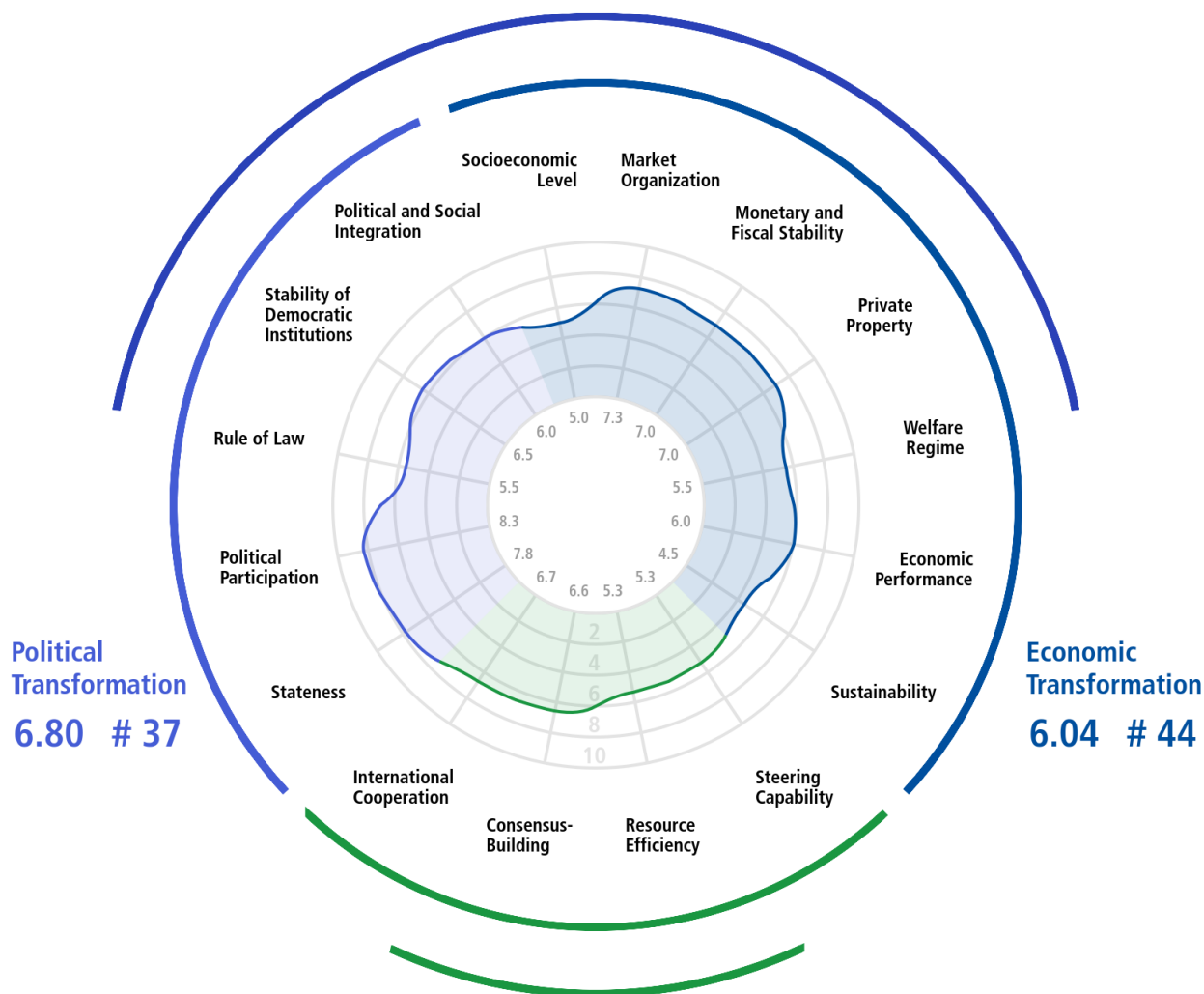


Kosovo

Status Index

6.42 # 35

on 1-10 scale out of 137



Political Transformation
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Economic Transformation
6.04 # 44

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5.22 # 43

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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 \$ | 14723 |
| Pop. growth ¹ | % p.a. | -1.4 | HDI rank of 189 | - | Gini Index | 29.0 |
| Life expectancy | years | 76.8 | UN Education Index | - | Poverty ³ | % 4.2 |
| Urban population | % | - | Gender inequality ² | - | Aid per capita \$ | 253.3 |

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The coalition government led by Albin Kurti (Self-Determination, VV), which was toppled in March 2020, was voted back into office in March 2021 after a period of rule by the interim government of Avdullah Hoti (LDK). Kurti has promised to combat corruption and organized crime, but as of the end of the review period, had achieved little in this area. The Kosovo-Serbia dialogue, which is a precondition to EU accession, has stalled due to Kurti's lack of engagement. This is particularly unfortunate because cooperation between Kosovo Serbs and the Kosovan government had improved since Belgrade accepted Pristina's authority over majority-Serb areas in exchange for increased autonomy for Kosovo Serbs in the EU-coordinated Brussels agreement.

The vehicle license plate issue created much turmoil between Serbia and Kosovo, to the point of open conflict. Tensions intensified in July 2022 after the 11-year validity period of documents for cars in Kosovo expired in September 2021. Serbs erected barricades in North Kosovo, and a major crisis followed, which was defused by an agreement ending the ban on Kosovo-issued license plates in Serbia.

Intrigues by the old political elite, lagging reform dynamics in the government, a suspended Pristina-Belgrade dialogue, and thus little progress regarding international recognition and EU accession have slowed down the transformation. For example, the Kurti government delayed its application to join Interpol. Israel became the 117th country to recognize Kosovo in 2021 but was one of only four countries to do so in the last six years. The current government has also failed to adequately address Kosovo's long-standing main problems. The war in Ukraine sped up work within the Kurti cabinet. An interinstitutional working group on integration into NATO was formed, and Kosovo announced it would apply for Council of Europe membership.

In spite of the pandemic's hardships, political conflict between the government and opposition, a high unemployment rate, corruption, and a high inflation rate, the economic recovery in 2021 was stronger than expected. In 2021, GDP increased by 10.5%, driven by consumption, tourism from the Kosovan diaspora and remittances. However, GDP only grew by 2.8% in 2022 due to higher import prices for energy and food. As a result, the inflation rate jumped to 14.2% in 2022, and the

current account deficit remained high. The stabilizing factor of diaspora remittances amounted to €1.1 billion in 2021, equivalent to 15% of GDP. The budget deficit was small at 1.5% of GDP in 2021 but increased to 3.2% of GDP in 2022. Issues that are still in urgent need of a solution include corruption, a dysfunctional administration, high levels of air pollution, a deficient education system, the absence of a visa liberalization agreement with the EU, the international community's waning recognition of Kosovo's stateness and deadlock in the EU-led dialogue with Serbia.

History and Characteristics of Transformation

Before the Yugoslavian wars, Kosovo was an autonomous province within the Republic of Serbia. According to the 1991 census, 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. Kosovo-Albanians were expelled from public service. Throughout the 1990s, Kosovo was ruled directly by Belgrade. The majority of Kosovans, led by the Democratic League of Kosovo (LDK), chose peaceful resistance, defying Serbia's authority over Kosovo. 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 and administered 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 Nov. 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 about whether a delay in the final status of Kosovo would lead to further deteriorations in 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 Pristina, in 2007 proposed an internationally supervised process for the establishment of 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 to be an independent state. It was recognized by the United States and most EU member states, but not by Russia or China, both permanent members of the U.N. Security Council. 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 European Union 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 issued an advisory opinion in July 2010 that Kosovo's unilateral declaration of independence did not violate international law. Since 2008, Kosovo's governments have 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.

Kosovo became a potential candidate for EU membership and signed a stabilization association agreement with the European Union in October 2015 (in force since April 2016). Kosovo Serbs' cooperation intensified as a result of the EU-coordinated Brussels agreement of 2013. That year, the European Union and Kosovo began negotiating the EU association process in recognition of Kosovo's reform efforts, and Belgrade accepted Pristina's authority over majority Serb areas (North Kosovo) in exchange for increased autonomy for Kosovo Serbs, a move that was expected to ease tensions. A successful reconciliation process is a precondition for Kosovo's and Serbia's EU membership.

Recently, the younger generation's dissatisfaction with the political elite from the Kosovo conflict has grown stronger. The Self-Determination (VV) movement, which had organized street protests and media campaigns against "selling out" Kosovan interests, benefited the most. In December 2017, a "war wing" coalition (veterans of the 1998 – 1999 Kosovo war with Serbia) with President Hashim Thaçi (PDK) and Prime Minister Ramush Haradinaj (AAK) was formed. The VV party of Albin Kurti won 26.6% of votes and even became the strongest party in the 2019 election. VV, together with LDK, has again led a government coalition since 2021.

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

The state's monopoly on the use of force is established and uncontested in most of the country, with the marked exception of the predominantly Serbian municipalities in the north of Kosovo. After the declaration of independence in 2008, the role of the United Nations Mission in Kosovo (UNMIK) and KFOR, as well as the International Civilian Office and an EU Rule of Law Mission in Kosovo (EULEX), gradually receded. Kosovo's constitution confirms the state's authority over security, justice and law enforcement. In order to improve the relationship between the Serbian minority and the Kosovan government, and to protect the country's territorial integrity, Belgrade and Pristina signed the Brussels Agreement in 2013. Serbia assented to Kosovo's territorial integrity, ceding control over North Kosovo to the Association of Serbian Municipalities (ASM), a supra-municipal structure of Kosovo Serbs. The move provoked violent protests by the Serbian minority. Kosovo-Albanian nationalists opposed any cooperation with Belgrade and any further privileges granted to the Serbian minority. The parallel police departments were integrated into the Kosovan system. For the Kosovo Serbian minority, the newly elected governments in 2017 and 2019 represented a change in the political climate for the worse. The license plate debate of 2022 led to violent protests in Northern Kosovo. The Belgrade-Pristina dialogue, intended to end similar heated issues, gained momentum again in 2023.

The majority of Kosovo's population, which is also of Albanian ethnic origin, fully accepts the nation-state as legitimate. It is considered the fulfillment of the century-old struggle for independence from Serbian rule. A disputed issue is whether a distinct Kosovan identity, separate from Albanian identity, serves as the foundation for the state's identity. Albania is seen as either a neighboring country or a state with a related nation with which the people wish to unite.

Citizenship in Kosovo is available without exception. Kosovo's constitution and electoral laws guarantee ethnic minorities a fixed number of seats in the assembly and ministerial positions, regardless of the number of votes they receive. Kosovo Serbs make up the largest ethnic minority, comprising approximately 5% of the total

Question
Score

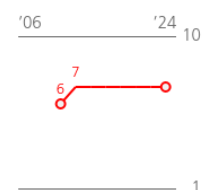
Monopoly on the
use of force

8



State identity

7



population, and hold a local majority in North Kosovo and in enclave municipalities. Kosovo Serbs have historically rejected Kosovan citizenship, as it would imply recognition of Kosovo's independence. Until the 2013 Brussels Agreement, which dissolved parallel structures, most Kosovo Serbs held a negative attitude toward the Republic of Kosovo. This sentiment was demonstrated by the North Kosovo referendum in 2012, in which voters overwhelmingly refused to recognize Kosovo's institutions. Ashkali/Egyptian, Bosnian, Roma and other ethnic minorities generally do not contest the state's legitimacy.

Kosovo's constitution defines the state as secular and guarantees the freedoms of belief, conscience and religion. Its legal order and political institutions are largely free from religious influence. The rising strength of hardline Muslim factions in Kosovo, supported by Türkiye, Saudi Arabia and Iran, as well as Kosovo Albanians active in international Islamist groups, is cause for concern. Sunni Islam is the dominant religion among Kosovo Albanians, accounting for around 88% to 94% of this population. Kosovo's political and social elite claims to be secular and tolerant. Serbian Orthodoxy is the second-largest religious denomination after Islam, while around 1.3% of Kosovo Albanians and Croats are Catholic. Kosovan Islam is considered moderate and syncretic. In 2010, "religious uniforms," particularly the hijab, were banned from public schools for underage pupils by ministerial decree, which caused protests among conservative Muslims, but were met with approval from a clear majority who feared an "Arabization" of the Kosovan population. Prime Minister Kurti criticized the hijab ban, but expressed support for allowing it once individuals reach 16 years of age. Similar developments have fueled the fear that the influence of hard-line Islamist clerics and states with a fundamentalist interpretation of Islam has increased in recent years. A small radical party, the Islamic Movement to Unite (LISBA), has accused the political elite of being Islamophobic, a verdict that Kosovan parties rejected. The former prime minister and AAK president, Ramush Haradinaj, along with other leading Kosovan politicians, has expressed respect for all religions but contempt for young Islamist radicals. Attempts by Wahhabi organizations from Saudi Arabia to infiltrate Kosovo's rather pluralistic Muslim population have faced resistance from local believers and clerics. Mystic Sufism, radical Salafism and charismatic preachers have been drawing increasing interest among young Kosovo Albanians, both in Kosovo and in the diaspora. The Serbian Orthodox Church's political stance ranges from conservative to hard-line, but it has practically no political influence beyond the Serbian community. The church supports the officially critical Serbian Orthodox view of Islam and the Kosovo issue.

No interference of religious dogmas

9



1

Basic administrative structures exist in Kosovo, with regional exceptions; however, services remain of poor quality, and general expectations are not high. The quality of the rule of law and the judicial system, and therefore citizen access to justice, remain low, especially in rural areas. This has an indirect impact on the business climate. Administrative procedures are lengthy and hamper citizens from defending themselves against administrative decisions. Frequently, judicial structures do not adequately exercise control over the administration and contribute to a separation of powers.

Environmental protection is a key issue in Kosovo's legal reform process, initiated in 2019, and is considered to be crucial to Kosovo's sustainable economic and social development. However, the collection of taxes and fees shows considerable shortcomings. While water, sanitation, health and education services are satisfactory in larger cities, they are still flawed in rural areas. Moreover, the COVID-19 pandemic caused prolonged disruption to infrastructure during the 2020/2021 period.

Public transport (buses) is best in the Pristina region. Kosovo's railway network, based on the former Yugoslav Railway lines, consists of two lines, and its service is rather unreliable. Projects to improve and extend the network, as well as connect it to the Albanian railway system, are currently being discussed.

2 | Political Participation

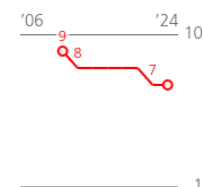
The last parliamentary elections in Kosovo, held in February 2021, were considered free and fair. Previous elections since the declaration of independence in 2008 were deemed successful, fair and free. This was due in part to the high number of election observers who helped prevent a repeat of the fraud observed in 2010. During that year, the Central Election Commission had to organize multiple revotes. The elections held so far have been generally deemed orderly by international observers such as the EU EOM.

At the ballot box, equality of opportunity is not questioned, but there is unequal funding for parties' campaigns, and they receive disproportionate exposure in the media. In 2021, Prime Minister Kurti's Vetëvendosje (Self-Determination) movement, which won the most votes received by any party in any Kosovan election since independence, and its coalition partner, led by Vjosa Osmani, won a landslide victory with over 50% of the total votes. This was the highest such share since the first elections held in 2001. The government alliance's closest rival, the Democratic Party, gained 33%.

In October 2019, Kurti's party came in first with 26.3% of the votes, followed by Osmani's Democratic League of Kosovo (LDK) with 24.5%, Kadri Veseli's Democratic Party of Kosovo (PDK) with 21.2%, and outgoing Prime Minister Haradinaj and his coalition (Alliance for the Future of Kosovo; AAK; and the Social Democratic Party of Kosovo or PSD) with 11.5%.

Basic administration

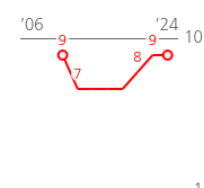
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Free and fair elections

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Serbs from North Kosovo (and the enclaves) used to boycott local and national elections but have participated in increasing numbers elsewhere. Some individuals from this group have also run for seats in the Kosovo Assembly.

Kosovan governments before and immediately after the declaration of independence in 2008 had to maneuver between the expectations of international observers and the local electorate. There was a consensus on a common goal: making the government effective. Pressure from external, extraparliamentary actors increased after the initial enthusiasm following independence diminished and political shortcomings became apparent. The democratically elected representatives' effective governing power was regionally undermined by political representatives of the Serbian minority and radical Albanian groups, who staged countrywide riots in 2004. The predominantly Serbian North Kosovo resisted Pristina's authority for an extended period. After the 2013 Brussels Agreement brokered by the European Union, Belgrade agreed to the subordination of North Kosovo under the new republic's government.

Radical Albanian political organizations continue to exert significant pressure on the political decision-making process. They accused the political elite of capitulating to demands from Belgrade and the international community. The nationalist Self-Determination movement (Vetëvendosje, VV) organized demonstrations when suspected Kosovo-Albanian war criminals were to be extradited to the International Criminal Tribunal for the former Yugoslavia (ICTY) and demanded a revision of the 2013 Brussels Agreement regarding the border demarcations with Montenegro. VV, which doubled its support in the 2017 elections, was voted into government in 2019, primarily due to its uncompromising political stance.

Kosovo's constitution, adopted in 2008, grants fundamental rights and freedoms, which include the freedom to assemble and to associate. According to Kosovo's Constitutional Court (CCK), it was allowable to restrict these freedoms in order to combat the coronavirus pandemic, as stated in 2020, amidst ongoing political debates about the necessity of a state of emergency. Generally, the government respected the freedom of peaceful assembly and association during the pandemic in 2020/21.

In December 2017, a new draft law on the freedom of association for NGOs was enacted, easing restrictions on their activities and providing more favorable provisions compared to the previous law. This development was widely hailed as an important step in empowering civil society and promoting democracy in Kosovo. In 2019, a contentious debate on the issue of freedom of association resulted in proposals to void NGO registrations based on vague provisions, as well as measures that would complicate the establishment and registration of NGOs and their public benefit status. However, these proposals were ultimately withdrawn.

While the government, EULEX and KFOR generally safeguard the freedom of assembly, public gatherings have been restricted on grounds of security and public order. NGOs, for the most part, operate freely. However, the constitution allows the courts to outlaw groups and organizations that "disrupt the constitutional order,

Effective power to govern

8

'06 '24 10



1

Association / assembly rights

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'06 '24 10



1

violate human rights and freedoms, or promote racial, national, ethnic or religious hatred,” although this provision has rarely been invoked. The constitution protects the right to establish and join trade unions, but workers often face intimidation, and unions in the private sector are almost nonexistent.

The freedoms of expression and the press are guaranteed by the constitution. They can be limited by law only in order “to prevent encouragement or provocation of violence and hostility based on race, nationality, ethnicity or religion.” A variety of media outlets operate in Kosovo, including the publicly operated Radio Television Kosovo (RTK). Kosovan governments officially strive to improve the legislative framework for media independence, but enforcement and financial independence remain weak. Threats on social media platforms toward independent journalists have been observed, as well as several cases of harassment, intimidation and even violence against journalists (e.g., the TV BESA reporter Gramos Zurnaxhio) and media outlets. Several journalists were attacked in 2021 while reporting from northern Kosovo.

Government, political and business interests have exerted undue influence on the editorial policies of RTK and other media outlets in Kosovo. For example, the 2023 appointment of RTK’s new director of television, Rilind Gërvalla, was criticized as not being fully independent of all political parties and vested interests. The connections between Gërvalla and the ruling Vetëvendosje party called the integrity of the process into question and risked further undermining public trust in the political autonomy of RTK. The state directly finances RTK, resulting in markedly pro-government coverage. Private media outlets lack stable and sufficient revenues from sales and advertisements and therefore tend to be politically cautious. Still, new media formats have raised awareness of contentious political and social issues such as LGBTQ+ rights and corruption.

In 2019, the ruling PDK publicly accused news outlets broadcasting criticism of its policies as propagating fake news, and one editor-in-chief was even put under pressure. Journalists were accused of defaming government officials. Kosovo officially decriminalized defamation and insult in 2012, but a draft law was proposed in 2017 amending criminal code articles 134/C and 134/D, which would jail people for up to three years who “publicly express contempt for the Republic of Kosovo or for its constitutional order, insult the colors, flag, seal or the anthem of the Republic of Kosovo.”

Media diversity has increased thanks to the expansion of cable operators. But independent TV stations critical of the government have complained about politically induced technical problems. Selective government advertising that is obviously intended to influence newspaper coverage has been a contentious issue. Amendments to the law on public procurement should have outlawed this practice.

Freedom of
expression

7

'06 _____ '24 10

7 6 7

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3 | Rule of Law

Kosovo is constitutionally defined as a democratic republic based on the principles of separation of powers and checks and balances, but these are weak and inefficient in practice. Legislative power is exercised by the Kosovo Assembly (120 deputies, including 20 minority representatives); executive power by the Kosovo government (prime minister and ministers); and judicial power by the courts, including the Supreme Court and the Constitutional Court.

However, the separation of powers has been infringed upon by governments that informally interfere in the work of the legislature and judiciary. The Kosovo Assembly has been repeatedly criticized for not exercising its constitutional mandate to oversee the government. Parliamentary committees in the Kosovo Assembly have been ignored by the executive branch, essentially diminishing their parliamentary oversight role. In its opinion on Kosovo's draft Law on the Government from December 2020, the Venice Commission emphasized that unlimited executive lawmaking power was not consistent with the rule of law.

In March 2020, President Osmani urged the Kosovo Assembly to declare a state of emergency without discussion. The Kosovan government introduced several short-term emergency measures in response to the COVID-19 pandemic. Disputes with the Kosovo Assembly over how to manage the pandemic played a decisive part in the government's dissolution in 2021. The Constitutional Court has proven to be an independent institution by ruling multiple times against the ruling parties' interests.

For a long time after 2008, Kosovars doubted the independence of the courts. The judiciary had been compromised by political authorities and a high level of corruption. EULEX and Kosovan institutions have since attempted to enhance accountability, freedom from political interference, and compliance with EU and international standards. Laws addressing the disciplinary liability of judges and prosecutors have been partially implemented, as have best practices for mediation, an electronic case management system and a central criminal record registry.

A review of the legal sector has provided Kosovo's governments with the necessary information to engage in reform and modernization of the judicial system. The country's slow and often understaffed court system was further hindered by the coronavirus pandemic. According to the criminal code, criminal trials must be restarted if not resumed within a certain period.

One aim of having better-trained staff is to achieve more progress in the fight against organized crime, particularly in the north of Kosovo, where challenges in this area persist. In July 2020, Kosovo signed a working arrangement with Europol. However, the local judiciary is not adequately prepared to handle complex and sensitive lawsuits. The appointment and promotion of judges based on professional criteria still remain a work in progress. The government determines court budgets, and even closed court cases have been discussed in the Assembly.

Separation of powers

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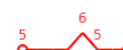


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Independent judiciary

5

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Other ongoing issues include discrimination against minorities by the judiciary, delays in the judicial process and a significant backlog of cases in the overburdened courts. Progress has been made in integrating the courts in North Kosovo into Kosovo's judicial system in accordance with the Brussels agreement, although ethnic balance in judicial and prosecutorial positions has not yet been achieved.

Office abuse, especially corruption, remains widespread despite political promises to fight it and a legal framework that was improved by the Kurti government in the 2021/2022 period. Reforms aim at combating corruption and organized crime. New mechanisms to fight corruption that will enable the confiscation of “unjustifiably acquired assets” have been established. The Kosovo Anti-Corruption Agency is still ineffective, and EULEX, which proved incapable of convicting corrupt/criminal members of Kosovo's political elite, ended its mission in 2018 after delivering 479 convictions for criminal cases, including corruption, organized crime, money laundering, war crimes and human trafficking.

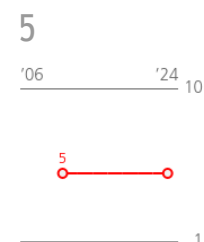
Generally, enforcement of the legal framework remains deficient, which explains the public impression that elected politicians and civil servants operate with impunity. In important cases regarding corruption or abuse of duties that involved leading politicians, those found guilty have often been sentenced only to probation.

Progress in the fight against corruption has been particularly limited concerning high-level cases and the confiscation of assets. Conflicts of interest are evident among the high number of senior officials who hold multiple publicly funded positions. The Kosovo Assembly made it a crime for public officials to possess undeclared assets and make false asset declarations. However, the number of convictions on this issue remains low, and sanctions are not a sufficient deterrent. The Assembly approved a law that establishes a new office tasked with confiscating unjustified assets. Nevertheless, only a very limited number of cases has been made public.

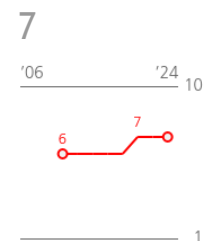
Anti-corruption agencies lack the necessary staff, while special departments have been established to handle high-level corruption and organized crime cases. The revision of the criminal procedure code is still pending, and the reform of legislation regarding political party financing has been delayed.

The constitution guarantees civil rights, and, together with the law against discrimination, it prohibits discrimination based on race, religion or sexual orientation. However, cases of domestic violence and discrimination are common and rarely prosecuted. According to a 2018 OSCE report, domestic violence against women is widespread. The police response to this crime is described as inadequate. There are few prosecutions on the issue, and judges rarely issue restraining orders against abusive partners. Even human and civil rights defenders who help women subjected to domestic violence and rape have faced death threats. The protection of persons with mental disabilities remains relatively weak. Civil society in Kosovo is still too weak to challenge the current state of affairs. From 2017 to 2021, the relatively unstable governments were an additional impediment to progress in the area of human rights.

Prosecution of office abuse



Civil rights



In order to investigate crimes committed during the Kosovo conflict, a special court was established. Kosovo has many internally displaced persons, with Serbs accounting for 76% of the total (68,000) and Roma making up about 15% (10,000). Additionally, there are more than 1,600 people who have been classified as missing since the Kosovo conflict.

In 2019, Kosovo counted more than 150 cases of hate crimes and hate speech, with a similar number in the following years. In 2022, President Vjosa Osmani declared that there hasn't been a rise in the number of interethnic crimes or incidents in Kosovo. However, LGBTQ+ persons and organizations have been subject to death threats. Human rights NGOs have observed that law enforcement officials often show limited knowledge and understanding of LGBTQ+ rights. In April 2019, a new criminal code was passed that strengthens the protection of LGBTQ+ persons by defining a "hate act."

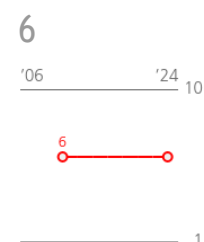
Due to COVID-19 lockdowns, the incidence of gender-based violence, including domestic violence, increased. In November 2021, the Human Rights Network (HRN) was established with the support of U.N. Human Rights and UNMIK and focuses on promoting the realization of human rights for all people in Kosovo. Additionally, the Kosovo police service has approved a manual on the issue of handling hate crimes.

4 | Stability of Democratic Institutions

Democratic institutions exist, but they often suffer from inefficiency due to friction among institutions and political polarization. Historically, the political system has been characterized by dysfunction and instability. The Kosovo Assembly has frequently faced criticism for its ineffective oversight of government policies. Corruption and patronage are widespread in the public administration. Relations between the government coalition and the opposition have been challenging and polarized. Important debates in parliament, for instance on passage of the budget or on resolutions relating to dialogue and neighborly relations with Serbia, have been disrupted by violent protests from nationalist opposition forces inside the Kosovo Assembly. The opposition has accused the pro-European governments of betraying Kosovo in favor of Serbia.

The Kurti government, elected in February 2021, has attempted to implement its reform-oriented platform effectively, while Serbia continues to exert political influence in northern Kosovo. A new round of the EU-facilitated Kosovo-Serbia Dialogue, in which Kurti is participating, is striving to make progress toward a normalization of relations between Kosovo and Serbia. The Kosovar opposition has criticized Prime Minister Kurti's involvement in the talks, arguing that he had not adequately engaged the Assembly.

Performance of democratic institutions



Several factors seriously undermine the consolidation of Kosovo's democracy, including clientelism, state capture and the lack of accountability among the political class, which diminishes their efficiency and responsiveness. Democratic institutions are perceived as opaque and unwilling to cooperate with each other. Voters criticize the fact that electoral promises have frequently gone unfulfilled, a circumstance that reduces citizens' willingness to engage in politics and participate in elections.

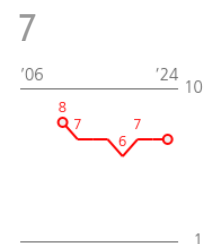
The relevant political actors, political parties, associations, and interest groups support the democratic institutions of independent Kosovo. Every head of state in Kosovo since 2008 has embraced Prime Minister Ramush Haradinaj's 2017 statement proclaiming Europe and European democratic values to be "Kosovo's destiny." Albin Kurti, the prime minister forced out following a vote of no confidence in March 2020 and elected again in 2021, has committed himself and his reform government to democratic values. The harsh preventive measures imposed by the Kurti government to contain the COVID-19 pandemic were ruled by the Constitutional Court to be a restriction on the freedoms and human rights guaranteed by the constitution.

Ethnic Albanian parties in the Kosovo Assembly regularly show their pride in a democratic Kosovo. The declaration of independence in 2008 was considered to be a reward for the creation of an open and democratic society after the Serbian repression. But the Kosovo Liberation Army (KLA) veterans' organization and the Self-Determination movement, before it became a party and entered government, have both openly disputed the legitimacy of democratic institutions, calling the reconciliation process with Serbia and the integration of Kosovo's Serbian North a sell-out of Kosovan interests. The ethnic Serbian parties, after long years of abstention after 2008, have finally started to participate, silently recognizing the democratic legitimacy of Kosovan democratic institutions. Political, civic and religious representatives of Kosovo's minorities have sometimes criticized the Albanian-dominated democratic institutions as biased.

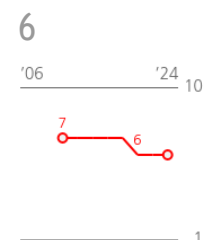
5 | Political and Social Integration

The party system in Kosovo has long been relatively stable and deeply rooted in society due to the dominance of the victors of the Kosovo War, who eventually achieved independence. However, as the political benefits derived from this dominance have diminished, the shortcomings of the traditional parties have become more evident, specifically their inability to address corruption effectively. The major traditional parties in Kosovo are the Democratic Party of Kosovo, the Alliance for the Future of Kosovo (AAK) and the Democratic League of Kosovo (LDK). The party system in Kosovo is characterized by hierarchical internal structures, a lack of party factions, the indirect election of central party bodies, a limited role for functional groups such as women and retired individuals, and the absence of affiliated organizations. The governing parties have relied heavily on clientelism, using public sector jobs and resources to secure support from their followers.

Commitment to democratic institutions



Party system



A former extra-parliamentary movement, Self-Determination (VV), has exerted increasing pressure on the traditional parties since it entered the Kosovo Assembly in 2011. In 2020, it formed a governing coalition with LDK and, in 2021, became the leading government party after Albin Kurti's reelection.

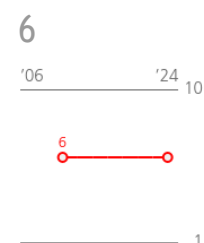
The 2019 parliamentary elections decisively altered party politics. A new generation of politicians, many of whom were women and/or were representing post-conflict sentiments, successfully challenged the long-standing dominance of the “war factions” in political affairs. For ethnic minority parties such as the LS (Serb List), the decision between boycotting the elections (leading to alienation) or participating and implicitly accepting the state of Kosovo posed a dilemma. Following the signing of the Brussels Agreement, Serbia advised the Kosovo Serbs to both vote and run as candidates.

Kosovo has a significant number of interest groups and NGOs that can freely associate and operate. These organizations primarily focus on education, health care, women's rights and human rights. Political and economic clientelism, which has its roots in the Kosovo conflict, hinders socioeconomic progress and prevents open discussions about current issues. Out of the 4,882 registered NGOs, approximately 500 are active. Although their social and political influence may seem limited, they have played a pivotal role as agents of change. There are various types of NGOs, including think tanks or research institutes, grassroots organizations like the Forum for Civic Initiatives, and activist organizations such as Kosovo Women for Women. The most prominent NGOs mainly deal with municipal policy, anti-corruption measures, and environmental protection.

As the importance of infrastructure reconstruction, humanitarian aid, the legal system, community development and good governance has grown, NGOs have gained more significance. Generally, NGOs have weak membership structures, and membership-based groups are just beginning to emerge. Despite neglect from officials and ethnic divisions, Kosovo Serbian and Albanian NGOs came together to produce a joint report in 2022, demanding stronger human rights protection. Interest groups with religious affiliations, especially those aligned with Islam, receive substantial financial aid from Türkiye and Saudi Arabia.

The effectiveness of trade unions is compromised by anti-union pressure from employers, weak court protection and a heavy reliance on the government's cooperation. Despite the existence of labor and trade union laws, the private sector remains largely unaffected by trade union activities. Furthermore, the prevalence of a large informal economy leaves many workers beyond the reach of trade union action.

Interest groups



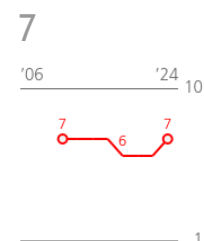
The approval of democratic norms and procedures is fairly high, but high expectations have often been disappointed, leading to dissatisfaction and even emigration. High approval rates have much to do with Kosovans' negative experience of Yugoslavian and Serbian rule. The liberation and evolution of a free and democratic society after 1999 were welcomed by most. Surveys show that between 2010 and 2022, approximately 70% of people in Kosovo had a positive opinion of democracy. About 30% considered Kosovo to be a democracy in need of improvements, while around 20% did not consider Kosovo to be a democracy. Approval has declined due to socioeconomic changes, the government's reconciliation process with Serbia and the 2015 street protests organized by the opposition.

Right before the 2019 parliamentary elections, which were won by the reform-oriented, anti-establishment opposition, the rate of approval of democratic institutions had been low. Political clientelism, corruption and the COVID-19 pandemic accentuated preexisting deficits regarding the rule of law and democratic governance. Kosovo imposed curfews, lockdowns, business and school closures, and bans on public meetings in 2020. But during the pandemic, Kosovo was praised for the active role that parliament and opposition parties played in a broad range of policy areas. Ethnic minorities consider Kosovo's democratic structures to be monopolized by the Albanian majority.

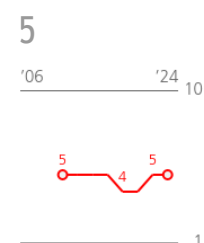
Levels of social trust were high in the 1990s under Serbia's repressive regime, decreased in the aftermath of the Kosovo conflict, and improved slowly after the declaration of independence in 2008. Close family and community structures helped Kosovo Albanians survive socialist Yugoslavia, and discrimination in the 1990s created a strong and multi-faceted social, cultural and political underground network. The family, as the nucleus of social solidarity and social capital, is supported by social organizations in villages and cities throughout Kosovo. The number of self-organized groups that do what the state cannot has increased since the end of the Kosovo war. More than 7,000 social associations and organizations are registered in Kosovo, with only a few of them active.

Recent research shows that Kosovo's citizens rank extremely low with respect to levels of trust toward other citizens, engagement in social organizations and tolerance of minority groups, but high with regard to trust in political institutions. There are valuable social initiatives in the profit and nonprofit sectors, while the tendency to establish associations for social support is quite limited. The internationally coordinated interethnic reconciliation process has somewhat rebuilt social capital within Kosovo's multiethnic society – a principle enshrined in the constitution.

Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality are still evident in Kosovo, but the situation has recently improved. The country has relatively low levels of income inequality compared to regional and international standards, with a Gini index score of 29% in 2017. Additionally, Kosovo's economic growth has outperformed neighboring countries in recent years. However, these advancements have not been enough to generate sufficient employment opportunities, particularly for women and young citizens, or to significantly reduce the high unemployment rate. Despite the influx of substantial foreign aid and investment since the start of the century, Kosovo remains one of the poorest nations in Europe. Over 17% of the population lives below the official poverty line, and approximately 4.2% are extremely poor, surviving on less than \$3.65 per day.

The majority of Kosovans reside in rural areas, which limits their access to the economic opportunities that are largely concentrated in the Pristina and Prizren regions. Even well-educated women continue to encounter difficulties in securing suitable jobs. Farming in Kosovo primarily operates at a subsistence level due to small land holdings, inadequate mechanization and a lack of technical expertise. Furthermore, Kosovo lacks substantial natural resources but possesses the youngest population in Europe, making it a challenge to develop the necessary structural, industrial and economic capacities to generate sufficient employment opportunities and reduce the risk of social unrest and exclusion.

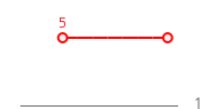
The labor market does not offer women an environment of equal opportunity. Parties such as AAK, PDK and NISMA have seemingly reserved prestigious positions for high-ranking members' relatives and loyalists within the governing coalition, leading to public discontent. Recent election campaigns and debates have focused on creating jobs, addressing social exclusion, attracting foreign investment, supporting local enterprises, utilizing the natural resources of the Trepca mine complex and revitalizing the agricultural industry. Prime Minister Albin Kurti has pledged to revise outdated economic policies, a commitment that has been partially realized despite the challenges posed by the COVID-19 pandemic.

Question
Score

Socioeconomic
barriers

5

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| Economic indicators | | 2019 | 2020 | 2021 | 2022 |
|---------------------------|----------|--------|--------|--------|----------------|
| GDP | \$ M | 7899.7 | 7717.1 | 9412.0 | 9429.2 |
| GDP growth | % | 4.8 | -5.3 | 10.7 | 3.5 |
| Inflation (CPI) | % | 2.7 | 0.2 | 3.4 | 11.6 |
| Unemployment | % | - | - | - | - |
| Foreign direct investment | % of GDP | 3.6 | 5.1 | 5.3 | 8.6 |
| Export growth | % | 7.6 | -29.1 | 76.8 | 17.2 |
| Import growth | % | 4.5 | -6.0 | 31.4 | 4.9 |
| Current account balance | \$ M | -447.2 | -541.1 | -818.4 | -1007.1 |
| Public debt | % of GDP | 17.7 | 22.5 | 21.6 | 19.9 |
| External debt | \$ M | 2428.2 | 3088.3 | 3351.8 | - |
| Total debt service | \$ M | 256.9 | 376.2 | 407.2 | - |
| Net lending/borrowing | % of GDP | - | - | - | - |
| Tax revenue | % of GDP | - | - | - | - |
| Government consumption | % of GDP | 12.5 | 13.9 | 12.9 | 11.6 |
| Public education spending | % of GDP | - | - | - | - |
| Public health spending | % of GDP | - | - | - | - |
| R&D expenditure | % of GDP | - | - | - | - |
| Military expenditure | % of GDP | 0.8 | 1.0 | 0.8 | 1.1 |

Sources (as of December 2023): 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

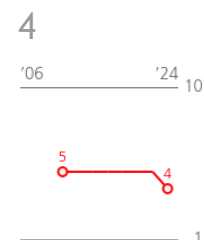
Market competition operates within a weak institutional framework in Kosovo, where rules lack consistency for all participants and the informal sector holds significant importance. Therefore, Kosovo has yet to achieve the status of a fully functioning market economy. Although economic growth continued in 2021/22, it remained overshadowed by major issues such as a high unemployment rate, inadequate education quality and a lack of economic diversification. The presence of a large informal economy, a sluggish and inefficient judiciary system, pervasive corruption and a weak rule of law hamper the growth of the private sector. Corruption effectively erects barriers that make various economic sectors all but impenetrable for private businesses. The economic outlook worsened in 2020 due to the disruption of remittances from the diaspora caused by COVID-19 pandemic measures.

Institutional and cultural barriers hamper the development of a free market and business growth more significantly than regulations or Kosovo's disputed status. Starting a business requires minimal procedures, costs and time (three procedures, 1.4% of per capita GDP and 4.5 days). The tax system is uncomplicated, with low tax rates. However, the weak enforcement of rules perpetuates anti-competitive business practices. The informal economy constitutes over 30% of Kosovo's GDP, equal to approximately €1.8 billion per year, a sum almost identical to the state's annual budget. As long as businesses continue to evade taxes, governmental oversight remains elusive and workers are exploited, the informal sector will persist. Informal activity is particularly common in the construction sector, the service industry (especially hotels and restaurants), and the trade and transport sectors.

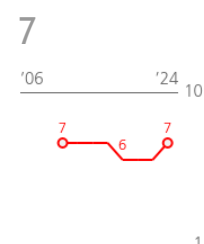
Competition laws exist in Kosovo, but they are inconsistently enforced. Monopolistic structures and corruption are most commonly found in public services such as energy, pharmaceuticals, telecommunications, postal services, railways, air traffic and construction. There are administrative barriers that hinder new businesses from entering these key sectors and a limited number of suppliers, both of which artificially drive up prices. Institutional and cultural barriers, rather than regulation or the disputed status of Kosovo, pose another obstacle to business growth and the development of a free market.

Anti-monopoly and competition laws aim to prevent excessive concentration, abuse of dominant market positions and the formation of cartels. However, these laws and regulations are often inconsistent and poorly enforced, mainly due to a lack of qualified staff. In 2004, a law on competition was passed to ensure the sustainable development of the market economy, followed by a law to protect competition in 2010. In 2013, the Kosovo Assembly adopted a law on state aid and established a commission to monitor and approve state aid.

Market organization



Competition policy



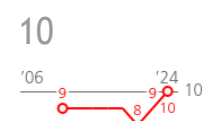
The Kosovo Competition Authority, a member of the International Competition Network (ICN), was established to enforce anti-monopoly and competition laws. However, it faces challenges in fulfilling its mandate due to political interference. In June 2022, a new law on the protection of competition came into effect, aiming to align legislation with the EU acquis. The drafting of this new law by Kosovan legislators was supported by the technical assistance of an EU-funded project called EU Support for the Kosovo Competition Authority and State Aid Commission.

Foreign trade is widely liberalized, but infrequent political problems, especially with neighboring Serbia, have a negative impact. As a landlocked country relying heavily on regional and international trade, Kosovo has made significant efforts to open its market. The punishing customs tariffs on imports from Serbia (and Bosnia and Herzegovina), which were set at 100% in 2018 following Serbia's opposition to Kosovo's Interpol membership, were lifted in April 2020. In June 2020, all reciprocity measures were also lifted. This allowed for the restoration of trade with Serbia and Bosnia and Herzegovina, as well as the resumption of the EU-facilitated Belgrade-Pristina dialogue.

Trade deficits remain high (€309.2 million in December 2020; €449.5 million in December 2022). State institutions are aware that reversing this imbalance will require a comprehensive economic and political approach, along with fundamental reforms to liberalize the operational environment and enhance Kosovo's competitiveness in the global market. Successive governments have embraced a liberal trade regime as part of regional trade liberalization. This was done through the initiation of the Stability Pact for Southeast Europe, which aimed to eliminate tariffs on 90% of trade volume and 90% of tariff lines, remove nontariff trade barriers to intraregional trade, and strengthen trade in services. At present, Kosovo does not have any general restrictions on imports. However, certain animal and plant products need to undergo phytosanitary or veterinary inspections at border control stations. For instance, the Kosovo Food and Veterinary Agency's Phytosanitary Division requires control certificates and certificates of origin for all imports. After becoming a full member of the Central European Free Trade Agreement (CEFTA) in 2006, Kosovo sought to establish trade rules based on EU and WTO principles, aiming to make its businesses competitive in the European Union and global markets.

Kosovo's banking system and capital market are differentiated and organized according to international standards, and supervisory practices have steadily improved. The banking system, which is considered fairly stable, consists of the Central Bank of Kosovo (CBK), commercial banks, saving and credit associations, financial institutions, and insurance companies. The CBK is an independent legal entity that reports directly to the Kosovo Assembly. Many of the banks focus on the mining sector in North Kosovo. While the banks have not displayed obvious signs of excessive risk-taking behavior, they have been criticized for stifling business. Measures such as improved banking supervision, risk assessment and emergency liquidity assistance have been implemented in order to strengthen corporate

Liberalization of foreign trade



Banking system



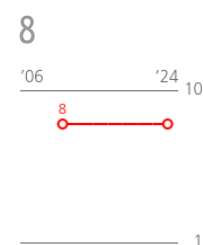
governance and credit risk management. The net profit of Kosovo's banking sector increased by 19% from 2021 to 2022. The outstanding loan portfolio of Kosovo's banks saw an annual increase of 16.1% between 2021 and 2022, while deposits increased by 13.3% and total assets by 13% (December 2022). Return on assets (ROA) rose to 2.5% from 2.3%, and return on equity also increased to 20.6% from 19.5%. In 2022, the CBK continued to align its legal framework with Basel III requirements regarding capital and risk management. Despite global economic challenges, the financial sector in Kosovo remained stable due to the high capitalization levels of the foreign-owned banking sector. Generally, the capitalization ratio of the banks remained stable and well above the minimum required level of capital adequacy of 12% (the capital adequacy ratio was 15.3% in December 2021), and the nonperforming loans ratio (NPL) stood at 1.9% in January 2023.

Historically, major harmonization was achieved 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, establishing a framework for cooperation and information exchange on the European Single Supervisory Mechanism. The memorandum should improve EU-Kosovo relations and help the CBK fulfill obligations associated with European integration by intensifying the exchange of knowledge, expertise and technical advice through training and seminars. The CBK has been criticized for not sufficiently protecting consumers and preventing unfair banking practices. Kosovo does currently not have a stock exchange. The establishment of one would significantly revive the economy, increasing its liquidity and encouraging more people to invest. If the €1.5 billion of accumulated investments from the Kosovo Pension Savings Trust (KPST) were injected into the national economy, this could potentially revive the economy, reduce unemployment, and stimulate economic growth and liquidity.

8 | Monetary and fiscal stability

Monetary stability is a recognized objective of Kosovo's economic policy, but this has not been consistently pursued over time. In 2002, the euro was unilaterally adopted as the only currency (Constitution Art. 11), while the Serbian dinar is (illegally) used in North Kosovo and in Serbian enclaves. Inflation has been volatile ever since. The average inflation rate ranged from 1.8% to 2.0% between 2003 and 2018 (with an all-time high of 14.2% in May 2008 and a record low of -4.4% in May 2009). In recent years, inflation has been moderately low, for instance, at 2.7% in 2019. However, the annual inflation rate increased to 12.1% in December 2022 (from 11.6% in November 2022) and fell in early 2023 to 10.5%. The main contributors to this growth were soaring costs for transport services, solid fuels, firewood, pallets and food. Generally, the occasional drastic shifts in the inflation rate were caused mainly by changes in food and international commodity prices, as well as political turmoil. These shifts were partly countered by investments in infrastructure.

Monetary stability

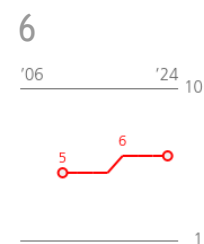


Due to dollarization, the country's central bank cannot conduct an independent monetary policy, nor is it a lender of last resort. Its role is limited to that of a regulator, with its main responsibility being to ensure a stable financial system. In order to strengthen the stability of the banking sector, an Emergency Liquidity Fund and a Deposit Insurance Fund were established in 2012. Additionally, a new law on banking, microfinance and the establishment of nonbank financial institutions was passed. The central bank's presidents have endeavored to safeguard the institution's independence against the influence of Kosovo's political elite. Following the term of Bedri Hamza, who was close to Thaçi's PDK, the central bank governor since 2018, Fehmi Mehmeti, was appointed by the Kosovo Assembly. Despite having a clear majority, Mehmeti's selection process was criticized for a lack of transparency. During the COVID-19 crisis in 2020, Mehmeti claimed that the CBK was actively maintaining financial stability and supporting the economy. In January 2023, the Kosovo real effective exchange rate (Real Effective Exchange Rate Index) stood at 118.2.

The Kosovan government's budgetary policies generally promote fiscal stability but, for a long time, lacked institutional safeguards. In 2022, the Kurti government spent only 21% of the budget planned for capital projects, significantly reducing public spending. The public budget deficit accounted for 20.7% of the country's GDP in December 2022, compared to 23.3% in 2021. The national debt increased from €1.3 billion (at the end of 2020, 19.6% of GDP) to €1.8 billion in 2022.

Total debt service as a percentage of exports of goods, services and primary income in Kosovo was 11.5% in 2021. Net borrowing stood at 2.05% of GDP in 2023. The general government's final consumption expenditure accounted for 12.9% of GDP. Additionally, total reserves were reported at \$1.2 billion in 2021. In terms of fiscal planning, the Kurti government's 2022 state budget outlined expenditures of €2.75 billion, while revenues were projected at €2.36 billion, resulting in a deficit of 3% of GDP. Amidst soaring food and energy prices, the government aimed to increase the projected budget deficit to 3.9% in order to support the most severely affected impoverished households. The impact of the coronavirus pandemic, combined with the Kurti government's failure to implement the majority of planned capital projects, led to minimal public spending in Kosovo. Instead, substantial financial resources were allocated to facilitate the partial recovery of businesses and the private sector. Concerns among politicians arose regarding the potential for the misuse of public funds due to the increased subsidies.

Fiscal stability



9 | Private Property

Property rights in Kosovo were previously poorly defined, and the country still lacks a fully efficient legal framework, but significant progress has been made with international assistance. Property relations are still affected by unresolved issues from the pre-conflict and immediate post-conflict periods. Court procedures for resolving property claims and disputes need improvement. Citizens in rural areas lack information on how to exercise their property rights. Traditional social attitudes hinder property rights claims by women and minorities. Only 17% of Kosovan women own real estate. The Law on Inheritance stipulates equal inheritance rights for all individuals. A national behavior change campaign, combined with improved legislation, resulted in a rise in the percentage of inheritance proceedings initiated by women from 0.3% in 2015 to 16% by 2021. Regarding internal and external refugees, the issues of return, restitution and reparation remain crucial.

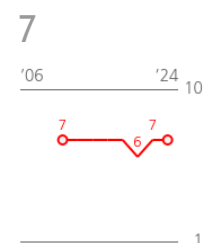
The Kosovo Property Agency (KPA) has implemented legal mechanisms to address individual property rights. Challenges arise from unreliable cadastral records, multiple ownership claims and allegations of properties being sold multiple times. The KPA needs to enhance its information policy and its cooperation with the Serbian state to ensure that internally displaced persons are aware of the restitution process. Serbian refugees have the opportunity to regain their properties, but they encounter significant administrative and local challenges. Municipalities have failed to comply with expropriation procedures and prevent the demolition of properties belonging to displaced persons or the construction of illegal structures on their land.

The Kosovo Ministry of Justice, the European Union and USAID together implemented the Property Rights Program (PRP), which concluded in 2019, to promote the property rights system in Kosovo, uphold the rule of law, foster economic growth and encourage investment. The electronic issuance of property rights certificates and property tax documents has improved citizens' access to municipal property services.

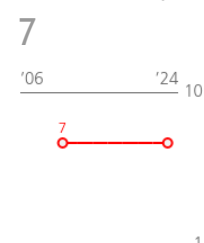
Private companies are the foundation of Kosovo's path toward self-sufficiency and are the primary catalyst for economic growth (representing 70% of GDP). Privatization of state-owned enterprises continues to be opaque and hindered by political influence. In numerous cases, the privatization of major state-owned companies has not yielded the desired outcomes due to a lack of structure and rushed implementation. An instance of this was the privatization of the Electricity Distribution Company (KEDS), which was riddled with irregularities and raised doubts regarding its benefits for the economy, energy sector and consumers.

In 2021, Kosovo's parliament voted to remove the board of the Privatization Agency of Kosovo (PAK) because Prime Minister Kurti believed PAK had harmed the nation and the economy due to abuses in the privatization process. Implementing new waves of privatization and liquidation was deemed likely to fuel corruption and organized crime.

Property rights



Private enterprise



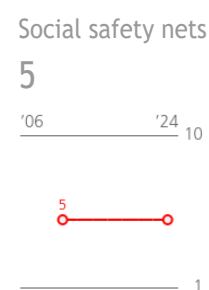
The development of the private sector is hindered by an informal economy, a sluggish and inefficient judiciary system, pervasive corruption, and an overall weak rule of law. All political parties and governments have officially emphasized their support for private enterprise. Despite persistent challenges, a majority of Kosovan companies have reported an improvement in the business environment in recent times. The private enterprise sectors experiencing the highest growth rates (both in employment and output) include construction, manufacturing, wholesale trade, and information and communications technology. The primary obstacles still encountered by businesses include a lack of capital, high interest rates, payment delays by consumers and an insufficiently skilled workforce.

10 | Welfare Regime

Kosovo's social safety net is rudimentary by European standards and covers only a few risks, leaving a significant portion of the population at risk of poverty. To address this, the Kurti government introduced several measures, including payments for employed and unemployed mothers after giving birth, allowances for children up to the age of 16, and the elimination of tuition fees for students at public universities. Additionally, a 10% subsidy on consumer loans of up to €10,000 was implemented. The Kurti government also increased the scope of state-funded pensions, ensuring that no pension is below €100 and seeking to prevent pensions that are close to the poverty line. Despite campaigning on a promise to prioritize social investment, the government has not yet addressed this issue in a transparent and coherent manner. The development of a social protection system has been supported by UNMIK and international organizations. The Kosovo Social Assistance Scheme includes last-resort income support (LRIS), which helps alleviate poverty, as well as benefits for war veterans and disability pensions. The social security system in Kosovo has two categories of assistance: one for poor households with no working members or where the only capable adult is a full-time caregiver, and the other for households with unemployed adults and at least one child under five or a minor orphan.

Kosovo's social protection expenditure has grown by 4% since 2005, but it remains below 9% of GDP, which is fairly low compared to European and regional levels. The social security system does not offer real unemployment benefits, maternity allowances or child benefits. However, it does provide social and disability pensions, particularly for individuals who were disabled in the Kosovo conflict and families who have lost members.

Officially, Kosovo spends a marginal 3% of GDP on health and social security and has struggled to establish a solid financial system for its public health system. The country's expenditure is primarily financed by government revenues, and this is unlikely to change significantly in the future. A small portion of this expenditure is covered by mandatory pension savings, private health insurance, user fees, other out-of-pocket payments for health care and international donations. Approximately 40% of health expenditure is sourced from private funds, particularly through remittances.



In response to the economic disruptions caused by the COVID-19 pandemic in 2020, the government increased social assistance, pensions and aid for individuals who were unemployed due to the crisis to €4 million. In certain regions, health care services are almost nonexistent, and even in larger cities, they are often rudimentary. Marginalized groups such as the Roma, Ashkali, Egyptians and others have limited access to the social safety system. In the past, Kosovo Serbs in the North and other areas received social support from Belgrade, although they have gradually been integrated into the Kosovo social security system, especially since 2013.

Equality of opportunity is established by anti-discrimination provisions in the constitution and laws, but there are practical shortcomings that persist in Kosovo's rather traditional society, particularly in relation to women and minorities. Furthermore, enforcement of these provisions often falls short. Although an anti-discrimination law exists and efforts are made to assist individuals with disabilities, these measures are not implemented consistently or effectively.

Notably, Kosovo introduced a forward-thinking gender equality law in 2004, which is considered to be the most advanced in the region. This law aims to provide equal opportunities for participation across various domains such as politics, economy, society and culture. However, its enforcement has been inadequate. Despite legal guarantees of women's rights, the presence of constitutional gender quotas has led to Kosovo having one of the Western Balkans' highest proportions of women in its legislative branch. In early 2020, under the Kurti government, the country achieved a milestone in women's representation with the highest number of women serving in parliament since gaining independence. This was further highlighted by the election of the first female speaker, Vjosa Osmani, to the Assembly. However, traditional values prevalent in Kosovo still hinder women's educational and career opportunities, leading to a female workforce participation rate of only 18%. The 2017 mayoral elections demonstrated a clear gender disparity, as 96% of the candidates were men. While Kosovo has achieved gender parity in basic education, female enrollment in higher education remains disproportionately low. According to the 2011 census, the overall illiteracy rate stood at approximately 8%, but the percentage was significantly higher among women, particularly those residing in rural areas, reaching 14%. The persistently high youth unemployment rate, which decreased from 55% to 38% in 2021 (though it was 49.1% in 2020), has been particularly detrimental to women.

Additionally, although the constitution provides equal rights to ethnic minorities, members of the Ashkali, Egyptian and other minority communities often voice complaints about prejudice and unequal treatment in their daily lives. The number of ethnic Serbs leaving Kosovo for Serbia has been gradually rising due to economic reasons, and they also claim to experience discrimination.

Equal opportunity

6

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11 | Economic Performance

Kosovo's economic performance has steadily improved, but it was recently burdened by high inflation and anti-COVID-19 measures. GDP per capita (PPP) has more than doubled since 2008 to \$13,056 in 2021. Kosovo's GDP, which grew by 5.2% in 2019, shrank by 5.2% in 2020 but rose again by 11% in 2021 and 3.5% in 2022. The inflation rate stood at 2.7% in 2019 (averaging 2.0% between 2003 and 2018) and rose to 14.2% in July 2022, declining slightly by the end of the year to 12.1% in December. The main contributors to growth were soaring prices for oils, fats, bread, cereals, household goods and services, meat, and sugar.

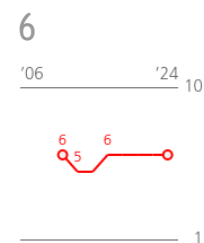
The COVID-19 containment measures slowed Kosovo's economic growth, but the country's economy fully recovered due to a rise in private consumption, exports, diaspora visits, strong credit growth and a considerable amount of remittances. With the economic recovery, the fiscal balance improved, but the recovery was hampered by high inflation, driven primarily by increases in import prices. Kosovo counts on remittances from the Kosovan diaspora, which amounted to 17.1% of GDP in 2022. Kosovo's gross public debt has been rising in recent years (from 17.7% of GDP in 2019 to 21.6% in 2021), and the current account deficit totaled 10.7% of GDP in 2022.

In 2021, the general unemployment rate was 20.4%, representing a substantial decrease from 2017, when it stood at 30.3%. Nevertheless, the unemployment rate remains the Western Balkan region's highest, leading to the proliferation of an informal economy and the emigration of well-educated individuals. The youth unemployment rate was 49.1% in 2020 and declined to 38% in 2021. However, the majority of the officially registered unemployed individuals are engaged in the extensive shadow economy. Kosovo's structural economic challenges are evident in the industrial zone of the capital city, which is predominantly occupied by trading firms and retailers that import food, clothing and other essential goods. There is minimal production for domestic consumption or export.

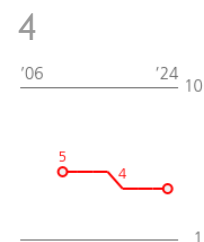
12 | Sustainability

The Kurti government is aware of environmental concerns, with air pollution levels reaching record levels in the winter of 2019/20. Additionally, the capital Pristina is among the top 10 most polluted cities in the world. Former governments built small hydropower plants without proper planning or calculation, exacerbating the water situation in the country. Moreover, water pollution and the destruction of the White River, Kosovo's largest river, have further contributed to water shortages. Other environmental problems include the use of uranium dating from the Kosovo conflict and mining-related pollution in the Mitrovica region. Given Kosovo's dire need for energy, the country has initiated the construction of a new power plant fueled with ecologically problematic lignite.

Output strength



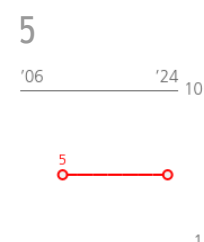
Environmental policy



Environmental problems are widespread in Kosovo but have received only superficial political and public consideration and have been subordinated to growth efforts. Only a minority of Kosovars consider environmental pollution to be the most pressing problem in Kosovo, while a sizeable percentage considers their local environment to be very polluted. In 2018, the European Union launched an environmental campaign. Kosovo's main problems in this respect are contaminated soil, polluted rivers, illegal construction and logging, water wastage due to a dilapidated pipe system, and air pollution. Another serious issue is deforestation, as over 40% of Kosovo's land mass is covered by forests. Although an environmental law creating an inspectorate of environment, waters, nature, spatial planning and construction was adopted in 2013, it was never properly implemented and supervised, like other environmental regulations. The Climate Change Strategy (2019 – 2028) has been introduced, but its implementation has been very inconsistent. Kosovo has still not signed the 2015 Paris Agreement on climate change. The strategy on climate change, which has been finalized but not adopted by the government, promotes the development of renewable energy sources and the sustainable use of natural resources (low emission development strategy). Additionally, it seeks to improve disaster risk reduction measures by introducing new mechanisms. Waste management practices are generally of poor quality, and spatial planning is rudimentary outside urban areas. This has resulted in illegal construction on arable land and dispersed towns.

The nationwide system of education and training has uneven quality standards and is hindered by political neglect. To improve standards and meet market demands, a dual vocational education pilot project is being implemented in the 2022/23 school year. Dual vocational education combines apprenticeships in a company with classes at a vocational school in a single program. Although the education system aims to integrate all sectors of society, it remains ethnically divided. Primary schools provide education in five languages: Albanian, Serbian, Bosnian, Turkish and Croatian. While every government since 2008 has recognized the importance of education, none has allocated more than 5% of GDP to education, research and development. The literacy rate is high, with 91.9% of the total population, 96.6% of males and 87.5% of females being literate. In 2020, only 29.1% of students had completed tertiary education. The quality of education varies across municipalities. Kosovo is home to three public universities and 14 public research institutes. Higher education is primarily offered in the capital and in Mitrovica, located in northern Kosovo. Throughout the country, numerous private and public universities have been established, many of which are of questionable quality. The value of diplomas has steadily declined due to the prevalence of corrupt practices associated with undergraduate and graduate degrees. Universities continue to grapple with corruption, political collusion, poor performance and ethnic divisions

Education policy /
R&D



The 2013 Brussels Agreement, which aimed to address the education issue through mutual recognition of diplomas, ultimately failed during the implementation phase. This has negatively impacted job opportunities for young graduates, Serbs residing in Kosovo and Albanians residing in Serbia. Additionally, the Kosovo Accreditation Agency (KAA) was excluded at the EU level, presenting further challenges for Kosovo's youth in pursuing professional and academic opportunities abroad.

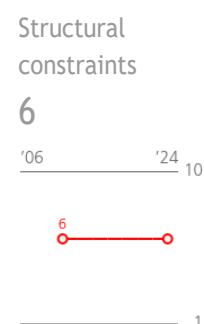
Despite the favorable demographic composition of Kosovo's population (38% of the population is under the age of 19), social and economic development is hindered by the poor state of the education system. The main obstacles to scientific progress include a lack of qualified personnel, low numbers of PhD students, inadequate laboratory equipment, and insufficient technical knowledge. These factors isolate Kosovo from the international research community. However, it is worth noting that today, diplomas from Kosovo are generally recognized and no longer disputed outside of the country.

Governance

I. Level of Difficulty

The structural constraints on governance are fairly high in Kosovo. It is a landlocked country that is highly dependent on regional and international trade, subsidies, remittances from the diaspora and energy imports; this in turn is due to a scarcity of natural resources, underdeveloped industry, aging equipment, insufficient investment and a labor force that exceeds labor demand. Unemployment rates remain high due to a deficient education system and a high percentage of low-skilled people in the labor force. Poverty is widespread in rural, underdeveloped areas; emigration has always been common, primarily among the better educated, which weakens the country's economic and social prospects. The informal sector is estimated to account for almost 30% of GDP. Infrastructure improved under the UNMIK administration and in cooperation with neighboring countries, especially Albania, but remains deficient. Electricity shortages, the weak rule of law, a lack of access to finance and inadequate professional education programs inhibit the development of the private sector. Other significant structural constraints include the volatile political situation due to the political influence of neighboring countries, especially Serbia, Montenegro and North Macedonia, with a considerable Albanian minority; the unfinished international recognition process; and the incomplete visa-free movement for Kosovars.

The conflict with Belgrade over recognition of Kosovo's independence, territory and administrative issues (e.g., license plates) has complicated the process of accession to the European Union and other international organizations. Adequate personnel in essential areas such as tax collection and enforcement are also badly needed. Tax evasion among national and international firms alike is a serious problem. The COVID-19 pandemic and its consequences have intensified preexisting constraints. Another problem is Kosovo's geopolitical position and the impact of external political actors such as Russia, Serbia, Türkiye and Saudi Arabia, whose outdated nationalist or religious politics have a negative impact on political and social progress within Kosovo.

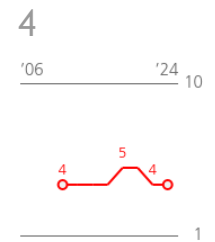


Civil society traditions have been weak for many years but have recently grown stronger due to public opposition to current political decisions and the structural deficits within Kosovan society. The underground state during the 1990s benefited from the Kosovans' tradition of civic engagement. Despite this, political party membership rates and electoral turnout rates remain low, with the primary form of social support still being the often-large family networks in Kosovo. However, Kosovo's extensive network of NGOs, including sports clubs and humanitarian organizations, has played a significant role in promoting civic engagement. Pristina is home to approximately one-third of the country's registered NGOs, followed by Prizren and Mitrovica.

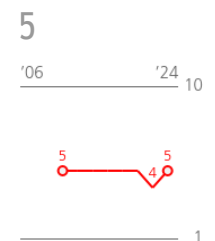
The rate of citizen engagement in civil society organizations remains generally low, but there has been a noticeable increase in citizens willing to volunteer compared to previous years. The growing discontent of Kosovans with government policies (which has also led to emigration) and opposition to political agreements with Belgrade have fueled anti-government protests and civic movements aimed at combating corruption within high-ranking government circles. Levels of social trust, which have been low since the end of the conflict, have visibly increased thanks to social initiatives in areas neglected by the government and the actions of humanitarian and religious organizations.

Conflict intensity in Kosovo has been fairly high but has decreased significantly since the declaration of independence in 2008. However, the state still experiences at least some level of ethnic polarization. The mostly Albanian Kosovo has derived and continues to derive much of its identity from its confrontations with Serbia and the Serbian minority in Kosovo. This minority was gradually incorporated into the Kosovo state with the Brussels agreement of 2013, which helped ease tensions. The Kosovo-Serbia dialogue also improved relations, but in 2021, a violent dispute over license plates for Kosovo-registered vehicles arose. Kosovo Serbs protested and blocked traffic at the Jarinje and Brnjak border crossings, prompting the Kosovan government to deploy a special police unit. An interim agreement between the two parties was subsequently reached in Brussels. Kosovan Islam is widely considered to be peaceful and resistant to radicalization, although there still appear to be active Islamist groups in Kosovo. Social tensions in the area stem from low wages, high living costs, high unemployment rates, poverty, a deficient social welfare system and discrimination against minorities. These factors have resulted in labor strikes, suicides, crime and emigration.

Civil society traditions



Conflict intensity



II. Governance Performance

14 | Steering Capability

The current government claims to set strategic priorities, including accession to the European Union, NATO and other international organizations, but is often driven by short-term interests. Public discontent with slow progress and lagging reforms led to the election victory of the Self-Determination (VV) movement in 2021, which had promised radical reforms targeting corruption and the rising unemployment rate.

Kosovo joined the World Bank and the IMF in 2009, the Council of Europe in 2014, and applied for NATO membership in 2012. It started the EU and Council of Europe accession process in 2022, which might have a positive effect on strategic policy planning.

The COVID-19 pandemic of 2020 limited the new government's capability to pursue its reform projects, but it still fared quite well in hindsight. Preceding governments had often failed to deliver on EU-related reforms. Key issues like state capture and democratic stagnation remained unresolved. But contrary to EU expectations, the Kurti government suspended the Kosovo-Serbia dialogue at the political level. Pressure from the European Union and the United States to reach a final agreement between the two countries kept mounting. Kurti also scrapped several decisions by the preceding Haradinaj government, such as a drastic increase in ministerial salaries, and announced reforms to improve the economy, reduce corruption and strengthen the rule of law.

Successive governments set strategic priorities, such as the reduction of the budget and trade deficits but tended to subordinate them to short-term political benefit. Public sector wages and KLA veterans' subsidies were increased at the expense of public investment projects. Important issues like infrastructure, education, the rule of law and corruption were officially prioritized according to international expectations but not properly pursued.

In 2023, Kurti announced that the reform of the public administration would focus on strategic planning, including the elaboration of the National Development Plan and the approval of the Strategy for Public Administration Reform for the period from 2022 to 2027. The government also promised to develop a strategy for e-government and cybersecurity and implement the Law on Salaries in the Public Sector, thus creating a unified salary system in the public sector and eliminating drastic salary inequality.

Question
Score

Prioritization

6

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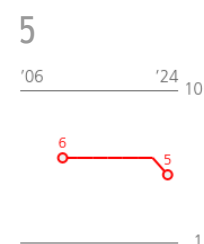
The government fails to implement some of its policies due to structural obstacles as well as a more general unwillingness. Important policy areas, such as the fight against corruption and organized crime, law enforcement, education reform, unemployment reduction, and the restructuring of the public administration and the judiciary, were officially recognized as the Kurti government's top strategic priorities. However, they have not yet been consistently addressed. None of these sectors were truly prioritized, yet Kosovo remains in great need of economic specialization, sustainable development and an efficient, open and transparent government in order to reduce inefficiency and increase accountability.

Kosovo's institutions are characterized by departments and offices with overlapping competences, as well as what is known as "welfare employment." The Kurti government has not found a way to halt the mass migration of youth and qualified professionals. The primary and secondary education systems are in need of reform, including performance evaluations of teachers and professors, training programs and a restructuring of study curricula. The Kosovo-Serbia dialogue has been neglected by the Kurti government, despite its utmost importance for Kosovo's future. A permanent vetting process for judges, prosecutors, police and customs officers, tax administration services and regulatory agencies is necessary but has not yet been sufficiently addressed by the government.

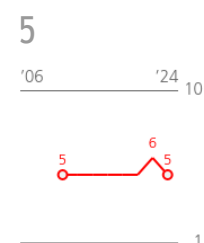
The current government, like all preceding ones, has been declaratively willing to learn but demonstrates little real willingness to do so. Politicians and stakeholders have lacked both the commitment and capacity to follow the rules they have committed themselves to. The inertia of the political elite and administration in Kosovo is one factor in this failure. Even the current Kurti reform government has not met the expectations of voters, and evidently does not want to meet those of the international community. For example, Prime Minister Kurti has defiantly rebuffed a Western proposal for improving relations with Serbia, rejecting a request to create an association of Kosovo municipalities with an ethnic Serbian majority – a task considered a high priority by the United States, Kosovo's biggest supporter. During the COVID-19 pandemic, the government did not act anticipatorily; rather, it only strengthened measures when the incidence of cases began rising.

Another example of failed policy learning was in the energy sector. Though the energy crisis persisted, the Kurti government did not follow proactive policies, such as devising an energy strategy aimed at diversifying energy sources to achieve energy stability. As poverty, unemployment, poor education and resultant social problems have always been pressing issues, the government did learn from the past and prioritize social investment. However, none of these examples of policy learning have been the outcome of institutionalized mechanisms.

Implementation



Policy learning



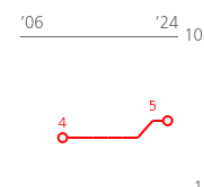
15 | Resource Efficiency

Kosovo's government could make much better use of its resources, as the country has a young workforce and strong international financial, economic and political support, but an often dysfunctional and overblown administration. The public sector is a major employer in Kosovo, with approximately 70,000 civil servants. No government, including the current Kurti government, has actually cut this number significantly. Recruitment is still heavily politicized, and the percentage of ethnic minorities and women in public posts is low. Independent intragovernmental auditing institutions such as the National Audit Office regularly perform audits, but the degree to which their findings and recommendations are implemented remains low. The Kosovo Assembly has all the typical means of democratic oversight but does not utilize them efficiently. The budget deficit, which successive governments have pledged to reduce, fell from a record low of 5.5% of GDP in December 2011 to 1.5% of GDP in 2021, but increased to 3.2% of GDP in 2022 due to higher energy prices and related subsidies. This increase underscores the government's target deficit of 6.5% in the 2020 budget. Reforms to public financial management practices enacted so far have been limited to individual sectors. The effects of new laws relating to civil servants and salaries have yet to be seen.

The current Kurti government has often failed to coordinate between conflicting objectives. Unclear responsibilities and disagreements have had a negative impact on policy coordination. The differing objectives of the current VV-LDK coalition government have made policy coordination indispensable, as both parties agree on many issues but have differing ideological and historical backgrounds. Different government parties tend to compete with each other – for example, Minister of Interior Affairs Xhelaj Svecla denied allegations about the existence of lists for the arrest of Serbs, while the VV deputy, Armend Muja, published a list of people who should be arrested in four municipalities in North Kosovo. In the license plate debate, Avdullah Hoti (LDK) criticized Kurti's stubborn attitude and asked the government to “coordinate” with partners rather than alienate them. Due to incompetence and conflicting objectives, especially in foreign policy, Kosovo has witnessed decisive setbacks: In 2022, for example, the country was not recognized by any further states, gained no membership in international organizations, secured no visa liberalizations, and most critically, witnessed a deteriorating relationship with its key allies.

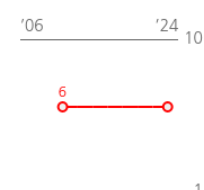
Efficient use of assets

5



Policy coordination

6



The government is only somewhat able to contain corruption, which has hindered Kosovo's progress since independence. The Self-Determination movement (VV) came to power with promises to combat corruption, which it said was depriving the younger generation of their future. In 2021/22, Kosovo indeed made considerable progress in the fight against corruption. Institutions and legal mechanisms to combat corruption are in place but should be better coordinated. Cases are not thoroughly investigated when political interests interfere. Kosovo has adopted laws on access to documents and asset declarations to curb conflicts of interest for those exercising public functions, but noncompliance is not effectively sanctioned. An auditing mechanism for state spending and regulations for party and campaign financing have been established.

The Kosovo Anti-Corruption Agency has improved its cooperation with criminal investigation authorities, but it lacks staff and analytical capacity. The results of the EU Rule of Law Mission's (EULEX) anti-corruption efforts were meager. High-ranking corruption cases were not even investigated, creating a widespread impression of impunity. Public procurement is supervised by three central bodies: the Public Procurement Agency, the Public Procurement Regulatory Commission, and the Procurement Review Body. Their responsibilities overlap, producing a complex and fragmented institutional arrangement prone to corruption. Kosovo's Anti-Organized Crime Council consists of non-governmental actors and organizations. This body attempts to coordinate the anti-corruption activities of independent civil society institutions. It also aims to contribute to the government's anti-corruption strategy, the implementation of anti-corruption laws and the proposal of new laws.

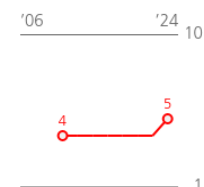
16 | Consensus-Building

After the repression Kosovo Albanians suffered at the hands of Serbia and the long denial of its democratic rights as a nation, the vast majority of Kosovars and their political elite consider democracy to be the ideal form of government. The main obstacles to consolidating trust in democratic actors are high levels of corruption and slow political and economic progress. But successive governments, whether Hoti's, Haradinaj's or the current one under Prime Minister Kurti, have faced a dilemma: Reconciling old-style Kosovan nationalism with a post-national, tolerant and truly democratic European future has become a precondition for social, political and economic prosperity. While a clear majority of Kosovars still support EU accession, partly as a recognition of Kosovo's success in transforming the country into a European liberal democracy, many Kosovars oppose a settlement with neighboring Serbia.

The market economy is accepted by all major political parties and influential social movements as an important goal of the transformation, although the specific conception of the market economy differs among political parties' programs and priorities. The status of this goal is often tarnished by common problems, such as low

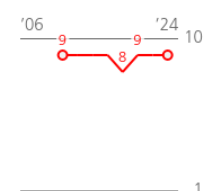
Anti-corruption policy

5



Consensus on goals

9



wages, high unemployment, the problematic consequences of the privatization process, and the widening gap between rich and poor. Kurti's VV party has opposed privatization and neoliberal economics on the grounds that they benefit only a minority of the population. Previous governments were criticized for not doing enough to rid the economy of corruption and clientelism.

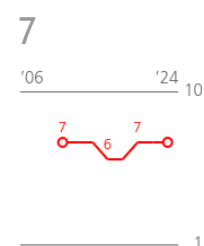
Kosovo's current reform government is unable to control all powerful anti-democratic actors but has been relatively successful in limiting their influence. The international community has supported the democratization of the country from the beginning, but government parties have generally not respected democratic and liberal standards. Ethnic and religious minorities have been deemed anti-democratic, with Kurti accusing neighboring Serbia of harboring an anti-democratic, nationalist attitude. There is suspicion that parallel Serbian structures in Kosovo have opposed the Republic of Kosovo. Liberal Kosovan intellectuals have criticized the anti-democratic actions of the political "war faction," which has transformed its networks into political organizations.

VV leader and Prime Minister Kurti faced accusations of displaying autocratic tendencies within his own party after he expelled members who opposed his political line. Democratic standards in Kosovo tend to be negatively influenced by autocratic and corrupt structures within political parties rather than by openly anti-democratic actors. The influence of Islamist groups and extreme-right anti-democratic Kosovo-Albanian parties is limited. The Ministry of Interior estimates that approximately 300 young Kosovars have joined the Islamic State militia since the conflict in Syria and Iraq began. Concerns have arisen that returnees from these wars may form radical groups in Kosovo.

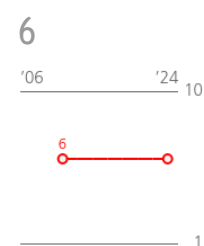
During the last decade, governments have been successful in preventing conflicts based on cleavages from escalating. Following the Kosovo conflict, interethnic tensions persisted due to prior discrimination against the Kosovo Albanian population and the exploitation of ethnic strife by the Milosevic regime. The presence of KFOR and the EU-led police mission prevented large-scale escalation, except for violent clashes in 2004 and 2011.

The political elite has rarely condemned discrimination and violence against ethnic minorities. Poverty and high unemployment rates contribute to the success of populist or nationalist policies, such as the sluggish reconciliation process with Serbia, the denial of autonomy to the Serbian minority within Kosovo, and an increased risk of renewed ethnic conflict. In January 2018, unknown perpetrators assassinated Oliver Ivanović, a progressive Kosovo-Serb politician who had previously served as the state secretary of Serbia's Ministry for Kosovo and Metohija. The prospects for reconciliation were further dimmed when Prime Minister Kurti halted the Kosovo-Serbia dialogue.

Anti-democratic actors



Cleavage / conflict management

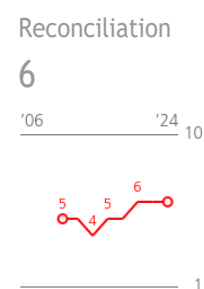
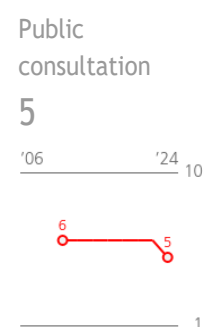


While an ethnically based division exists within society, it is only partially reflected in the political party system, since ethnic minorities, who hold guaranteed seats in the Assembly, have limited political influence in mostly Albanian Kosovo. While the majority of Kosovars are Muslims, they do not exhibit a strong tendency toward extremely conservative or Islamist attitudes. The long-standing issue of an exclusively Albanian Kosovo is expected to be addressed through the Pristina-Belgrade dialogue.

Despite high hopes from voters and progressive civil society, the Kurti government rarely consults civil society actors and appears to consider only those interests that align with its own outlook. Kurti has failed in important areas such as human rights, anti-discrimination, and ethnic and gender-based tolerance. Similar to previous governments, the Kurti administration acknowledges civil society in an official capacity but does not allow for broad participation in setting the agenda or forming and implementing policies.

Due to the government's clear majority in the last election, the impression has solidified that it can speak on behalf of the entire nation. Some significant legislative initiatives, such as a law establishing a Bureau for Verification and Confiscation of Unjustified Assets, were excluded from public consultation. While the effort to combat corruption was widely welcomed, civil society groups and the opposition criticized the law for lacking proper mechanisms to ensure the bureau's impartiality and political neutrality. The Democratic Institute of Kosovo (KDI), which is a branch of Transparency International in Kosovo, expressed concerns that the law would not guarantee the bureau's independence from political interference and would constrain its decision-making processes. This critique was also supported by the Venice Commission in 2022. In terms of foreign policy, the opposition and civil society accused Prime Minister Kurti of lacking transparency in the dialogue with Serbia.

Governments in power since the end of the Kosovo war of 1998/1999 have constantly emphasized the need to clear up the crimes perpetrated during the war and to compensate the families of victims. The deep trauma stemming from the high number of casualties, whose fate remained unknown for a long time, has made the reconciliation process extremely difficult. The Kurti government continued to support remembrance and compensation, but Kurti himself has been defiant in response to Western proposals for improving relations with Serbia, even at the risk of costing Kosovo critical support. In 2014, the Kosovo Assembly approved the creation of a special court presided over by international judges in order to adjudicate crimes committed by Kosovo-Albanians during and after the Kosovo conflict. In the same year, an EU task force investigating war crimes confirmed that senior KLA officials led a campaign of ethnic cleansing against Serbs and Roma after 1999. In 2017, President Thaçi initiated the establishment of an independent Truth and Reconciliation Commission, intended to provide the basis for dialogue between Kosovo's two main ethnic communities. The main obstacle has been the dominant



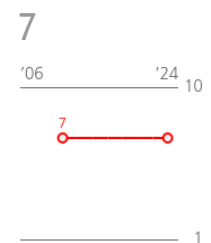
Kosovan narrative of a heroic and innocent fight for liberation. The 2013 Brussels Agreement between Kosovo and Serbia has been suspended since 2019. The agreement had been considered a major step toward reconciliation, recognition and cooperation. While President Thaçi actively defended the agreement in order to establish an association of Serb-majority municipalities, Kosovo's Constitutional Court found that the agreement would violate the constitution. The prosecution of war crimes is still constrained by the intimidation of witnesses, who are insufficiently protected.

17 | International Cooperation

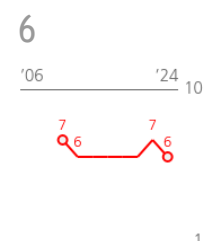
From the point of post-conflict reconstruction to independence and the post-2008 development of the new state, Kosovo extensively utilized international assistance. However, it failed to consistently pursue a long-term strategy for integrating this financial support. The efficiency of successive governments in utilizing international assistance has been and remains unpredictable. Improved coordination of international funds and assistance is definitely needed. The effectiveness of EU assistance has been hindered by local constraints such as high-level corruption and a lack of focus on long-term strategies due to the interests of local actors. Financial, political and logistical support from the international community has been crucial for Kosovo's development. In fact, Kosovo was the world's largest per capita recipient of EU financial aid, receiving €116 per capita in 2011. Between 1999 and 2007, Kosovo received €3.5 billion from the EU. Furthermore, an agreement worth €62 million, as part of IPA III (Instrument for Pre-Accession Assistance), covers the period from 2021 to 2027, bringing the EU's direct financial assistance within IPA to a total of more than €1.3 billion. This reconfirms the European Union and its member states as the primary providers of financial assistance to Kosovo. Funding for the government's emergency COVID-19 package has come from various sources, including budget savings, internal and external financing, and budgetary assistance. Overall, Kosovo's government has efficiently utilized these financial resources.

For the most part, Kosovo has acted as a credible and reliable partner in terms of international cooperation. The Kurti government has emphasized its commitment to a stronger partnership with the United States. However, it has hindered the EU accession process by insisting on a reciprocity policy with Serbia. This entails the demand that all regulations regarding Kosovo and Serbia should apply equally to both sides, including in areas such as minority rights and international relations. Opposition parties and the media have also accused the Kurti government of jeopardizing good relations with the United States due to the prime minister's frequent rebuff of direct requests from high-level U.S. representatives. One example was Secretary of State Blinken's request to postpone the decision on car license plates in North Kosovo.

Effective use of support



Credibility



Kosovo's international cooperation has faced challenges due to regional constraints, a lack of staff and a lack of awareness, particularly regarding environmental issues. For instance, Kosovo has not yet become a signatory to the U.N. Framework Convention on Climate Change and does not contribute under the 2015 Paris Agreement. Implementation of the country's climate change strategy is still in its early stages, primarily because Kosovo relies heavily on coal.

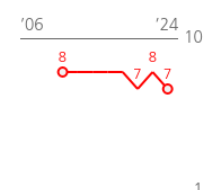
Kosovo has adopted the EU Employment and Social Welfare Strategy. As part of the European Reform Agenda commitments, there is an action plan to address youth unemployment. However, the budget for active labor market measures remains insufficient. The International Labor Organization is a member of the U.N. Kosovo Team (UNKT), which contributed to the development of the UNKT Common Development Plan (CDP). While Kosovo cannot become a party to international human rights conventions and mechanisms, eight U.N. and regional human rights instruments apply in Kosovo, taking precedence over the country's legislation. In 2018, the Kosovo Assembly adopted the 2030 agenda on economic, social and cultural rights in Kosovo.

In recognition of its reform efforts, the European Union approved the stabilization and association agreement (SAA) for Kosovo in 2014, a significant step toward EU membership. However, Kosovo frequently loses EU financial support due to its failure to fully implement certain aspects of the SAA. Kosovo has been invited to join the Organization of Islamic Cooperation (OIC) and has applied for membership in specialized U.N. agencies, the OSCE, the WTO, the Adriatic Charter and the Council of Europe. Furthermore, Kosovo aspires to achieve full U.N. and NATO membership in the near future.

The government cooperates with many neighboring states and complies with the rules set by regional and international organizations. The Kurti administration promised to intensify international cooperation but has failed to build trust, win new recognition and entry into international organizations, or improve regional relations, especially with Serbia. The Brussels Agreement of 2013, which was expected to improve the relationship, was suspended in 2019. The imposition of excessive customs tariffs on Bosnian and Serbian goods in 2019 increased the cost of living in Kosovo and created the unfortunate impression among citizens both in Serbia and in Kosovo that the EU-led dialogue was fruitless. The dispute over number plates of Serbian vehicles licensed in Kosovo deepened distrust between Belgrade and Pristina but was settled in 2022. The "European proposal," which envisages a similar model for the normalization of relations between Belgrade and Pristina as provided in the Basic Treaty signed by East and West Germany in 1972, would require Serbia to accept Kosovo's independence de facto but not de jure. Under the proposal's terms, Serbia would abandon its obstruction of Kosovo's membership in international organizations and recognize features of Kosovo's statehood, such as documents, vehicle registration plates and sovereign action in the international arena. Prime

Regional
cooperation

7



1

Minister Kurti initially rejected the proposal's implementation road map, arguing that it could endanger Kosovo's sovereignty, promote Greater Serbia politics and destabilize the country. But in early 2023, Serbia and Kosovo tacitly agreed on an EU-backed normalization deal, as it benefited both sides. Under the deal, Kosovo would even allow the establishment of a union of Serbian municipalities in the north.

The Kosovan government's affirmative decision on free movement with Bosnia and Herzegovina has been submitted to the Assembly for ratification. Kosovo participates in various regional cooperation initiatives, such as the Regional Cooperation Council, which promotes regional cooperation and Euro-Atlantic integration in southeastern Europe. Additionally, Kosovo engages in cross-border cooperation as part of the EU's regional development policy, which aims to enhance territorial cohesion. In the context of Kosovo, CBC seeks to foster social and economic connections among residents living in border regions that encompass Kosovo, Albania and North Macedonia.

Strategic Outlook

In the 2021/22 fiscal year, Kosovo had to confront the economic and social aftermath of the COVID-19 pandemic, a political dispute regarding the future direction of Kosovan politics, and conflict with Kosovo-Serbs and Serbia in North Kosovo over the issue of vehicle license plates. The VV-LDK government, elected on a reform platform in 2019, and subsequently the Kurti government in 2021, pledged to combat political corruption and promote Kosovo's interests on the international stage.

The coronavirus pandemic was initially well-managed, and Kosovo ultimately fared well. However, due to pressure from businesses, the economy became the top priority. The administration of the vaccination process was effective, but insufficient efforts were made to raise public awareness about its importance.

Regarding Kosovo's dire energy problem, the Kurti government made plans to revise the Energy Strategy and draft a National Energy and Climate Plan, intended to provide sustainable energy and improve air quality. Apart from the formation of a working group for drafting the Energy Strategy (2022 – 2031), no further steps had been made public as of the end of the review period. The government lacks proactive policies, a specific point of contact for the energy sector, and a coherent energy strategy able to diversify energy sources and achieve energy stability.

In its attempt to ease poverty after the pandemic, the Kurti government introduced an economic recovery package worth €420 million. The decision to prioritize social investment was welcomed, but critics argue that it should be accompanied by measures such as the establishment of institutions for early childhood education and care. Otherwise, maternity benefits for unemployed women could unintentionally undermine employment rates among women. Observers have also called for more support for women's employment, along with structural reforms in higher education and research, areas in which the government has shown little interest thus far. Although the inflation rate, a principal contributor to expanding poverty, was low when Kurti took office, the issue was not initially prioritized, and the economic recovery package offered no more than short-term solutions, including increased payments to pensioners and beneficiaries of social security programs. It was only months after the global energy crisis had begun that a subsidy for energy bills was introduced. To combat inflation, there was also discussion about raising the minimum wage.

Media freedom, judiciary quality and human rights are also issues that have been partly addressed successfully. Editors have complained about government efforts to influence the media, but civil society praised the Assembly's dismissal of RTK's previous board, which was seen as too politically connected, along with the transparent election of a new board. Kosovo's justice system needs to be reformed in order to restore citizens' confidence, particularly through a vetting process for judges and prosecutors, confiscation of unjustifiable property, and the establishment of a Commercial Court.

Human rights issues such as femicide, gender-based violence and domestic violence have not received enough attention, even though Kurti's governing program specifically included the prevention of domestic and gender-based violence. The issue of LGBTQ+ rights has not been mentioned at all by the government.