capita spending on education, for example, in 2014, per capita spending at the pre-university education level was 16.1% of per capita GDP, while it was 23.8% of per capita GDP in the higher education sector. In OECD countries, expenditure per student averages 21% of GDP per capita at the primary level, 26% at the secondary level and 41% at the tertiary level. R&D spending in Kosovo amounted to only 0.05% of GDP in 2016. This situation hinders research and development and did not really improve in 2017 and 2018.

Education policy /
R&D



Governance

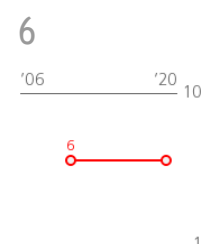
I. Level of Difficulty

Eleven years after the declaration of independence, governance capacity is still limited by the coexistence of different legal and administrative frameworks of the various Kosovan authorities and international agencies with partially overlapping jurisdictions (UNMIK, EULEX, KFOR, etc.). The persistent contestation of Kosovo's sovereignty poses obstacles for access to international forums and cost-intensive technical difficulties. The neglect of infrastructure during the decades of Kosovo-Albanian-Serb conflict poses a significant structural constraint. High unemployment and poverty, as well as limited access to education and high levels of low-skilled labor, constitute further barriers to economic development. The integration of North Kosovo according to the Brussels Agreement could, if conducted successfully, offer new energy and export resources as most of the mining industry is situated in the north. Kosovo's governments expressed their hope that an integration might contribute to an alleviation of economic, social and identity problems in Kosovo.

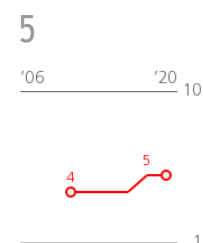
Although the ethnic Albanian community was unanimous in welcoming the independent state in 2008, civic engagement is quite limited. On the one hand, the nonviolent resistance movement of the 1990s has formed a tradition of civic solidarity. On the other hand, this legacy of a self-organized Kosovo-Albanian shadow state was associated with a tendency to abstain from public involvement, which was already a subject of complaint by officials in Yugoslavia under Tito. The often large family networks in Kosovo are still the primary form of social engagement, while membership in political parties and electoral turnout remain low (under 50%). Kosovo's numerous NGOs have contributed considerably to social progress, but a high percentage of them are no longer active. The NGO Register of 2018 counted more than 9,000 NGOs, 95% of them are registered as associations and the rest as foundations. About one-third of the registered NGOs are located in the municipality of

Prishtina, followed by Prizren and Mitrovica with a much smaller percentage. Citizen engagement in CSOs remains generally low, while in comparison to previous years there is a visible increase in the number of citizens engaged in CSOs, volunteering for them or of those who have benefited from CSOs' services. After 2015, when thousands of discontented Kosovans left the country, more Kosovo citizens than before participated in anti-government protests. In summer 2018, thousands of

Structural
constraints



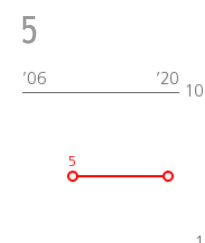
Civil society
traditions



Kosovo citizens protested in Prishtina in a rally organized by Vetevendosje against President Hashim Thaçi's proposals on border correction with Serbia.

Tensions between the majority Albanian community and the Serbian minority continue to shape politics in Kosovo, especially at the dividing line of the Ibar River in North Kosovo. It is not yet clear whether the tensions can be overcome by the Brussels Agreement. In the rest of Kosovo, Serbian enclaves were ushered willy-nilly into cooperation and participation in local and national elections, as Belgrade could no longer directly assist parallel Kosovo-Serb political structures. Religious strife between the Serbian Orthodox and Muslims among Kosovo Albanians is a side effect of the ethnic and territorial dispute. Islam in Kosovo is widely believed to be peaceful and not prone to radicalization. But there are unconfirmed rumors about Islamist groups active in Kosovo. Social tensions stem from low wages, high living costs, high unemployment, poverty, the poor social welfare system and discrimination against minorities. These tensions result in labor strikes, suicides, crime and emigration. Radical political parties like Vetevendosje build their campaigns on the rift between Serbs and Albanians, using the allegation that Belgrade would still dominate and influence Kosovo's official politics. This propaganda contributed to the violent clashes with the police in Prishtina in early 2015.

Conflict intensity



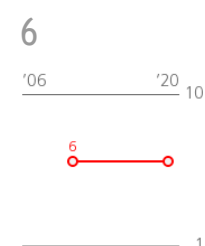
II. Governance Performance

14 | Steering Capability

The last Kosovan governments set general strategic priorities, which were supported by a large majority. The integration of Kosovo into international organizations, the recognition of the young state by as many U.N. members as possible and the EU integration were aims that all governments maintained in the ten years since the declaration of independence. Internal, structural issues such as infrastructure, education and problems like corruption were taken into consideration according to the intentions of international actors but were not always coherently addressed and solved. For instance, in 2014, Prime Minister Hashim Thaçi set strategic priorities but postponed some of them in favor of short-term political benefits. Public sector wages and KLA veterans' subsidies were increased at the expense of public investment projects. A Kosovan national identity seemed to be more important than a structured, strategic social policy. Kosovo achieved several successes on the path to international integration, including admission to supranational organizations like the World Bank and IMF, and the prospect of accession to the European Union if good neighborly relations with Serbia could be achieved. To prepare Kosovo for European integration, in 2012 the Thaçi government established a Steering Group for Strategic Planning that was led by a political adviser of the prime minister and

Question
Score

Prioritization



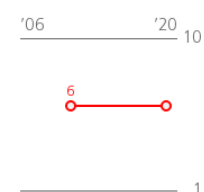
consisted of key officials from the prime minister's office and different ministries. However, the group met only rarely and had a limited influence on strategic prioritization and interministerial coordination. The reconciliation process with Serbia, following the Brussels Agreement, was maintained, but efforts reduced in 2017/18 due to the Vetevendosje protests. It is feared that the nationalist turn of the coalition government formed in 2017 will increase the imbalance between international ambition and national shortcomings.

In foreign policy the Kosovan government has made considerable progress, while at the national level, policy achievements have been limited. The international priority policies such as EU integration progressed, including improvements in the relationship with Belgrade. The fragile government coalition formed at the end of 2017 (PDK, NISMA, AAK), besieged by LDK, the New Alliance for Kosovo (AKR) and Vetevendosje, which oppose any friendly move toward Belgrade, made it difficult to continue a coherent policy on the national and international level. General problems in implementing economic and political reforms were political inertia, lack of capacity and often inefficient administration. For instance, the Thaçi government elected in 2014 failed to implement an anti-corruption policy that would really lead to convictions in cases of high-level political corruption. The government could not significantly improve the business environment so far, in order to attract more FDI, increase employment and avert brain drain. Political cooperation to speed up the reform process was often inhibited by fundamental disagreements between government and opposition about key political issues.

Since 2008, the governments have been supported in their political efforts by the international community. The International Civilian Office, OSCE, European Commission and members of the Quint (United States, United Kingdom, Germany, France and Italy) provided the templates for policies and assisted in establishing civilian and judicial structures. As a consequence, the reality of implementation diverges from the legislation, and local policymakers and stakeholders have lacked both commitment and capacity to behave as intended by the new laws. The EULEX mission's success was limited, if not a failure, not only due to internal problems, but also because of inertia of the Kosovan political elite and society. The government's willingness to learn and adapt foreign advice or correct existing problems on their own is there, but does not have immediate consequences due to traditional, even nepotistic, structures that are hard to overcome. The younger, well-educated generation came up with new reform ideas that have no chance of implementation yet, lacking parliamentary representation. Previous PM Thaçi and current PM Haradinaj demonstrated a willingness and ability for policy learning, insofar as adopting advice provided from the international community as shown by the Brussels Agreement. The lawmaking process is to a considerable extent not based on an endogenous process of assessing the country's actual needs and identifying policy priorities.

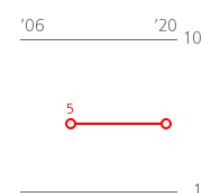
Implementation

6



Policy learning

5

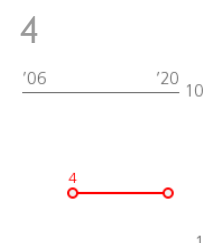


15 | Resource Efficiency

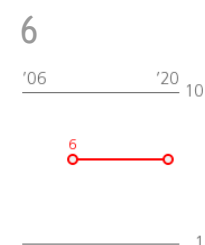
Sustainable public administration reform is strongly needed, including necessary funding and staffing. Recruitment is still heavily politicized. Party loyalty seems to be more important than professional competence. Criticism has also been leveled at the low percentage of minorities and women in public posts. Kosovo has established independent and intra-governmental auditing institutions to monitor public spending. But the mechanisms of financial control are weak, political leaders lack interest in profound reforms, and the Assembly does not have the means so far to force the government to better assess the auditor's findings, find the perpetrators and take efficient measures. Governments have repeatedly committed themselves to establishing a fiscal framework limiting the budget deficit. From 2009 to end of 2018, Kosovo's Government deficit rose from 6.4% to 17.1% of the country's nominal GDP. In December 2017 the deficit amounted to 16.2% (compared to a record low of 5.5% in December 2011). The medium-term expenditure framework in 2018 did not reflect the need of preserving macro-fiscal stability by respecting the spending and deficit limits prescribed by fiscal rules. Reforms of public financial management have been limited to individual sectors. Laws on civil service and on salaries in the civil service provide the legal conditions for a stable, unified and professional civil service, but are not fully implemented. Public administration is still one of the major employers in Kosovo (there are about 70,000 civil servants). The number has remained steady, and their low wages were enhanced by the Thaçi government, in a move criticized by the IMF as inconsistent with the country's economic needs. Generally spoken, the public sector institutions in Kosovo lack adequate human resources with a university degree; they are reluctant to involve staff in innovation teams, thus causing lack of motivation for creative problem solving. Moreover, the degree of training provided to staff for the implementation of innovations is not satisfactory, mainly due to financial constraints.

The coalition government of PDK, NISMA and AAK formed after the 2017 election tried as hard as the previous government under PM Mustafa to coordinate conflicting objectives. Friction, redundancies and gaps in task assignment were significant under both the old and new government. The pre-2014 government consisted of Thaçi's PDK, the AKR and several parties representing ethnic minorities. Policy coordination made it vital to strike a balance between the different and sometimes even conflicting interests of the coalition parties. Political coordination was achieved through informal meetings between the political leaders of these parties. While there were efforts to address conflicting priorities, the allocation of ministries as fiefdoms to coalition parties inhibited a constructive collaboration. Political coordination became more complicated when the government of PM Isa Mustafa took office in December 2014. This government incorporated a bipolarity between PDK and its long-term rival of almost equal political strength, the LDK. In the coalition government formed in 2017, no party is strong enough to determine objectives on its own. PDK lost several seats,

Efficient use of assets



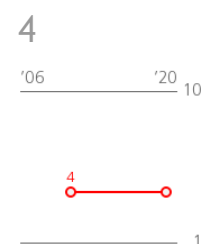
Policy coordination



the AAK with PM Haradinaj moved from opposition to government. The prime minister's performance will determine the AAK's fortunes. NISMA is the weakest partner who can only hope to keep the government in power for as long as possible, because NISMA's decision to table the PDK-backed motion to dissolve the government paid off when the party became a partner of the coalition government, but it did not translate into local success.

Corruption is a problem that has burdened Kosovo's development into a successful new state from the day of independence. Institutions and legal mechanisms to fight corruption have been established but coordination of these institutions is still deficient, a serious obstacle to success. The legal framework to counter corruption exists, but cases are not investigated thoroughly enough and are often inhibited when higher political interests interfere. Kosovo has adopted laws on asset declaration, preventing conflict of interest in exercising public functions and on access to documents. But noncompliance with these regulations is not effectively sanctioned. The Kosovo Anti-Corruption Agency has improved its cooperation with the criminal investigation authorities but lacks the staff and analytical capacity to assess risks in sectors vulnerable to corruption. Public procurement is supervised by three central bodies: the Public Procurement Agency, the Public Procurement Regulatory Commission and the Procurement Review Body. These have overlapping responsibilities, producing a complex and fragmented institutional arrangement prone to corruption. Kosovo's Anti-Organized Crime Council consists of non-governmental actors and organizations and tries to coordinate the anti-corruption activities of independent watchdog, whistleblower and civil society institutions. The council also seeks to contribute to the government's anti-corruption strategy and the implementation of anti-corruption laws, and to suggest new corruption-related laws. Unfortunately, the council's mandate was extended beyond the role of a facilitator. The political will to clean up public institutions and decision-making processes is lacking. Anti-corruption policy in Kosovo does not often go beyond political statements. The outcome of EULEX anti-corruption efforts has also been minimal. Especially high-ranking corruption cases were not even investigated, creating a widespread impression of impunity. It seemed as if important figures of Kosovo's political elite should be spared an investigation or even trial, in the higher interest of keeping the Kosovo state-building project going.

Anti-corruption
policy



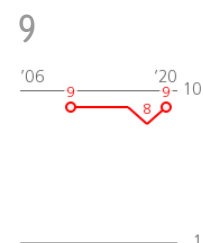
16 | Consensus-Building

In accordance with the international community and the European Union, Kosovo's governments and leading political actors consider democracy to be the ideal form of government, especially after the repression Kosovo Albanians suffered from Communist Yugoslavia. The promise of accession to the EU is greeted by the vast majority as an acknowledgment of Kosovo's attempts to become a European liberal democracy. Serbia often serves as the counter draft. Surveys show that a considerable majority would rather give up the EU accession bid if recognition of Kosovo's independence was a precondition. A synchronized democratic development in the region, in cooperation of Belgrade and Prishtina, is considered a common goal since the Brussels Agreement, but could suffer in the near future due to the newly-gained political strength of Kosovo-Albanian nationalists.

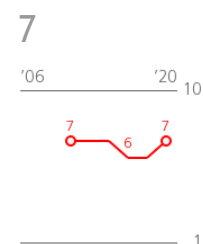
No leading political party, important social movements or influential intellectuals in Kosovo question the idea of market economy principally. The malfunctions, low wages, high unemployment rate or the problematic results of the privatization process are criticized and reforms demanded. Whether market economy is considered a value per se heavily depends on the parties' programs and priorities, but the system is generally not contested on principle. Another matter is the problem that the political elite does not invest sufficiently in order to liberate the market economy from conflicting issues like corruption and clientelism.

In 2013, Prishtina and Belgrade made a large step in mutual relations when they signed the EU-mediated Brussels Agreement on the normalization of their relations. The so-called Serbian parallel structures in Kosovo maintained by Serbia were regularly criticized by Kosovan government as unconstitutional, illegal and directed against a democratic Albanian Kosovo. Mainly North Kosovo, but also Serbian enclaves in the south, received financial, logistical and political support from Belgrade. Prishtina considered these actions open support of separatism and an attempt to undermine Kosovo's republican, democratic order. Meanwhile, the Serbian representatives in Belgrade and Kosovo pointed to the dire situation of the Serbian minority. In their eyes, the Kosovo declaration of independence would in itself be an act of separatism. These worries and claims were expected to be allayed with the implementation of the Brussels Agreement. However, Kosovan politicians keep complaining about resistance to the agreement in North Kosovo and the continuing presence of parallel structures. The influence of anti-democratic Kosovo-Albanian parties of the extreme right, whose origins go back to the 1940s, and Islamist groups seemed to be limited. However, the Ministry of Interior estimated in 2015 that about 300 young Kosovans had joined the Islamic State militia since the beginning of the conflict in Syria and Iraq. There were concerns that returnees from these wars would have formed radical groups in Kosovo. The Vetevendosje is a nationalist, extra-parliamentary movement turned into a political party that considers

Consensus on goals



Anti-democratic actors



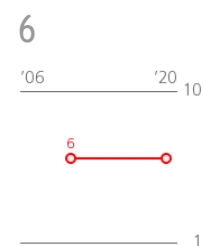
itself to be left-wing, progressive and democratic, a classification which is sometimes contested. It categorically rejects all negotiations with Serbia and often accuses political advocates of reconciliation of treason. When the formation of a new government was deadlocked after the 2014 elections, Vetevendosje stated it would only support a new coalition if the dialog process with Serbia was interrupted.

Interethnic tensions were a persistent feature of Kosovo daily life right after the Kosovo conflict. An escalation could largely be contained by the presence of KFOR and the EU-led police mission. Kosovan political elites have been unable to prevent occasional outbreaks of violence, such as the clashes in 2004 and 2011. Poverty, persistently high unemployment and the emergence and success of the nationalist party Vetevendosje have increased the risk of new interethnic conflict. In January 2015, about 50,000 Kosovans protested against the Kosovo-Serb politician Aleksandar Jablanović and called upon him to resign from his office as minister of communities and returns. Jablanović had criticized a group of mothers of Kosovo war victims who blocked the entrance of the Orthodox Church in Gjakova/Djakovica on Serbian Christmas Eve to protest against Serbia's refusal to apologize for war crimes. Jablanović had called protesters "savages" because they had thrown stones at a bus transporting attendants to the Christmas service. The protests spread throughout Kosovo and forced Jablanović to resign. In January 2018, the Kosovo-Serb politician Oliver Ivanović and the former State Secretary of Serbia's Ministry for Kosovo and Metohija, was assassinated by hitherto unknown perpetrators in North Mitrovica.

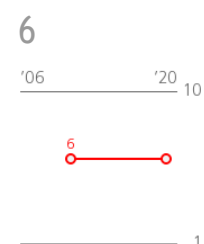
Electoral participation in ethnic Serbian enclaves has increased, as integration appeared to be the only viable alternative. Some Kosovo-Albanian politicians still exploit divisive ideas. They interpret Kosovan culture and history as exclusively Albanian, thereby excluding other ethnicities, in contradiction to the official commitment to a multiethnic and multicultural society. In recent years, the common goal of a future within the EU has helped to overcome tensions and work toward an understanding across the dividing lines, proof of which can be seen in the Brussels Agreement. Leading Kosovan politicians still tend to take an uncompromising stand when it comes to the Serbian and other minorities in Kosovo, but the moderate, deescalating messages sent out to the public have definitely increased recently.

The number of civil society organizations and NGOs was and is quite high. According to estimates, among the 5,000 registered NGOs about 500 are active and influential. The Kosovan governments, informed and supported by the international community, seldom found reason to actively support NGOs or react to critique of civil society organizations. The political elite permits their participation, appreciates their existence, but does not allow for large-scale participation in the policy-making process. This has somewhat changed recently, with the retreat of international organizations and a growing political discontent among Kosovans. Right after the Kosovo conflict, the improved legal and security situation increased the number and efficiency of NGOs focusing their activities on reconstruction and humanitarian aid. International NGOs cooperated with local Kosovan groups. With the declaration of

Cleavage /
conflict
management



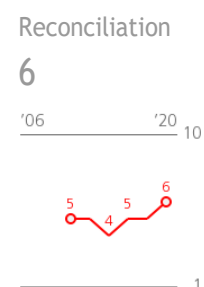
Civil society
participation



independence, the NGO activities shifted to governance, nation-building and protection of minority and gender rights. The increase of the NGOs' number entailed a decrease of donors and funds. The influence of many NGOs is rather indirect. Their dependence on donations makes them avoid open confrontation. Religious organizations sometimes complain about the lack of interest in their concerns, as Kosovan politicians tend to over-emphasize their commitment to a secular society. There are some inroads of cooperation, and most NGOs who seek cooperation find ways to do so. Joint cooperation might not have proved productive, but there are examples of successful intervention, for instance the anti-tobacco, pro-health movement, or the recording of human-rights violations in the conflict and their reporting to political representatives.

In 2017, President Thaçi initiated the establishment of a Truth and Reconciliation Commission, meant to provide the basis for dialog among Kosovo's divided communities almost twenty years after the Kosovo conflict. If the historical truth is not researched and discussed, Kosovo will remain trapped in the past. In particular, the generation born after 1999 would continue to see the other community as enemies and a threat, not as members of a society and partners for cooperation. For a long time after the conflict, the Kosovo-Albanian political leadership avoided an open discussion for fear of opening old wounds and attributing culpable conduct to members of its own community. Efforts to initiate a process of reconciliation therefore remained limited. In April 2014, the Kosovan parliament approved the creation of a special court to adjudicate on crimes committed by Kosovan-Albanians during and after the 1998/99 Kosovo conflict. The court was to be presided over by international judges. In July 2014, an EU-task force investigating war crimes confirmed that senior KLA officials led a campaign of ethnic cleansing against Serbs and Roma after 1999. Hints pointing at organ trafficking perpetrated by KLA during the conflict did not succeed in sparking a broader public debate within Kosovo. The Serbian minority felt disappointed about the lack of interest of the Kosovan-Albanian side to face up to its past. The KLA Veterans' Organization regularly protested prosecution of KLA veterans suspected of crimes against minorities in Kosovo, thus hindering reconciliation. The prosecution of war crimes continues to be constrained by the intimidation of witnesses who are insufficiently protected.

The government has begun to pay out compensation to political prisoners, and a new law was introduced to compensate war veterans. The Brussels Agreement should contribute to the reconciliation process with Serbia and within multiethnic Kosovo. The Truth and Reconciliation Commission, though initiated by President Thaçi, is meant to be independent and focus on reconciliation between Kosovo's communities. It should reconcile "contradictory narratives" (Ardian Arifaj, political adviser to Thaçi). Critique centered on the fact that the dominant narrative would still be that of a heroic fight for liberation, while other narratives, such as those about sexual violence in the conflict, would be silenced. The reconciliation process would not have to be between communities in Kosovo, but between Kosovo and Serbia.

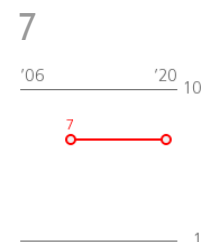


17 | International Cooperation

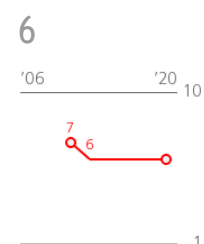
The great goal of independence was mainly achieved due to the assistance of the international community, in particular the United States and the European Union. The negotiation process, the creation of new institutions and infrastructure, and state-building in general was financially and logistically supported by international organizations, and civilian and military missions. The largest civilian crisis management mission initiated by the EU, the EULEX legal mission, though not successful in the end, was only the last in a long history of international assistance. Kosovo is the largest per capita recipient of EU financial aid in the world. The young state in 2011 received EU assistance of €116 per capita, more than twice the per capita assistance granted to other western Balkan countries in that year. Between 1999 and 2007, Kosovo received €3.5 billion in donor assistance (75% from the European Commission and EU Member States). The EU assistance to rule of law from 2007 to 2011 totaled €0.7 billion. The European Court of Auditors in 2012 explained the limited effectiveness of EU assistance by the “specific circumstances of Kosovo, including the low starting point at independence for building up the rule of law.” The international community had a long-term strategy of development, but sometimes was met with great local constraints. One of these constraints was the Kosovan political elite’s short-term goal of an independent state. Longer-term strategies beyond independence were developed, but they were inhibited by local forces of inertia and individual interests of local actors that had to be satisfied. Kosovo was rewarded with integration in international organizations despite not always meeting the necessary standards. International political interests outweighed the observance of standards. The new goal of EU integration, possibly together with its neighbor Serbia, could renew pressure to devise a longer-term strategy of development.

The EU and Kosovo completed their negotiations on the Stabilization and Association Agreement (SAA) in July 2014. In the agreement, the EU acknowledged Kosovo’s reform efforts and the progress made to improve relations with Serbia. The SAA took Kosovo an important step closer toward EU membership. The EU and the United States declared their confidence in the success of the Brussels Agreement, concluded in April 2013 between Kosovo and Serbia, aiming at the integration of Serb-dominated municipalities into the state’s institutional framework. Kosovo was also admitted to the Convention Abolishing the Requirement of Legislation for Foreign Public Documents. Improved credibility of the Kosovan government led the EU to downscale the EULEX mandate, which in hindsight proved premature. The vast gap of social standards, rather than a lack of credibility, persuaded the EU to retain its visa obligation for Kosovan citizens. International banks have been reluctant to lend money to Kosovan companies and households due to the unreliable enforcement of credit claims. Kosovan governments have been ready to support international agreements, though often lacking the means and staff in order to implement them. Kosovo was invited to join the Organization of Islamic Cooperation

Effective use of support



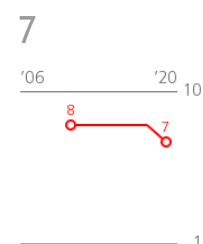
Credibility



(OIC) and has applied for membership in UN specialized agencies, the OSCE, the WTO, the Adriatic Charter and the Council of Europe. Kosovo wishes to be a full UN member state by 2020 and a NATO member state by 2022. By 2018, 102 UN member states and three non-members had recognized Kosovo, up from 99 UN member states in 2013. Kosovo's recognition had even been revoked by ten countries so far (Grenada, Dominica, Suriname, Liberia, Sao Tome and Principe, Guinea-Bissau, Burundi, Papua New Guinea, and Lesotho).

Kosovo's legislation respects the sovereignty of neighboring states and prevents Kosovans from fighting abroad. In March 2013, Kosovo became a full member of the Regional Cooperation Council, the main umbrella organization of regional cooperation in Southeastern Europe, with 46 members, which is considered the main forum of EU pre-accession and regional cooperation. Doubts increased as to whether Kosovo would fulfill obligations regionally after the Kosovo Assembly failed to ratify the demarcation agreement with Montenegro. Signed in 2015, the agreement was one precondition for visa-free travel in the EU for Kosovo citizens. The deal's opponents argued that thousands of hectares of Kosovan territory would be lost to Montenegro. Kosovan Minister for European Integration Dhurata Hoxha said the failure to ratify would show that Kosovo is not ready to respect international/regional obligations. This failure increased doubts namely among the five outstanding EU member states which still refuse to recognize Kosovo: Romania, Slovakia, Cyprus, Greece, Spain and the non-EU member Serbia. The Brussels Agreement between Serbia and Kosovo strengthened good-neighborly relations and cooperation. But especially after 2017 with the election of a more nationalist Kosovan government the agreement has come under heavy fire. The insecurity in this respect and the shaky deal with Montenegro undermined the debate about a possible territorial exchange between Kosovo and Serbia. It was proposed by Serbia's president Vučić, but soon buried, after it met sharp international critique. The preliminary end of the Montenegro demarcation deal also increased concerns among Kosovo's other neighboring states which have a strong Albanian minority (e.g., Medvedja/Bujanovac region in Southern Serbia). If the Brussels Agreement should be principally questioned, it could heat up old tensions one had hoped to have overcome by the agreement. It would strengthen nationalist opponents of the agreement in Serbia and Kosovo and stall the regional reconciliation process. The dialog between Belgrade and Prishtina, which started over technical problems, was considered a model for other strained relations in the region.

Regional cooperation



Strategic Outlook

In 2016, it seemed as if Kosovo would further consolidate its democratic evolution, moving closer to the EU and normalize relations with Serbia. The ghosts of the past – the interethnic tensions, the skepticism in the region, the fear of Albanian nationalism, reinvigorated by the declaration of independence – seemed to have vanished. Russia, China and others had warned that the new state would destabilize the region. Serbia, which had added a statement to its constitution that Kosovo was an integral part of Serbia, in 2013, based on the Brussels Agreement, agreed to the political integration of Serbian enclaves in Kosovo and the Association of Serb Municipalities in Kosovo was formed. Strong opposition from radical political forces in Kosovo followed and attracted public support. The governments were widely considered unable to solve long-standing economic, social and political problems. In 2015, at the height of the European refugee crisis, when thousands of Kosovars left their country, the extent of public discontent became apparent.

The achievements of Kosovo's policy since 2008 (the successful reconciliation process, integration into international organizations) vanished behind social discontent and old resentments. Kosovo's nationalist opposition succeeded in reducing hard facts and problems on the ground to the old antagonism between Kosovo and Serbia, including problems like the inefficient, biased judicial system, endemic corruption, an education system split along ethnic and gender lines that fails to provide the desperately needed skilled workforce, and an overblown public administration which inhibits foreign investment critically needed by landlocked Kosovo's economy. The new government formed in December 2017 can only push back the new nationalism that threatens the future of Kosovo in the region and on the international stage if it finally confronts the pressing domestic issues in a substantial manner.

The grand narrative of national liberation after 2008, which helped mask the dire reality, no longer works. Kosovo has to choose between an open, inclusive society that fits into the greater European concept or a revival of the past, which would entail new confrontation within Kosovo and with its neighbors. The Brussels Agreement and the possible settlement of affairs between Kosovo and Montenegro have shown that integration of people within Kosovo, as averse to Kosovo statehood as they might have been, and a good-neighborly relation with other countries in the Balkan region is a possibility.

Cooperation between Kosovo and Serbia leading to the Brussels Agreement also proved that the EU accession bid is a strong enough incentive to overcome a rift considered insurmountable. Only compromises can offer a solution in a region where the nationalist position is incompatible with the actual diversity. The reduction of ethnic strife and an anti-discriminatory judicial system would create a better and safer environment that would pacify Kosovo's society and attract foreign investment.

Job creation and improvement of the education system must be a priority for the new government if it seriously wishes to stop the brain drain of the younger generation to EU countries and the

United States. An open society with equal chances for everyone cannot be reconciled with a system where, for example, the privatization process remains largely non-transparent and academic and business positions are distributed along party lines. A Special War Crimes Court was established in 2015, which investigates crimes committed against Kosovan Serbs during the conflict. It is considered a strong sign of internal reconciliation.

The achievements of Kosovo's recent policy have shown that a return to Kosovan identity politics, which served the country well right before and after 2008, would be no way toward a prosperous future. Only regional cooperation, reconciliation and a substantial economic and liberal social policy can lead Kosovo on the seminal path the Kosovan political elite officially committed itself to after 2008.