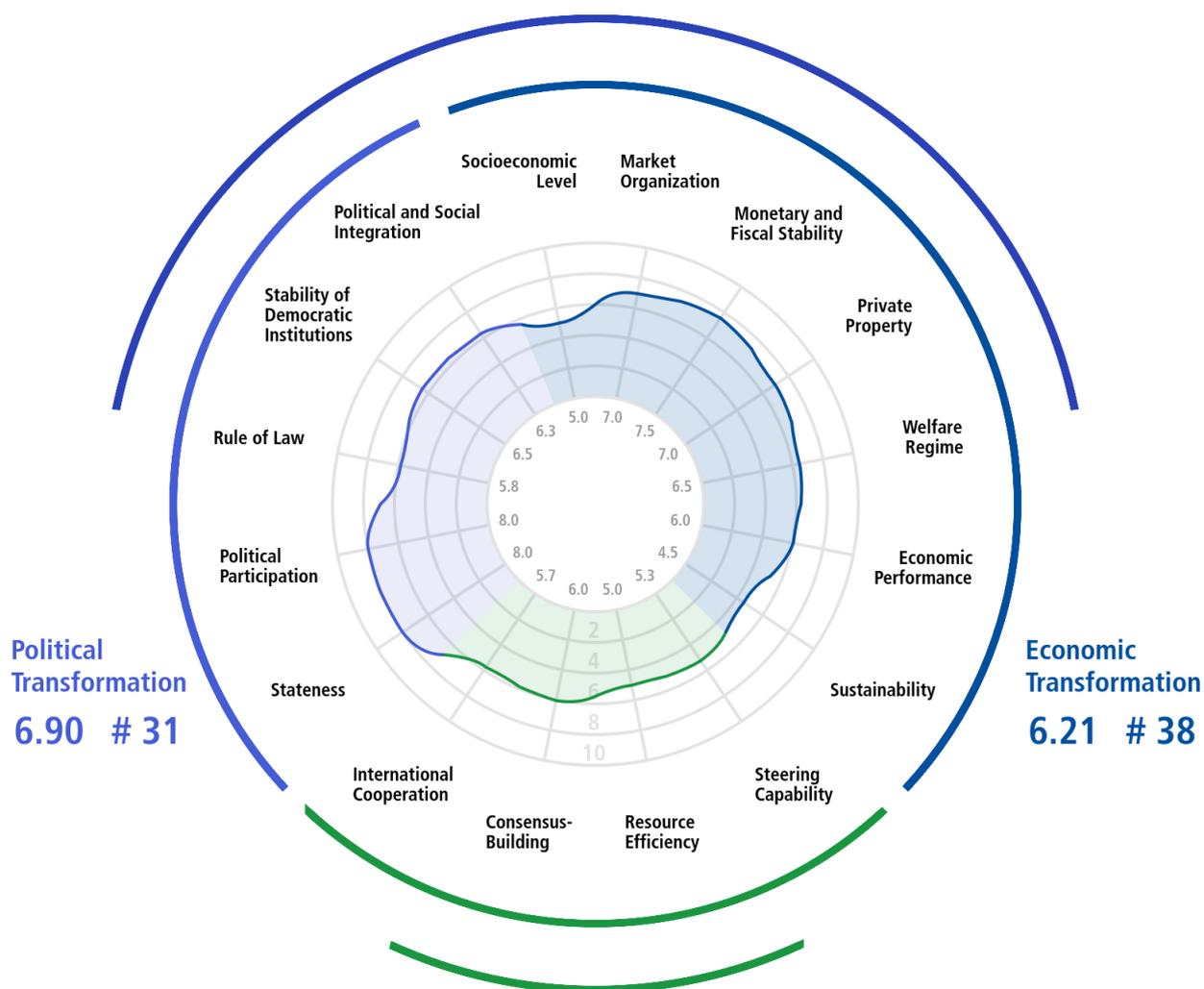


Kosovo

Status Index

6.56 # 31

on 1-10 scale out of 137



Political Transformation
6.90 # 31

Economic Transformation
6.21 # 38

Governance Index

4.81 # 58

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. 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	1.5	HDI	-	GDP p.c., PPP \$	18620
Pop. growth ¹	% p.a.	-9.7	HDI rank of 193	-	Gini Index	38.3
Life expectancy	years	78.0	UN Education Index	-	Poverty ³	% 4.2
Urban population	%	-	Gender inequality ²	-	Aid per capita \$	239.1

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. 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

Albin Kurti's Self-Determination (Lëvizja Vetevendosje, LVV) party has led the government since 2021, when it was voted into power after years of massive discontent with the entire cast of political leadership that had run the country since Kosovo's declaration of independence in 2008. Kurti was elected prime minister on a reform agenda promising to fight corruption, create jobs, grow the economy and improve the social care system. His government has made progress in several of these areas. Laws have been passed, a state anti-corruption agency has been created and legally dubious privatization of state enterprises has been halted. The unemployment rate decreased from 20.4% in 2021 to 10.9% in 2023. Labor market formalization continued to advance in 2023, as reflected in a 4.5% increase in formal employment. After a slowdown in 2023 due to the cost-of-living crisis caused by supply chain disruptions from the war in Ukraine, economic growth increased by 4% in 2024. Additionally, consumer inflation decelerated, averaging 2.1% in 2024.

However, there has been little progress in reforming the public administration. Civil service recruitment is still not merit-based, and a new law passed to increase transparency and efficiency has yet to have an effect. The government has not lived up to its rhetorical commitment to fighting corruption. The country's anti-corruption efforts have been hampered by the clientelist influence of business interests in decision-making, links between politics and private interests, and an inefficient and unprofessional judiciary. A person close to the LVV was elected to head the anti-corruption agency, discouraging whistleblowers from reporting corruption cases. Moreover, the government has attacked the indictment of high government officials for corruption as politically motivated. Vetting of judges and prosecutors has not yet begun. The youth unemployment rate remains very high, reaching 41% in 2024, and emigration continues to be a problematic issue for the country, hindering its socioeconomic progress. The social care system remains weak, while women, marginalized groups and ethnic groups are largely deprived of economic and educational opportunities due to rooted patriarchal and traditional values, class and ethnic cleavages. Remote and rural areas have poor access to public services, and economic growth is concentrated in Prishtina and Prizren.

Kosovo was finally granted visa liberalization by the European Union in 2024, but its international standing has faced severe challenges. Since Israel's recognition of the country in 2021, Kosovo has secured only one new recognition, extended by Kenya in 2025 as a result of former President Bexhet Pacolli's personal lobbying. Heightened tensions with Kosovo Serbs in northern Kosovo and with Serbia over the license plate issue; Serbian-backed parallel structures in northern Kosovo; and disputes over Kosovo's statehood have worsened interethnic relations and stalled Kosovo's bid to join international organizations and its progress on the path to EU and NATO membership. Amid tensions in northern Kosovo, Serbs left state institutions and boycotted snap municipal elections in 2023. The 2023 Brussels agreement regarding the path to normalization of relations with Serbia was hailed as historic, but quarrels over the sequencing of its implementation set Kosovo on a collision course with Kosovo Serbs in northern Kosovo as well as its traditional allies, the United States and the European Union. In September 2023, a paramilitary group attacked and killed a Kosovar police officer in Banjska, northern Kosovo. The international community condemned the attack as an act of terrorism, but demanded that Kosovo enhance its cooperation and implement the 2023 Brussels agreement in good faith. Kosovo's refusal to act and its assertive approach toward the north soured its relations with the United States and the European Union. This cost Kosovo membership in the Council of Europe in 2024, and its application for EU candidacy has not yet been processed. As of the time of writing, Kosovo's stateness remains contested both internally and externally. The inconclusive EU-facilitated dialogue with Serbia has been diverting large amounts of energy from socioeconomic development goals.

History and Characteristics of Transformation

Kosovo was an autonomous province within the Republic of Serbia and part of the Yugoslav federation. In 1989, the leader of Yugoslavia, Slobodan Milosevic, abolished Kosovo's autonomy and established a repressive police and military regime. Kosovo Albanians, who made up about 80% of the population according to the 1991 census, were expelled from public service and prosecuted by the Serbian police. In response, they pursued a peaceful resistance strategy, built parallel state institutions to provide basic public services such as education and health care, and advocated for their rights within the international community. Yet increasing repression by Belgrade and insufficient attention by the international community rendered peaceful resistance futile. In 1996, a war-faction movement, the Kosovo Liberation Army (KLA), emerged on the scene and started responding to Serbia's special police with violence. The situation deteriorated into open armed conflict in 1998. Milosevic's forces' increasing atrocities against the civilian population attracted international attention, leading to NATO military intervention to stop the violence in the spring of 1999. U.N. Security Council Resolution 1244 put Kosovo under international administration until a final resolution of the province's future status was reached. The U.N. Interim Administration Mission in Kosovo (UNMIK) was vested with formidable executive powers to govern Kosovo, while NATO's presence in Kosovo (Kosovo Force/KFOR) was responsible for safeguarding security.

The violent riots of March 2004 convinced the international community to speed up the status talks. The U.N. secretary-general appointed Martti Ahtisaari as special envoy to find a peaceful resolution between Kosovo and Serbia. In 2007, after two years of unsuccessful negotiations between Belgrade and Pristina, Ahtisaari proposed supervised independence for Kosovo as the only viable solution to the dispute. The Kosovo Albanian political elite readily accepted the plan, while Serbia opposed it and continued to consider Kosovo an integral part of its territory. Drawing on the Ahtisaari Proposal in an action coordinated with the major Western powers, Kosovo declared its independence from Serbia on February 17, 2008. The United States and most EU member states recognized it immediately, but Serbia rejected Kosovo's independence, as did Russia and China, both of which are permanent members of the U.N. Security Council. An international civilian office (ICO) was established to supervise the state-building process and the implementation of the Ahtisaari Proposal. To support the rule of law in Kosovo, the European Union deployed a legal, police and judicial mission (EULEX) in 2008. In April 2008, Kosovo's parliament adopted a new constitution that envisioned substantial minority-rights provisions for Kosovo Serbs and other communities. After four years of reforms, the ICO determined that Kosovo had made tangible progress toward democratic, effective and inclusive governance. It concluded its mission and ended supervision of Kosovo.

However, Serbia's policy of non-recognition and Kosovo Serbs' refusal to cooperate with newly established state institutions kept Kosovo's statehood contested both externally and internally. In 2011, the European Union launched a normalization dialogue between the parties to find a final and comprehensive resolution. In 2013 and 2015, the parties reached two agreements on the normalization of relations, which gave Kosovo the green light to become a potential candidate for EU membership and allowed it to sign a stabilization association agreement with the European Union in October 2015. Meanwhile, Kosovo Serbs started integrating into state institutions. There were high hopes that these agreements would settle the dispute with Serbia for good and unlock Kosovo's economic potential. However, in 2017, Serbia launched an orchestrated campaign to convince states to withdraw recognition of Kosovo and lobbied against Kosovo's entry into international organizations. Kosovo's retaliatory measures against Serbia's derecognition campaign and its refusal to give extended self-government rights to Kosovo Serbs in the north heightened tensions in turn. In addition, Kosovo has suffered from high unemployment rates, rampant public sector corruption, mass emigration and stalled international recognition. This increased dissatisfaction with the old political elite that had effectively run the country since the declaration of independence in 2008.

In 2019, the anti-establishment party Vetevendosje (LVV) won elections and formed a short-lived government with the Democratic League of Kosovo (LDK). In 2021, Vetevendosje won snap elections in a landslide on a progressive agenda. It enacted some social care reforms, made efforts to fight corruption, and provided subsidies to small and agricultural businesses. Nevertheless, increasing tensions with Kosovo Serbs in the north and with Serbia, as well as the COVID-19 crisis, the cost-of-living crisis and conflicting agendas within the governing party have posed great challenges to governance.

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

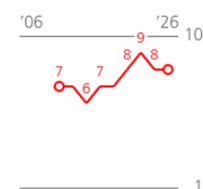
Kosovo's central institutions exercise state authority over most of the territory and population. However, Serbs living in Serb-majority municipalities in the north frequently challenge central government decisions and policies. In 2022, the Kosovo government decided to require Serb drivers with Serbian license plates in Kosovo to exchange them for Kosovo plates. This prompted protests by Kosovo Serbs and was followed by the en masse resignation of ethnic Serbian parliamentarians, mayors, judicial officials and police officers from Kosovo's institutions. In 2023, Kosovo held new mayoral elections for four Serb-majority municipalities in the north. Although Serbs did not take part in the elections, the government proceeded with its plans, and ethnic Albanian representatives were elected with a turnout of about 3% to 5%. Tensions heightened further as Prishtina's central authorities took a more assertive approach to the so-called Kosovo Serb-run parallel structures in northern Kosovo.

The central bank's 2024 decision to ban the Serbian dinar and make the euro the only official currency throughout Kosovo, even though Kosovo Serbs in the north have been receiving financial aid from Serbia in dinars, was opposed by the Kosovo Serb community. In addition, disagreements between Kosovo and Serbia over the normalization of relations and the creation of an Association of Serb-majority municipalities in Kosovo, as agreed in the Brussels agreements of 2013 and 2023, further deteriorated relations between Serbs living in the north and the Kosovo government. Against this backdrop, in September 2023, a paramilitary group entered Kosovo and ambushed the Kosovo special police in the village of Banjska, killing one Kosovar sergeant. The Kosovar special forces reacted, killing three paramilitary fighters in the gun battle and pushing back the attackers. Another attack on a water-supply facility in the Serb-majority municipality of Zubin Potok in November 2024 further strained the already bitter relations between the government of Kosovo and Kosovo Serbs in the north. These events have prevented central institutions from controlling the north of the country and fully implementing central decisions.

Question
Score

Monopoly on the
use of force

8



Under its constitution, Kosovo is a multiethnic state that guarantees citizenship rights to all, regardless of ethnic, religious or other backgrounds. The majority of Kosovo's population, which is of Albanian ethnic background, fully accepts the nation-state as legitimate. Ethnic Albanians see Kosovo's statehood as a legitimate structure that remedies the historical injustice of Serbian rule. Other communities – Gorani, Bosnians, Turks, Roma and Ashkenazi – make up around 3% of the population, recognize the state of Kosovo as legitimate and participate in state institutions and political life. Kosovo Serbs, who make up approximately 5% of the total population, reject Kosovo's independence and rely mostly on the financial and political support of their kin-state, Serbia. In recent years, tensions around vehicle plates, municipal elections, the dinar and worsening Kosovo-Serbia relations have further undermined Serbs' adherence to Kosovo's state institutions.

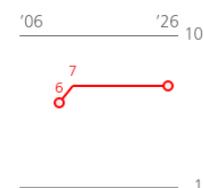
Kosovo Serbs in Serbian enclaves around Kosovo have integrated into state institutions more effectively than those in North Kosovo. The minority-rights legal framework is ambitious but not fully implemented. Kosovo Serbs often refrain from exercising their rights so as not to legitimize Kosovo's independence. The Kurti government's refusal to establish an Association of Serb-Majority Municipalities is seen as hostile to their identity. Additionally, the government's assertive approach in North Kosovo has raised concerns about Kosovo Serbs' rights and security, including property rights.

In 2023, the European Union lifted visa requirements for Kosovo Serbs holding passports issued by the Serbian Coordination Directorate, allowing visa-free travel within the European Union. However, the decision has been criticized for discouraging Kosovo Serbs from obtaining Kosovo's official passport, which some observers say could hinder their full integration and the emergence of a shared adherence to the state of Kosovo.

The constitution of Kosovo guarantees the freedom of belief and religion to all citizens and defines Kosovo as a secular state in which religion and state affairs are clearly separated. As such, Kosovo's legal framework is free from religious influence. Most Albanians are Sunni Muslims. Around 1.5% are Catholic, and Kosovo Serbs tend to be Orthodox. Other communities have embraced Islam or Christianity, but their small numbers have little impact on state affairs. Nearly eight years after the Constitutional Court of Kosovo ruled that 24 hectares of contested land in western Kosovo belong to the Serbian Orthodox Visoki Decani Monastery, ownership has officially been registered. This is a positive development toward respecting religious rights. However, external interference in religious affairs by actors such as Russia, Serbia, Türkiye and Saudi Arabia may negatively affect interreligious dialogue and political and social order in Kosovo.

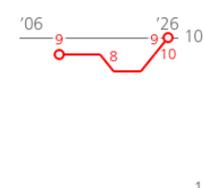
State identity

7



No interference of religious dogmas

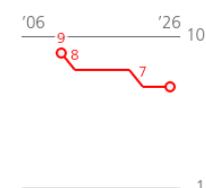
10



Basic official state-led administrative structures are in place in Kosovo, except in the northern Serb-majority areas, where there is overlap between central and local state institutions and parallel structures run by Kosovo Serbs. In January 2025, Kosovo authorities took major action that led to the closure of Serbian parallel structures in the north, but this has raised concerns among Kosovo Serbs and the international community about service provision in these areas, as Kosovo's official structures are not trusted. Public services across Kosovo remain poor, and general expectations are not high. Although there have been efforts to reform the public administration and fight corruption, the rule of law and the judicial system remain inefficient. Administrative procedures are lengthy and hamper citizens' ability to defend themselves against administrative decisions. Frequently, judicial structures do not adequately exercise control over the administration or contribute to accountability and the separation of powers. Kosovo struggles to provide basic services such as water supply, electricity and waste management. The UNICEF report for 2020 indicated that 92.1% of the population had access to basic water services, 54.6% to safely managed water sources and 100% to electricity. The European Bank for Reconstruction and Development (EBRD) states that the quality of sanitation services in Kosovo is poor due to a lack of investment in infrastructure and a lack of proper waste management.

Basic
administration

7

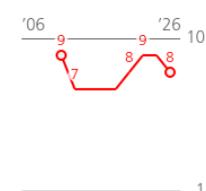


2 | Political Participation

Kosovo has generally held free and fair elections since its declaration of independence. Universal suffrage is guaranteed by the constitution and law and is exercised without major impediments. Several political parties generally compete in elections on a level playing field. Elections are organized by the Central Election Commission, which is an independent, impartial, professional and functional body. The registration of voters, parties and candidates is regulated by law and is transparent. The polling procedures, including vote counting, result verification and complaint resolution, are conducted in a transparent, impartial and correct manner.

Free and fair
elections

8



However, interethnic tensions in Serb-majority municipalities in northern Kosovo prevented fair and representative mayoral by-elections in the Serb-dominated municipalities of North Mitrovica, Leposavic, Zubin Potok and Zvecan. Kosovo's Serb political parties, namely the Serb List and Kosovo's Serb party, boycotted these elections and instructed their voters to do so. Thus, most Serbs living in these municipalities did not participate. The Kosovo government decided to go ahead with the elections despite this and the international community's warning not to do so. The election outcome was unrepresentative, as ethnic Albanian candidates representing Albanian parties were elected with a turnout of around 3% – 4%. The government of Kosovo instructed the elected Albanian mayors in Serb-dominated municipalities to be sworn into office. This caused more trouble in the north and led to clashes between ethnic Serbs who protested the decision, Kosovo police and the NATO-KFOR peacekeeping force, which tried to disperse the demonstrations.

Democratically elected representatives in Kosovo are not subject to veto powers in decision-making. Although the constitution grants minority communities veto rights in the Assembly on minority-related issues, political elites' commitment to minority rights has prevented their use. Most political actors adhere to democratic principles. The military, clergy and external actors no longer influence civil matters and governance. Business interests have informally influenced political decisions in the past, but this influence has declined recently. The Kurti government has actively fought against business interests' penetration into government. Despite allegations of corruption involving high-ranking officials, the links between politics and business have been significantly weakened.

The constitution of Kosovo, adopted in 2008, and the subsequent Law on the Freedom of Association in Non-governmental Organizations state that every person in Kosovo is to be accorded the freedom of association and the ability to establish NGOs. The right to assemble is guaranteed and generally exercised free of restriction, except when public order and national security are considered at risk. While the government, the European Union Rule of Law Mission in Kosovo (EULEX) and the NATO-led KFOR peacekeeping force generally safeguard the freedom of assembly, public gatherings have rarely been restricted on grounds of security and public order. The constitution allows the courts to outlaw groups and organizations that “disrupt the constitutional order, violate human rights and freedoms, or promote racial, national, ethnic or religious hatred,” although this provision has rarely been invoked.

Growing tensions in Serb-dominated areas due to low trust between communities and the government in Prishtina resulted in violence against KFOR and the Kosovo Police in 2023, after municipal by-elections in the north proceeded without Serb participation. Following the April 2023 local elections, ethnic Serbs in Kosovo's north protested ethnic Albanian mayors taking office. The demonstrations turned violent when protesters clashed with police and KFOR peacekeeping troops, injuring more than 30 KFOR soldiers. More than 50 Serbs were also reportedly injured. However, this did not prompt the government to restrict the right of assembly. NGOs operate normally and freely in line with an up-to-date legal framework. Trade unions and other associations are permitted by law, but their activity is largely formal.

Media freedom and the freedom of expression are safeguarded by Kosovo's constitution, and the country enjoys a pluralist media landscape. The media environment is generally well-regulated, allowing diverse views to be expressed freely. The public broadcaster (RTK) operates relatively free from political interference in its editorial role. In recent years there has been a proliferation of private broadcasters and online media platforms. However, the government has put pressure on the public broadcaster to convey a state narrative in its reporting. A member of Vetevendosje was elected as director of public television, while RTK has aired reports that could be considered disinformation, for instance regarding the alleged “assassination attempt” on Prime Minister Kurti during his visit to North

Effective power to govern

9

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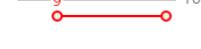


1

Association / assembly rights

9

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1

Freedom of expression

6

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1

Macedonia, an interpretation that security authorities rejected. Ruling party officials frequently attack media organizations, labeling them “joint criminal enterprises” or agents of Serbia.

In 2023, the government suspended Klan Kosova TV’s license for breaches of registration regulations. This was followed by a smear campaign conducted by government supporters. Media associations reported that the government selectively invoked the law to target Klan Kosova TV because it was owned by businesspeople close to the opposition. Though the license was reinstated soon after this incident, the attack on a broadcaster is concerning for media freedom in the country. There have been cases in which journalists have been harassed online and offline for their views. An increasing number of journalists have been subjected to strategic lawsuits against public participation (SLAPPs) initiated by business groups and politicians. Reporters Without Borders says media freedom in Kosovo in 2024 “is threatened by politicized regulation, lawsuits, insufficient access to information and an increase in physical attacks.” Ethnic division is evident in the media landscape, as few outlets provide content in Serbian, while Serbian-language media, which are under pressure from Serbian political forces and the Serbian government, have complained of online harassment. The Independent Journalists’ Association of Serbia (IJAS) published a statement in 2023 condemning videos and publications circulating online that were directed against several media outlets. Serbian outlets in Kosovo were described in anonymous posts and videos as “enemies of the Serbian people and Serbia who are under the influence of NATO and the West.”

3 | Rule of Law

According to the constitution, Kosovo is a democratic republic based on the principles of separation of powers and checks and balances. The 120-seat directly elected Assembly exercises legislative power. The government, which is elected by the Assembly, is the executive branch. It is responsible for implementing laws and state policies and is subject to parliamentary control. The judicial system is independent and operates through courts in three instances. The Assembly is fully operational, but it struggles to genuinely exercise its oversight role over the government. The lawmaking process is driven by the government, which proposes most of the laws and can get most of them through parliament without substantial scrutiny. Parliamentary committees do not fully exercise their oversight role, are subject to government interference and lack the institutional capacity to be fully independent and professional. The political debate takes place in a polarized environment and away from citizens’ concerns. There is a functioning, professional and independent Constitutional Court, which has been able to make professional decisions free from political interference. In 2020, it dismissed the election of the Avdulla Hoti government as unconstitutional and ordered a snap election, which brought Albin Kurti’s Vetevendosje party back to power.

Separation of powers

6

'06 '26 10

6 5 6

1

Government ministers have repeatedly criticized the Constitutional Court for striking down laws it deemed unconstitutional. These rulings, which challenge legislative and executive decisions, have heightened tensions between the government and the judiciary. Ministers accuse the court of obstructing governance and hindering reforms, while legal experts emphasize the court's role in upholding constitutional principles and ensuring the rule of law.

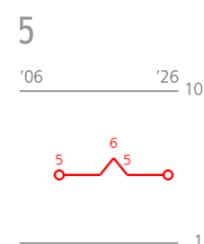
Formally, Kosovo has a modern justice system based on rule-of-law principles that guarantee and protect citizens' rights and freedoms. The Constitutional Court has shown on many occasions that it is able to make decisions independently of political pressure. However, the relationship between the government and the judiciary has generally been tense. In 2023, the minister of justice attacked the Constitutional Court for its ruling against the Law on Prosecution Council. In 2024, Prime Minister Kurti was called by the Special Prosecution to be questioned about a corruption-related affair allegedly involving government officials, but Kurti refused to appear before the prosecutor, defying judicial authority.

The Kurti government's initiative to vet the entire justice system has largely failed. The government sought to implement a process similar to Albania's, evaluating judges and prosecutors with regard to their professionalism, integrity and links to organized crime. The Venice Commission on Vetting narrowed the proposal from covering all positions in the judiciary to only the highest ones, rejecting the initial government plan to vet everyone. The European Commission's 2021 Progress Report on Kosovo concurred with the Venice Commission, stating that "reevaluation of all judges and prosecutors is a serious concern" because it could render the system dysfunctional due to expected vacancies. Because the vetting procedure has been prolonged and there is no deadline for its implementation, it is certainly not within the current government's mandate.

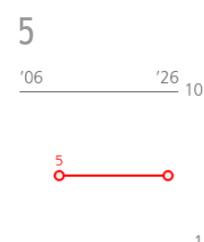
Levels of public trust in the judiciary remain low. A 2022 survey by the Democratic Institute for Development assigned a score of 3.14 (on a scale of 1 to 5) for trust in the judicial system. This low level of trust is linked to perceived corruption, clientelism and lack of professionalism among judges and prosecutors.

Kosovo has a legal and institutional framework for fighting corruption and abuses of power by government and civil service officials. The Special Prosecution service handles corruption and organized crime cases involving high-ranking officials. The legal framework is relatively robust, and Kosovo has passed an anti-mafia law to combat corruption and organized crime. However, Kosovo lacks a special court for organized crime and corruption, as can be found in Albania (or Croatia and Bulgaria in the past). Criminal proceedings against senior officials are rare, and even when brought have often resulted in acquittals or probation. Political interference in the Special Prosecution's proceedings remains an issue. The minister of infrastructure, a key LVV leader, has been involved in corruption scandals, with deputy ministers awarding millions in tenders to his former company. In the Ministry of Agriculture,

Independent
judiciary



Prosecution of
office abuse



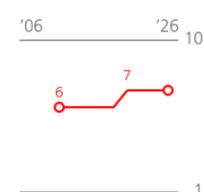
grants were allocated to relatives of an LVV MP. These cases are tried by the Special Prosecution, but the government defends its members, attacking indictments as politically motivated. Kurti has repeatedly refused to be questioned by the Special Prosecution regarding the minister of infrastructure's alleged corruption, resulting in a €250 fine.

Kosovo's constitution and legal framework include advanced human and minority-rights protections, guaranteeing equality before the law, equal access to the justice system and due process under the rule of law for all citizens regardless of their ethnicity, gender or sexual background. Yet women and marginalized groups are exposed to human rights abuses and face serious challenges accessing justice. Domestic violence against women remains widespread, with 57 women killed in the period from 2010 to April 2024, mostly by their husbands, according to the Kosovo Women's Network in Prishtina. Despite strong laws on paper, police often fail to act in such cases, and low levels of trust in state institutions prevents women from reporting domestic violence. According to the 2023 Amnesty International report, the authorities' response to domestic violence against women "is too narrowly focused on criminal prosecutions." Survivors are often required to report violence to access shelters, but fear of public shame and inadequate law enforcement response deter them.

On May 26, 2015, the Kosovo Assembly amended the anti-discrimination law to include gender identity. In April 2019, a new criminal code defined "hate crime" to strengthen LGBTQ+ protections. Prime Minister Albin Kurti has not explicitly stated an intention to legalize same-sex marriage. However, provisions for it were included in the proposed Civil Code. Despite LVV's parliamentary majority, the law failed due to opposition from some conservative LVV MPs. Society remains largely hostile to LGBTQ+ individuals, and protections for marginalized groups such as the Roma community are weak. State institutions show limited knowledge of LGBTQ+ rights. Although civil society in Kosovo has campaigned to raise awareness of LGBTQ+ rights, it is still too weak to challenge the status quo. Ethnic Serbs in northern Kosovo are exposed to human rights abuses due to the lack of the rule of law and order across the territory. The withdrawal of Serbs from state institutions such as the judiciary, police and municipal administration risks further endangering their rights.

Civil rights

7



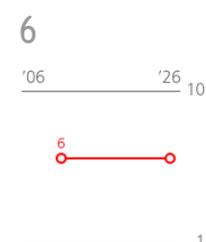
4 | Stability of Democratic Institutions

Democratic institutions are formally in place, but political polarization and interethnic cleavage have widened because of breakdowns in the EU-mediated Prishtina-Belgrade dialogue. The Kurti government, elected in 2021 in a landslide, has offered political stability in contrast to previous multiparty coalition governments that never completed a full term in office because of internal disagreements. The Assembly of Kosovo has passed reform-oriented laws, but implementation has been poor. The Assembly plays only a weak oversight role, and the government pushes most legislative proposals through without any genuine scrutiny by the parliament. The cooperation between the government and the opposition is minimal and fraught with disagreements on both foreign and domestic policy. The political debate has been hijacked by nationalist rhetoric linked to Kosovo's tense relations with Serbia and the growing disagreements with the international community.

The European Commission's 2024 progress report highlights that while a strategic framework for public administration is in place, clientelism continues to undermine merit-based recruitment. Positive developments include the adoption of the Strategy on Rule of Law (2021 – 2026), the approval of the Strategic Plan (2022 – 2024) for tackling corruption and organized crime, and the signing of a Joint Statement of Commitment by key stakeholders in 2023. However, concerns persist regarding the judiciary's effectiveness in combating corruption and organized crime. The 2024 OSCE report points out issues such as high acquittal rates, case delays, poor case management, difficulties in implementing the Criminal Procedural Code, inconsistent judicial practices, delays in witness examination and problems with language translation.

The 2023 Brussels Agreement and the March 2023 Ohrid Annex, aimed at normalizing relations between Kosovo and Serbia, were hailed by the European Union as historic. These agreements raised hopes for easing tensions in northern Kosovo and advancing Kosovo's EU membership prospects. However, disagreements over implementation, the boycott by Serbs of local by-elections in April 2023, the paramilitary attack in Banjska in September 2023, and subsequent tensions in Serb-majority municipalities have disrupted democratic institutions in northern Kosovo. In April 2024, the Kosovo government called a referendum to remove ethnic Albanian mayors in four Serb-dominated municipalities. Serb List instructed most Serbs to boycott the referendum, citing pressure and intimidation from the Kosovo government. This boycott has weakened local governance in northern Kosovo. Additionally, Prime Minister Kurti's assertive stance toward Serb-majority municipalities has fueled disagreements between the ruling LVV party and several opposition parties that are more inclined to meet international demands for establishing an Association of Serb-majority municipalities in Kosovo.

Performance of democratic institutions



Most political and civic actors, including political parties, associations, interest groups and religious leaders, are committed to democratic institutions. Kosovo holds regular free and fair elections. Though there are some irregularities, most parties accept the election outcomes, and power rotates peacefully. Ethnic Albanian parties are highly interested in portraying the country as a success story of state- and democracy-building. They take pride in having adopted one of Europe's most advanced legal frameworks for minority rights. However, the Albanian political elite – particularly the Vetevendosje ruling party – has been reluctant to grant more self-government rights to Kosovo Serbs. It has rejected the creation of an Association of Serb-majority municipalities and has failed to start a bottom-up dialogue with Kosovo Serbs.

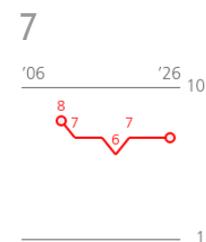
While Serbs living in enclaves south of the Ibar River have integrated more broadly into state institutions and tend to cooperate with other political actors, heightened tensions in the north of the country due to strained Kosovo-Serbia relations have endangered Serb representatives' participation in the political process. In 2022, Serbian List lawmakers relinquished their parliamentary seats because of the license plate standoff, and ethnic Serb mayors and local administrations resigned en masse. Serb representatives are particularly inclined to disrupt democratic processes in Kosovo. Other minority communities participate in the democratic process but feel marginalized by the dominance of Albanians and Serbs in state institutions. Civil society organizations play a positive role in promoting and advocating democratic norms. They monitor the decision-making process, report progress, report business interests' influence in the political process and hold elected officials accountable. Religious leaders are also supportive of democratic institutions. But some religious leaders, such as imams and priests within religious communities, feel uncomfortable with the expansion of human rights for women and the LGBTQ+ community. Muslim imams are particularly vocal and speak to the media and on social media in opposition to broader rights for women and the LGBTQ+ community.

5 | Political and Social Integration

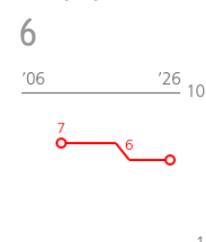
Kosovo has a well-established and socially rooted party system. The dominant parties since the declaration of independence have been the Democratic Party of Kosovo (PDK), which represents the wartime faction of the Kosovo Liberation Army (KLA); the Democratic League of Kosovo (LDK), the first party founded in Kosovo that led peaceful resistance to Serbian rule in the 1990s; and the Alliance for the Future of Kosovo (AAK), led by another wartime faction rooted mostly in the western part of Kosovo.

Vetevendosje (LVV) emerged in the 2000s as a political force opposing rule by the international community in Kosovo. Over time, it adopted a more nationalist stance and campaigned on an anti-corruption, anti-establishment platform. LVV won the 2019 elections and the 2021 snap elections, taking 50% of the vote in 2021 and becoming the first party to secure an absolute majority.

Commitment to democratic institutions



Party system



Ethnic Serb parties such as the Serb List rely on support and financial aid from Belgrade. Their policies are not independent, and they have strongly opposed Kurti's government. The Serb List has disrupted institutional processes by boycotting elections and withdrawing representatives from state institutions.

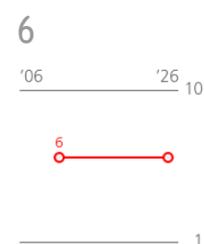
Parliamentary parties are well-structured and operational across Kosovo. They are relatively clearly aligned on the ideological spectrum. LVV presents itself as a social democratic party on the left; LDK positions itself as a conservative party; PDK as a liberal, center-right party; and AAK as a more clan- and regionally based party with no clear ideological affiliation. However, despite this formal ideological alignment, party membership is mainly based on clan, clientelist and patronage ties. Parties hold regular internal elections, yet there is little transparency in these processes. The era of wartime political leaders has ended, opening opportunities for new leaders who are more open to cooperation and political dialogue.

The significant flow of aid from international donors has facilitated the development of numerous interest groups, organized into associations and NGOs, that operate freely in Kosovo. The focus of civil society organizations includes human rights, anti-corruption, women's and LGBTQ+ rights, and interethnic reconciliation. Kosovo Serbs and other communities have established associations that address minority rights. However, civil society is generally dominated by ethnic Albanians and concentrated in the country's capital, Prishtina. Despite its weak societal roots, civil society has played an important role in advocating for human rights, democratic accountability and norms in government, and there is relatively close cooperation between Albanian and Serb NGOs on the issue of interethnic reconciliation. There are some trade unions, and the Kurti-led government has promoted workers' rights, increased social security funding for vulnerable people and passed laws aimed at protecting workers' rights. Yet the effectiveness of trade unions is undermined by anti-union pressure from employers, as well as weak court protection and due process. Despite the existence of labor and trade union laws, the private sector remains largely unaffected by trade union activities. Furthermore, the presence of a large informal economy leaves many workers beyond the reach of trade union action.

Democracy enjoys high levels of approval among the people of Kosovo. Support for democratic norms has increased significantly in recent years. In the period from 2010 to 2022, about 70% of people in Kosovo had a positive opinion of democracy, but that share increased significantly in 2024. According to a 2024 survey by the International Republican Institute (IRI), 85% of people said democracy was the best possible form of government. Kosovo Serbs are comparatively more skeptical of democracy as a form of government: 57% of this community's members say there are other forms of government that would be equally good for Kosovo.

Kosovo has made progress in strengthening democratic norms and institutions. In 2024, 35% of citizens said they thought Kosovo was a full democracy, while 46% said it was nearly a full democracy. However, when it comes to the performance of

Interest groups

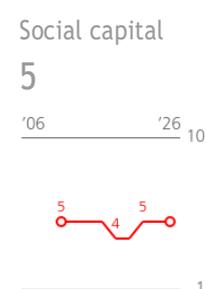


Approval of democracy



democratic institutions, Kosovo has yet to move toward a fully consolidated democracy. A 2024 survey conducted by IRI showed that only 15% of people were satisfied with the current state of democracy. Corruption, nepotism in public administration, poor public services and the high cost of living have undermined public trust in democratic institutions. Political parties, the government and the judiciary fare below average when it comes to trust. According to the 2024 Regional Cooperation Council (RCC) survey, 24% of people in Kosovo trusted the government, 22% trusted political parties and 28% trusted the Assembly. The survey showed that the armed forces and universities were the most trusted institutions in Kosovo, respectively drawing the trust of 48% and 54% of respondents.

Trust at the societal level is marked by ethnic differences. Family, neighbors and acquaintances are regarded with a high level of trust in Kosovo. The 2024 RCC study showed that 98% of people say they trust family members, 78% their neighbors and 76% people they know personally. Yet trust between ethnic groups remains weak in Kosovo. Charitable and grassroots organizations advocate in favor of assistance for people in need, greater inclusiveness and civic dialogue. NGOs, the international community and donors have supported interethnic reconciliation programs. There is a healthy level of cooperation between Albanian and Serbian NGOs working on bottom-up interethnic dialogue platforms. There has been some notable progress in this regard. However, this initiative remains limited to the elite level. There is little interaction and trust between ethnic Albanians and Serbs at the societal level. The violent acts and tensions in the country's north have contributed to a widening gulf and increased distrust between the two main ethnic groups. The 2024 RCC survey showed that only 38% of Kosovar citizens trust people of other nationalities.



II. Economic Transformation

6 | Level of Socioeconomic Development

Living standards in Kosovo have improved significantly over the years. Since 2008, per capita income has increased by nearly 50%, while the share of the population in poverty has been cut by 35%. In the nine years after joining the World Bank Group, Kosovo has moved from being categorized as a low-income economy to upper-middle-income status, according to the World Bank's 2025 evaluation. Although Kosovo remains one of the poorest countries in Europe, recent robust economic growth is reducing poverty.

After economic growth in 2010, the poverty rate resumed its decline. The consumption-based poverty declined from 34.2% in 2017 to an estimated 29.6% in 2019. After reaching 32.4% in 2020, the poverty rate is estimated to have fallen to 25.2% in 2022. The unemployment rate decreased to about 12% in 2024, the lowest level recorded in post-independence Kosovo.



Although the Vetevendosje government introduced social reforms and pledged to distribute income more equally, the most recent economic expansion has increased inequality. The 2024 European Commission progress report on Kosovo noted that the country's score on the Gini index has steadily worsened, reaching 57% in 2021 (the corresponding figure for 2018 was 44%). The shared prosperity premium is 0.47, indicating that the poorest 40% of the population are not experiencing faster growth in their consumption compared with the entire population. The shared prosperity premium refers to the difference between the income growth rate of the poorest 40% of a population and the overall growth rate of the entire population. It measures how much economic growth benefits the poorest segment of society compared with the population as a whole.

Inequality related to gender, ethnicity and other social backgrounds remains significant in Kosovo. The LVV was elected on a progressive agenda that promised to alleviate inequality and fight corruption. There have been efforts in this direction, but overall progress has been limited. The labor force participation rate has been stagnant at 39.3% in 2021 and 40.7% in 2023, with the labor force participation among women at 22%. The employment rate for women in 2021 was only 16.5%. The unemployment rate among young people decreased from 55% in 2018 to 21.4% in 2022. However, structural factors such as emigration, nepotism in the public sector, poor education and a large informal economy in the private sector prevent young people from fully realizing their potential. In addition, economic growth is concentrated mainly in the urban areas of Prishtina and Prizren, leaving remote rural areas behind.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	9413.4	9354.9	10468.2	11148.6
GDP growth	%	10.7	4.3	4.1	4.4
Inflation (CPI)	%	3.4	11.6	4.9	1.6
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	5.3	8.2	8.7	8.3
Export growth	%	76.8	18.9	7.2	9.6
Import growth	%	31.4	5.4	4.7	8.9
Current account balance	\$ M	-818.4	-983.3	-785.1	-

Economic indicators		2021	2022	2023	2024
Public debt	% of GDP	21.6	20.0	17.5	16.8
External debt	\$ M	3345.7	3660.4	4242.3	-
Total debt service	\$ M	410.9	302.6	257.0	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	12.9	11.8	12.6	12.3
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	-	-	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.8	1.1	1.3	-

Sources (as of December 2025): 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

Kosovo has a functioning market economy to some degree. 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, offering low tax rates compared with other countries in the region. Two laws regulate competition: the Law on Protection of Competition and the Law on Antidumping and Countervailing Measures. The Competition Authority is responsible for implementing the Law on Protection of Competition. Additional laws govern foreign investment. The laws and regulations governing the establishment and ownership of business enterprises and engagement in all forms of economic activity formally apply equally to foreign and domestic private entities. Kosovo legislation does not interfere with the establishment, acquisition, expansion or sale of interests in enterprises by private entities.

However, the legal framework remains weak, with inconsistent rules on the books for all participants. The informal economy is deeply embedded in the economic system, accounting for up to 40% of GDP in 2022. Limited regional and global economic integration; political interference in the economy and judiciary; an unreliable energy supply; a large informal sector; difficulty establishing property rights; corruption; and

Market organization

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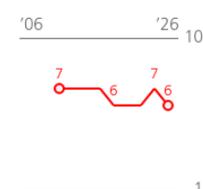
a tenuous rule of law, including a lack of contract enforcement, are among the structural factors that impede Kosovo's advancement to the status of fully functioning market economy.

Kosovo has passed competition laws, and there is a state authority responsible for overseeing and enforcing them. In 2004, a law on competition was passed to ensure the sustainable development of the market economy, followed in 2010 by a law to protect competition. In 2013, the Kosovo Assembly adopted a law on state aid and established a commission to monitor and approve state aid. That law partially complies with EU regulations. In 2022, Kosovo approved the Law on Protection of Competition, which governs all forms of prevention, limitation or abuse of competition by enterprises, essentially serving as the country's competition act. While Kosovo has continued to revise its legal competition framework, it has made little progress in enforcing competition laws. The Kosovo Competition Authority's oversight powers remain inconsistent and weak due to business ties between public authorities and the private sector. Monopolies in the energy, pharmaceuticals, telecommunications, postal service, railway, air traffic and construction sectors are present and challenge free competition. Administrative barriers that hinder new businesses from entering key sectors and the limited number of suppliers suggest that progress has been tenuous. The Kurti government's attempts to limit business influence have primarily targeted companies associated with opposition parties, while businesses with ties to the ruling party have enjoyed significant privileges and maintained substantial influence.

Kosovo is open to foreign trade, relying on it for socioeconomic development. The country has signed the Stability Pact for Southeast Europe, which aimed to eliminate tariffs on 90% of trade volume and 90% of tariff lines, remove non-tariff trade barriers to intraregional trade, and strengthen trade in services. In 2006, Kosovo became a full member of the Central European Free Trade Agreement (CEFTA) and strives to establish trade rules based on EU and WTO principles, aiming to make its businesses competitive. Kosovo is a signatory to the July 2017 Multi-Annual Action Plan for a Regional Economic Area in the Western Balkans Six and its subsequent Common Regional Market Action Plan. This action plan aims to increase regional integration in the fields of trade, investment policy, labor force mobility and digitalization. Kosovo is not a member of the European Free Trade Association (EFTA), but it signed a free trade agreement (FTA) with EFTA on January 22, 2025. However, ongoing disputes with Serbia have hindered free trade. After tensions in northern Kosovo, where a gun battle occurred between allegedly Serbian-backed paramilitaries and Kosovo police, the government of Kosovo imposed a ban on imports of Serbian finished goods, citing reasons of security. This impeded the free flow of goods with Serbia for nearly a year. In October 2024, the Kosovo government lifted measures restricting the entry of Serbian goods. Non-tariff barriers include control certificates and certificates of origin for all imports. The Kosovo Food and Veterinary Agency's Phytosanitary Division requires control certificates and

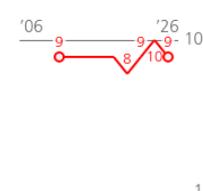
Competition policy

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Liberalization of foreign trade

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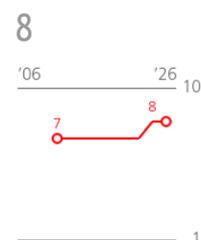
certificates of origin for all imports. Import licenses are required for pharmaceutical products, live animals and tobacco products. An import license is required for production inputs and raw materials associated with the manufacturing of pharmaceutical products as well.

Kosovo's banking system remains stable and well-capitalized. According to an IMF assessment, the capital-to-assets ratio for the country's banks in 2024 was well above 12%, with most sources indicating a capital adequacy ratio around 15%, signaling a healthy, well-capitalized sector. Yet difficult economic conditions, weak contract enforcement and a risk-averse posture have traditionally limited banks' lending activities.

Nevertheless, financial services and bank lending have steadily improved over the years. In January 2023, the sector's non-performing loans ratio was 2%, lower than the January 2022 rate of 2.3%. In January 2023, the concentration of the three largest banks' assets was 52.3%, compared with 53% in January 2022. The assets of the entire banking sector total €6.7 billion, an increase of 14% from the same period in 2021. Foreign-owned banks hold a market share of 85.6%. Relatively little lending is directed toward long-term investment activities, although this trend has been changing slowly. The role of the central bank in monetary policy is limited to that of a regulator, with its main responsibility being to ensure a stable financial system. 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 non-bank financial institutions was passed. The Kosovo real effective exchange rate was 118.2 in September 2024.

The Central Bank of Kosovo (CBK) is a formally independent government body responsible for fostering the development of competitive, sound and transparent practices in the banking and financial sectors. It supervises and regulates Kosovo's banking sector, insurance industry, pension funds and microfinance institutions. The CBK also performs other standard central bank tasks, including cash management; transfers; clearing; management of funds deposited by the Ministry of Finance, Labor and Transfers and other public institutions; collection of financial data; and management of a credit register. Although the financial sector remains stable, a prolonged period without leadership as well as allegations of mismanagement have caused concerns about the CBK's institutional development. The decision of the CBK to ban the Serbian dinar in northern Kosovo in 2023 was made on the grounds of enforcing the use of the euro as the only legal currency in Kosovo. Although there is no publicly available evidence, the alignment of the CBK's decision with the Kosovo government's assertive policy toward the Serb-dominated municipalities raises questions about its independence.

Banking system



8 | Monetary and fiscal stability

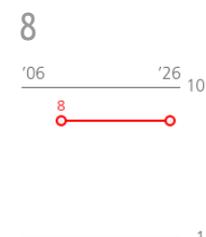
Monetary stability and foreign exchange rate policies align with the other goals of the government's economic policy. Kurti's government was elected with a popular mandate to stabilize the economy and make a basic basket of consumer goods affordable for everyone. The euro was unilaterally adopted as the sole currency in 2002 by the United Nations Interim Mission in Kosovo, while the Serbian dinar has been used illegally in North Kosovo and in Serbian enclaves. The inflation rate has fluctuated in recent years. In 2019 it was 2.7%, but it increased to 12.1% in December 2022 and fell to 10.5% in early 2023. The COVID-19 crisis and the spike in energy prices after the war in Ukraine were the main drivers of this increase in inflation, which posed challenges for the most vulnerable groups. In 2024, the inflation rate slowed to 2% and was expected to decline further in 2025 and 2026, according to the World Bank.

The Kosovo government's budgetary policies generally promote fiscal stability but for a long time lacked institutional safeguards. Deficits have declined over the past three years, with total public debt falling to 17% of GDP in 2023. At 0.2% of GDP, the fiscal deficit in 2023 was substantially lower than the program target of 2% of GDP due to higher tax revenues and lower spending, including slower execution of investments. The formalization of the economy and a decision to cap the public deficit at 2% of GDP are among the measures the government has taken to keep public debt under control, aided by sustained growth. According to the IMF, government tax revenues in 2024 amounted to 27.6% of GDP, while expenses were 29.8%, surpassing the 2% deficit cap. According to the IMF, public debt in 2024 amounted to 22.3% of GDP, while the World Bank estimated total external debt at 38.4% of GDP.

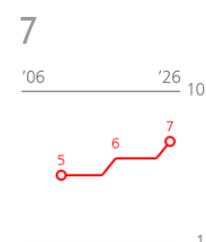
9 | Private Property

There is a relatively good legal framework safeguarding property rights in Kosovo. Assisted by the international community, Kosovo has made some progress in drafting and passing adequate laws on property rights. In 2022, the Assembly passed Law No. 08/L-013 on Property Rights of Foreign Citizens in the Republic of Kosovo, which aims to regulate the property rights of foreign natural and legal persons, including the creation, content, transfer, protection, limitation and retention of property, pursuant to the requirements and procedures set out in the respective laws on property rights or other rights. However, the rule of law is constrained by poorly defined and enforced property rights, especially the property rights of women and members of minority communities. Kosovo's legal framework gives equal property rights to men and women, but only 19% of properties are owned by women. There have been some positive trends in this direction. In 2016, only 105 couples in the whole of Kosovo

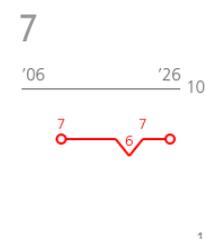
Monetary stability



Fiscal stability



Property rights



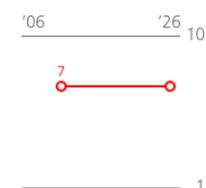
had registered joint property, while in 2022, there were 4,375 couples who had done so, improving the position of women with regard to property ownership. Property rights for minorities are still affected by unresolved issues linked to prewar and postwar periods. Kosovo Serbs in particular tend to feel that their property rights have been violated by the government, which has expropriated land for public works. The issues of return, restitution and reparation for wartime refugees remain unresolved. There are legal mechanisms in place, but more information needs to be given to internally displaced people in the restitution process.

Court procedures for resolving property claims and disputes are slow and need improvement. Unreliable cadastral records, multiple ownership claims and allegations that properties have been sold multiple times remain a problem for judicial security. The Property Governance Activity, funded by USAID, has supported central and local institutions in the property registration processes, making property registration accessible to all citizens. The electronic issuance of property rights certificates and property tax documents has improved citizens' access to municipal property services.

The private sector is the driving force behind innovations and solutions to challenges, and it has enormous potential as a catalyst in Kosovo's development agenda. The World Bank reports that the private sector's share of Kosovo's overall economy was 55.25% in 2023. A relatively robust legal framework permits the private sector to operate freely. However, a weak rule of law, an inefficient judiciary, corruption, and links between political figures and business interests hinder the private sector from realizing its full potential. Privatization of state-owned enterprises has been driven by political influence. Privatization of major state-owned companies has not produced the desired outcome in some cases as a result of a lack of transparency in the process, as well as the hidden influence of business interests. The privatization of the Electricity Distribution Company was riddled with irregularities and raised doubts regarding its benefits for the economy, the energy sector and consumers. Due to the interaction of political and business interests, there have been cases in which privatization processes have damaged the public interest. Most recently, arbitration courts forced Kosovo to return the money a private company had paid during the privatization of the Grand Hotel in Prishtina, adding to the burden on the budget. Kurti's government has not been very friendly to private companies associated with members of the former political elite that he deems to be corrupt. He has attacked them by name, seeking to ruin their reputations. The government has largely halted privatization, and has focused its policy on strengthening the public sector.

Private enterprise

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10 | Welfare Regime

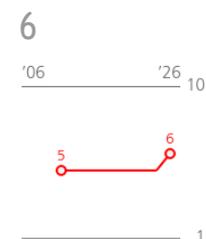
Kosovo has a relatively well-regulated, established welfare system that covers most adverse risks, providing benefits such as welfare payments, pensions, unemployment payments and childcare allowances. The Kurti government increased the social protection budget significantly. The 2024 social protection budget amounted to 26% of total government spending and 8% of GDP – nearly the highest such level in the sector’s history. The increase resulted in guaranteed 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. In addition, 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 falls below €100 and seeking to prevent pensions from coming too close to the poverty line.

Nevertheless, Kosovo spends considerably less than European countries on social protection. Average social protection spending in countries in Europe and Central Asia in 2021 was about 17% of GDP, while Kosovo spent 7% of GDP on this area in 2023 and 8% in 2024. Social services continue to be minimally funded, and spending on the Social Assistance Scheme (SAS) dropped from an estimated 10% of total spending on transfer schemes in 2021 to 6% in the 2024 budget. Funding for health care increased by 14% in 2024, but 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 have received social support from Belgrade, but a more assertive approach by the government toward Serbia-backed structures in Serb-majority municipalities has disrupted supply links and social services.

The Child Benefit included in the Economic Recovery Package – introduced as a post-COVID-19 measure – has increased child-focused spending in Kosovo over the past three years, especially in early childhood. However, spending on children in the social protection sector remains insufficient, with less than a quarter of social protection spending targeting children, who account for 30% of Kosovo’s population yet receive only 23% of the sector’s spending.

Most funding for social security comes from government revenue, and this is unlikely to change significantly in the future. Pensions continue to absorb most of the social protection budget, accounting for 76% of the 2024 allocation. The total allocation to noncontributory pensions, including basic pensions, special-law and war-related pensions, is still very large, representing approximately 55% of the sector’s budget, while contributory pensions account for 21%. A small portion of social security 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 comes from private funds, particularly through remittances.

Social safety nets



Equality of opportunity is guaranteed by the constitution, but there are shortcomings in the implementation and enforcement of these provisions. Although an anti-discrimination law exists and efforts are made to assist individuals with disabilities and members of marginalized groups, these measures remain poorly implemented. Women and ethnic minorities, in particular, struggle to receive equal treatment in employment, education, political representation and business.

Advanced gender equality laws have been in place in Kosovo since the time of the United Nations Interim Administration Mission in Kosovo (UNMIK). After its declaration of independence, Kosovo incorporated a highly progressive and advanced set of human- and minority-rights provisions into its constitution. These laws aim to provide equal opportunities for participation across domains such as politics, the economy, society and culture, regardless of gender or ethnic background. Legal guarantees of women's rights and the presence of constitutional gender quotas have led to Kosovo having a very high proportion of women in its parliament compared to other countries in the region. In the 2021 elections, 43 of the 120 seats were won by women. The gender gap in education has been closing, particularly when it comes to girls' access to higher education. The United Nations Program for Gender Equality and the Empowerment of Women reports that, in 2024, 64% of tertiary graduates in Kosovo were women. However, societal expectations and gender stereotypes often hinder girls' career opportunities, even though the legal framework supports gender equality. This gap is more pronounced in rural areas and marginalized communities. The labor force participation rate among women in 2024 was 18.2%, indicating very low levels of economic activity among women. There are gaps in the implementation of legislation on equal opportunities. The lack of childcare and elder care facilities and an unequal share of responsibilities in maternity, paternity and parental leave hinder women's employment.

Although the constitution provides equal rights for ethnic minorities, members of the Ashkali, Egyptian and other minority communities struggle to gain equal access to education and other public services and to realize their potential. Despite some improvement, children from vulnerable and minority groups continue to be marginalized in educational opportunities. Children from the Roma, Ashkali and Egyptian communities are at higher risk of dropping out of compulsory education. The Ministry of Education, Science and Technology (MESTI), in coordination with municipal education directorates, needs to secure the necessary human and financial resources to support learning centers. Additional efforts should be made to improve access to public spaces and transportation for children with disabilities and those living in remote rural areas.

Equal opportunity

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11 | Economic Performance

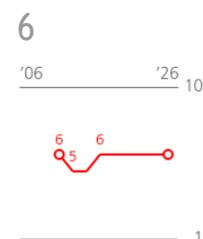
Kosovo's economy has performed well in recent years. GDP per capita was \$15,029 in 2023 (World Bank, PPP). The inflation rate was 2.7% in 2019, rising to 14.2% in July 2022 before easing slightly to 12.1% in December of that year. After a slowdown in 2023, Kosovo's economic growth accelerated in the first quarter of 2024, with provisional estimates indicating a growth rate of 5.6%. Growth in private consumption was the largest contributor to this acceleration. On the supply side, net taxes on products contributed the most to growth. Consumer inflation decelerated, averaging 2.1% in 2024. Labor market formalization continued in 2023, as reflected in a 4.5% increase in formal employment. The public deficit increased by one-fourth relative to the same period in 2023, driven by a larger deficit in the goods balance. Construction, retail, services, remittances and foreign direct investment remain the main net contributors to the economy.

According to the World Bank, 37.1% of working-age people are employed, one of the lowest such rates in the region. However, strong economic performance has steadily reduced the unemployment rate, which was 20.4% in 2021 and fell to 10.9% in 2023. Youth unemployment remains very high at 38% in 2023. The prevalence of the informal economy and the country's high emigration rate may affect the true unemployment figures among youth. Economic growth is constrained by structural factors, including low levels of domestic production, a high emigration rate among youth and highly skilled people, a significant energy dependence, and a large informal economy. Kosovo is confronted with the need to undertake reforms that demand substantial fiscal resources. Kosovo's growth model relies mainly on consumption and construction investment, financed significantly by the country's diaspora.

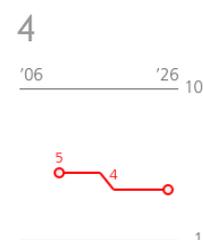
12 | Sustainability

Kosovo faces multiple environmental threats, including industrial pollution, weak and outdated waste management, water pollution, deforestation, and air pollution from outdated technology used in industrial production and construction processes. Kosovo relies on coal-based energy production to meet its electricity needs. Mining in the Mitrovica region and the use of uranium dating from the Kosovo conflict contribute to pollution. At the same time, Kosovo has started experiencing the impact of climate change. Increased temperatures, extreme weather events, water scarcity and vector diseases are an added burden on people's health and well-being amid general environmental degradation. Poor air quality is causing poor health from birth in Kosovo's most polluted districts of Obliq, Prishtina and the Mitrovica region. Marginalized groups such as the Romani, Ashkali and Egyptian communities, many of whom live in settlements close to power plants or mining sites, are more exposed to severe health problems.

Output strength



Environmental policy



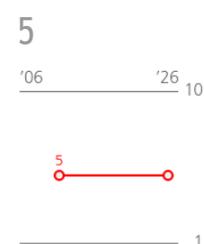
Although a 2013 environmental law created an inspectorate for the environment, water, nature, spatial planning and construction, it has never been properly implemented or supervised, as has similarly been the case with other environmental regulations. Implementation of the Climate Change Strategy (2019 – 2028) has also been inconsistent. To strengthen its legal basis, Kosovo’s parliament adopted the first Law on Climate Change in 2024, which envisions a range of activities, including developing a long-term decarbonization strategy and a system for monitoring, reporting and verifying greenhouse gas emissions. The EU and UNDP have funded programs to improve the legal framework on environmental issues, but there has not been much progress on the ground. Law enforcement on these issues is weak, and public awareness of the importance of air quality, urban planning, waste management and water quality is limited.

Kosovo’s education system offers all levels of training. The country is home to three public universities and 14 public research institutes. The literacy rate is high: 91.9% of the total population, 96.6% of men and 87.5% of women are literate. Higher education is offered primarily in the capital and in Mitrovica, in northern Kosovo. There has been an increase in the number of private institutions offering tertiary education programs. However, the quality of these providers is questionable. Primary schools provide education in five languages: Albanian, Serbian, Bosnian, Turkish and Croatian. Secondary education is mostly concentrated in urban areas, leaving remote rural areas with limited access to advanced levels of education. There have been efforts to introduce vocational education programs to better meet market needs for skilled laborers. Dual vocational education combines apprenticeships in a company with classes at a vocational school within a single program.

Although the education system aims to integrate all sectors of society, it remains ethnically divided. Disputes over school curricula, language barriers and a lack of interethnic interaction have kept Kosovo Albanians and Kosovo Serbs separated in schools. Alongside Kosovo’s official school system, Serbia’s Ministry of Education, run from Belgrade, operates its own school system in Kosovo, which many Roma and some Ashkali children attend. Instruction in the Kosovar system is predominantly in Albanian, but it offers tracks for Bosnian- and Turkish-language education in different parts of the country. The Serbian parallel education system operates in Serbian and uses the Serbian state curriculum. The 2013, 2015 and 2023 Brussels Agreements, which aimed to address the education issue through mutual recognition of diplomas, ultimately failed during the implementation phase.

Education is primarily funded by the government. In 2023, according to the World Bank, Kosovo allocated about 4.6% of GDP to education, with the sector accounting for 16% of total government spending. For research and development, however, the OECD reports that in 2024 Kosovo dedicated only about 0.1% of GDP, significantly lower than the EU average. Research and innovation are particularly impeded by a lack of funding, trained staff and meritocratic hiring in public institutions.

Education policy /
R&D



Governance

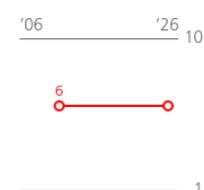
I. Level of Difficulty

Governance in Kosovo faces relatively high structural constraints. The country has no access to seaports, though there is an agreement with neighboring Albania that is intended to facilitate Kosovo's access to the Adriatic Sea port of Shengjin. Kosovo is the newest country in Europe, with a low-productivity economy. It is highly dependent on regional and international trade, foreign aid, remittances from the diaspora, and energy imports. Energy dependence is mainly due to a scarcity of domestic natural resources, a lack of investment in the sector and disputed international status due to Serbia's policy of non-recognition. The industrial sector is underdeveloped, with aging equipment, insufficient investment and a labor supply that exceeds demand. High rates of emigration among young people and the highly educated weaken the country's economic and social prospects. The unemployment rate decreased in 2023 and 2024, but the rural population remains deprived of adequate public services, equal opportunities and access to economic development. There have been significant improvements in infrastructure, with modern highways now connecting the country to Albania and North Macedonia, but the rest of the country is poorly connected by roads and railways. Electricity shortages are frequent in winter. A lack of access to funding and inadequate professional education programs inhibit the development of the private sector and constrain youth employment. Other significant structural constraints include a volatile political situation due to the influence of neighboring countries, especially Serbia.

Kosovo's incomplete process of international recognition has prevented the country's integration into regional and international organizations, most recently the Council of Europe. This has deprived the country of the benefits of international cooperation and assistance, and has kept foreign investors away. The ongoing dispute with Belgrade over recognition of Kosovo's independence and territory, as well as over administrative issues, has complicated accession to the European Union and other international organizations. Heightened tensions with Kosovo Serbs and Serbia over issues such as Serbian parallel structures in the North, municipal elections, the use of the dinar and the establishment of an Association of Serb-majority municipalities have contributed to the stagnation of Kosovo's EU integration process, as normalization of relations with Belgrade is a precondition for EU membership. Kosovo is recognized for religious tolerance, but mounting religious disputes today threaten this reputation. A group of people in the western part of Kosovo has founded

Structural
constraints

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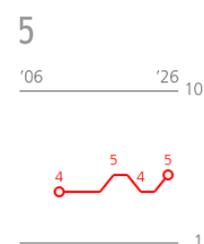


a movement to convert others to the Catholic faith, which is believed to have been the predominant religion in medieval Kosovo. This has triggered reactions from other religious groups, notably Islamic authorities in Kosovo. Although Kosovo is officially a secular state, the potential malign influence of external political actors such as Russia, Serbia, Türkiye and Saudi Arabia may undermine interreligious dialogue and political and social progress within Kosovo.

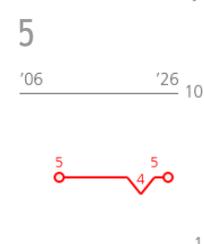
Kosovo has an extensive network of NGOs that play a significant role in promoting civic engagement. Pristina is home to about one-third of the country's registered NGOs, with Prizren and Mitrovica taking the second- and third-place spots on this list. The intensity of citizen engagement in civil society organizations remains generally low. Civil society organizations have been notably less active under the Kurti government than under its predecessors. Many prominent civil society figures have moved into political roles, and political parties, in turn, have partly attributed their 2021 election defeats to these figures' influence. Civil society also lacks adequate, stable funding. Regulations on public funding for CSOs are in place, but comprehensive, accurate and timely reports on such funding are lacking, as is any evaluation of the effectiveness of the funds allocated. Independent and well-funded social initiatives have contributed to reconciliation efforts between Kosovo Albanians and Kosovo Serbs. A network of NGOs focused on building bridges between communities exists, but the volatile relationship between Kosovo and Serbia has prevented these efforts from yielding tangible results. Levels of social trust between Kosovo Albanians and Kosovo Serbs have remained low since the end of the conflict. There is a lack of interaction between communities, and schools and other social systems are highly segregated along ethnic lines.

Kosovo is strongly ethnically and politically polarized. The country's declaration of independence was followed by tensions in Serb-dominated northern municipalities that did not recognize the newly created state authorities. Nevertheless, there was initial progress in the Kosovo-Serbia dialogue from 2011 to 2015, when technical and political agreements brought Kosovo Serbs under Kosovo's institutional framework. However, an inconclusive process of EU-mediated dialogue and additional geopolitical developments have heightened tensions between the countries. A dispute over the license plates for Kosovo-registered vehicles erupted in 2021. The Kurti government decided to ban cars using Serbian plates in Kosovo, as they were deemed illegal. This was followed by the withdrawal of Kosovo Serbs from state institutions and a boycott of the 2023 municipal by-elections. Protests ensued after the election of ethnic Albanian mayors in four northern Serb-dominated municipalities. The tense situation culminated in a shootout between paramilitary forces and Kosovo Special Police at the Banjska Monastery in September 2023. There were other attacks on Kosovo's critical infrastructure in 2024, and the gulf between the government and Kosovo Serbs in the north has widened. These events derailed the ongoing process of dialogue and undermined Kosovo's prospects of EU accession.

Civil society traditions



Conflict intensity



Additionally, there is strong political polarization among ethnic Albanian political parties in Kosovo. The Self-Determination Movement (LVV), which controls the government, has intensified societal divisions by promoting polarizing rhetoric and framing the debate over Serbia's interference in Kosovo in "us vs. them" terms. Those who oppose the LVV have frequently been labeled traitors or threats to the state's interests, deepening political tensions. However, this has not led to violence, and Kosovo remains predominantly peaceful.

II. Governance Performance

14 | Steering Capability

The Vetevendosje (LVV) party, led by Albin Kurti, has made fighting corruption, job creation, social justice, reform of the education and health care systems, and economic development its strategic priorities. Progress toward EU and NATO membership has also been a strategic priority for the government. The government took some concrete steps in this direction. In 2023, Kurti announced that a public administration reform would focus on strategic planning, in part through preparation of the National Development Plan and approval of the Strategy for Public Administration Reform (2022 – 2027). The government also promised to develop an e-government and cybersecurity strategy and to implement the law on salaries in the public sector, creating a unified salary system in the public sector and eliminating previously drastic salary inequalities. It implemented agricultural subsidies and social benefits for the most vulnerable, increased pension and health care funding, and passed measures to protect women and children. There were also efforts to fight corruption and promote the rule of law and good governance.

However, the government has struggled to prioritize its policies in a systematic and institutional way. The objectives of implementing social justice, creating jobs and fighting corruption have been overshadowed by constant disputes with Serbia and the growing diplomatic discord with Kosovo's allies, the European Union and the United States. There have been no structural reforms in the education, health care or social care systems. The fight against corruption has not been institutionalized, as Kurti's government did not release an Anti-Corruption Strategy during its four-year mandate.

Question
Score

Prioritization

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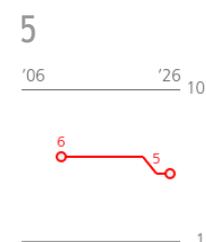
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The government has been unable to fully implement some policies due to structural obstacles as well as a lack of political foresight and willingness to deliver on long-term structural reforms. Important policy areas such as the fight against corruption 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. Yet they have not been consistently addressed. There has been a lack of strategic planning, and the ongoing dispute with Serbia along with the EU-mediated normalization process have consumed much of the government's energy. As a result, the promised sectoral reforms were sidelined on the government's agenda.

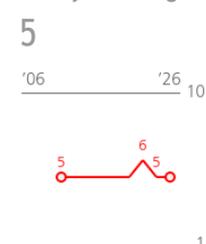
The failure to join the Council of Europe and the repeated disagreements with Kosovo's Western allies, the United States and the European Union, have left Kosovo in a corner. The EU sanctioned the country for refusing to defuse tensions in the northern region. Kosovo was also excluded from participation in the Defender Europe 2023 exercise. This exclusion was a consequence of the U.S. decision to suspend Kosovo's participation due to the government's actions in the northern regions, which were perceived as having disregarded U.S. advice and as heightening tensions. This left the government torn between its internal strategic goals and external challenges in advancing its statehood in the international arena. Kosovo's institutional framework is poorly organized, with departments and offices that have overlapping responsibilities. The Kurti government has not found a way to stop the mass emigration of young people and qualified professionals. The primary and secondary education systems require reform, including the implementation of performance evaluations for teachers and professors, the creation of training programs, and a restructuring of curricula. A permanent vetting process for the judiciary and the police has been promised, but the reform remains tentative, and the government has not yet started the implementation phase.

At the policy-learning level, the government has made some improvements by increasing funding for social care services and anti-corruption efforts. However, it has left little room for policy learning from other stakeholders including civil society and academia, or from international best practices. Civil society recommendations and external experts largely play little role in decision-making and policy planning. Although energy shortages persisted during consecutive winters, the Kurti government did not pursue proactive policies or invest in the sector, for instance by devising an energy strategy to diversify energy sources and achieve energy stability. As poverty, unemployment, the poor state of the education system and social problems have always been high-profile concerns in Kosovo, the government has learned from the past in these areas and prioritized social investment. Nevertheless, none of these examples of policy learning have resulted from institutionalized mechanisms, but rather from a top-down approach by the government.

Implementation



Policy learning



15 | Resource Efficiency

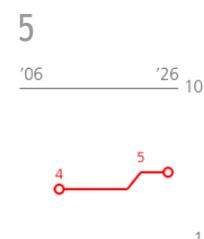
The country's dysfunctional, bloated public administration reduces resource efficiency. The public sector is Kosovo's largest employer, with about 70,000 civil servants among a population of 1.58 million. It has expanded over the years, and recruitment has historically been based not on merit but on clan, political and clientelist ties. The Kurti government has made some efforts to break this cycle, but the process is still heavily politicized. The justice minister acknowledged that she had hired about 20 people from her political party in the Ministry of Justice. The percentage of ethnic minorities and women in public posts is low. The Law on Public Officials took effect in September 2023.

In March 2024, the government proposed amendments to the Law on Public Officials to address the Constitutional Court ruling that had declared some of the measure's provisions unconstitutional. As of the time of writing, the amendments were pending approval in the Assembly. Thus, the law's effects on civil servants have yet to be seen. Independent intragovernmental auditing institutions, such as the National Audit Office, regularly perform audits, but their findings and recommendations are generally ignored. The Kosovo Assembly has powerful democratic oversight mechanisms but does not use them effectively. The budget deficit of 3.2% of GDP in 2022 – driven by higher energy prices and related subsidies – fell to a record low of 0.2% in 2023, then increased slightly to 1.1% in 2024. Reforms to public financial management enacted so far have been limited to individual sectors. Total government debt amounted to 17% of GDP in 2023, well below the 40% maximum allowed by the fiscal rules.

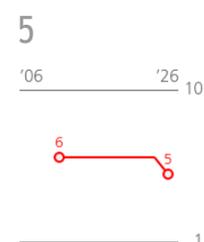
The Kurti government has struggled to coordinate conflicting objectives. While it did not face internal friction during its first full term, the ruling party had difficulty striking a balance between its declared objectives of growing the economy, creating jobs and ensuring social justice, on the one hand, and asserting state authority in the country's north, on the other. Efforts to bring northern Serb-majority municipalities under government control ran counter to international allies' advice to act in a more incremental and cooperative way. This frustrated the European Union, which – for the first time – sanctioned Kosovo for being disruptive in the EU-facilitated dialogue with Serbia. While the government has extended its footprint in the northern region, the situation there is more volatile. Kosovo failed in its bid to join the Council of Europe due to its discord with Western partners, and its application for EU candidate status has stalled. Domestically, social justice goals and efforts to boost job creation have often been sidelined, hampering socioeconomic development.

Coordination between different parts of government is hindered by overlapping competences and objectives. While the government has sought to boost the economy and improve the social security system, the scope of the informal economy has

Efficient use of assets



Policy coordination



hampered its ability to put these ambitious socioeconomic policies into effect. The fact that the civil service is weak and unstable, and is not merit-based, continues to make sound policy implementation difficult. The relationship between the central and local governments is regulated by law, but these two levels of governance lack coordination more often than not. This has been particularly pronounced in the country's north, where Serb-majority municipalities and the government became embroiled in disputes over the license plate issue and disagreements over the organization of by-elections in 2023.

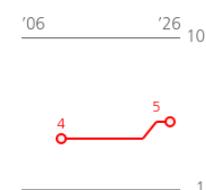
The Kurti government came to power with a strong popular mandate to combat corruption, which it said was depriving the younger generation of their future. Kosovo has made some progress against corruption. Institutions and legal mechanisms to combat corruption are in place, and there is a rhetorical commitment to this fight. Kosovo has adopted laws on access to documents and asset declarations intended to curb conflicts of interest among those exercising public functions, but noncompliance is not effectively sanctioned. An auditing mechanism for state spending and regulations governing party and campaign financing have been established but not yet fully implemented. Prosecutors have filed indictments in numerous corruption cases, most recently against high government officials charged with embezzlement of state funds.

The Kosovo Anti-Corruption Agency has improved cooperation with criminal investigative authorities. In 2023, the agency handled 66 preliminary investigations into suspected corruption-related offenses. Of these, 59 were referred for prosecution and seven were terminated. Out of 4,709 officials, 4,698 (99.8%) submitted annual declarations of assets. The body handled 216 suspected conflict-of-interest cases. Corruption cases involving high-ranking individuals were investigated but ended in acquittals and minor sentences, creating a widespread impression of impunity. Better coordination and cooperation between law enforcement institutions and anti-corruption bodies are needed. 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 and implementation of anti-corruption laws, and consult on new legal proposals.

Yet despite a decrease in the perception of corruption, the use of single-source contracts – awarded directly to businesses without open procurement procedures – has become more prevalent under Kurti's government. A person close to the LVV has been elected to head the anti-corruption agency and has denied whistleblower status to many people seeking to report corruption. The minister of infrastructure, a

Anti-corruption
policy

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key member of the LVV leadership, has been implicated in corruption scandals. His deputy ministers have awarded tenders worth millions of euros to his former company through single-source procedures. At the Ministry of Agriculture, several cases have emerged in which grants were allocated to the relatives of LVV lawmakers.

Investigations of several high-profile corruption cases have not resulted in convictions. Similar investigations in the past have also failed to result in convictions, further reinforcing the status quo. Compounding the issue, Prime Minister Kurti has consistently defended all ministers accused of corruption, dismissing the investigations as politically motivated.

The financing of political parties is regulated by law in Kosovo. Political parties are funded from two sources: the state budget and external donors. This can take place in cash or through contributions of goods and services. For 2025, the Central Electoral Commission (CEC) allocated all parties a campaign budget of €4.8 million. However, online campaigns on social media platforms show that parties' spending far exceeded the amount of money they declared. The NGO Democracy in Action reports that political parties spent about €1 million online promoting their candidates. The law requires financial transparency by parties, but it is widely believed that more money is spent informally than is declared to the CEC.

16 | Consensus-Building

There is broad consensus among most political actors on the value of establishing a functioning democracy and a free-market economy. All political parties appeal to democratic values and strive to move Kosovo closer to the European Union and NATO. After the 2013 Brussels Agreement on the normalization of relations with Serbia, Kosovo signed the Association of Stabilization Agreement. In 2022, the government of Kosovo officially applied for EU candidate status. Successive governments have been formally committed to EU membership and have enacted related reforms in the areas of rule of law, human rights and the market economy. Nevertheless, these actors have mostly failed to implement these reforms due to the influence of patronage politics, clientelism and involvement in corruption.

Post-independence governments have enhanced and supported market-oriented reforms in Kosovo with the aim of increasing economic growth and mirroring the Western-style state. Business actors have followed this strategic policy and benefited from it. Yet links between business interests and politics, as well as widespread corruption in the public sector and in procurement, have prevented the country from establishing a fully operational, competitive market economy. The Kurti-led government campaigned to reverse what it has called “neoliberal policies” pursued by past governments, such as privatization of state enterprises, support for large companies associated with members of the political elite, and neglect of social protection. Despite declarations that the privatization agency would be dissolved, this

Consensus on goals

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has not happened. An LVV member has been placed at the head of this agency. However, the core principles of a market economy, such as freedom of enterprise, property rights and regulation of business activity under the rule of law, are not disputed.

There are no overtly anti-democratic actors in Kosovo. The Kurti government has declared support for democratic consolidation. However, during Prime Minister Kurti's tenure, his administration has shown tendencies toward an undermining of democratic principles such as media freedom and judicial independence. Government officials have frequently targeted media outlets and journalists who are considered unfriendly to the government. Additionally, the government has shown disregard for judicial decisions, frequently calling for Constitutional Court involvement in the electoral process.

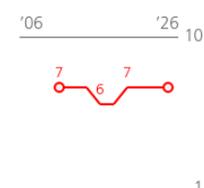
Powerful business actors tend to impede democratic consolidation through clientelist influence on public policy and decision-making, as well as through links with organized crime. Covert radical religious groups have very limited scope and power in public life. Still, these underground organizations tend to instill anti-democratic and anti-liberal values in society. The unsettled relationship with Kosovo Serbs in northern Kosovo, as well as with Serbia, risks undermining social cohesion and democratic processes. Kosovo Serb local officials relinquished their seats in state institutions in 2022 and boycotted municipal by-elections in 2023, escalating ethnic tensions and undermining democratic norms. The government's assertive approach toward the northern region has not improved the situation.

Political polarization between the ruling party and opposition parties has increased over the past four years. Disagreements over the handling of the dialogue with Serbia and Kurti's relations with the United States and the European Union have widened the gulf between the government and opposition. At the beginning of his term, President Kurti appealed to opposition parties for broad consensus on matters of national interest. As the 2024 elections approached, he hardened his nationalist rhetoric and attacked the opposition as corrupt and accused it of working against the national interest. During the electoral campaign in early 2025, the LVV party attacked opposition parties including PDK, LDK and AAK as remnants of a corrupt elite that cooperates with Serbia and thus undermines Kosovo's sovereignty. This deployment of inflammatory rhetoric against other parties left little room for consensus-building.

The ethnic divide between Albanians and ethnic Serbs has widened. There was some progress in 2023 when a comprehensive agreement on normalization of relations between Kosovo and Serbia was reached, but disputes over its content and the timing of implementation worsened the situation. Interethnic interaction between Kosovo Albanians and Kosovo Serbs in the north is minimal. The divide between the government and Kosovo Serbs living in northern municipalities has deepened because of Prishtina's actions seeking to dismantle what it calls parallel, illegal, Serbian-backed structures in the north.

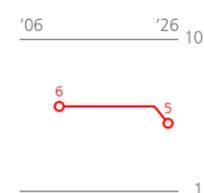
Anti-democratic actors

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Cleavage / conflict management

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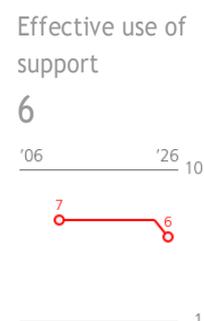
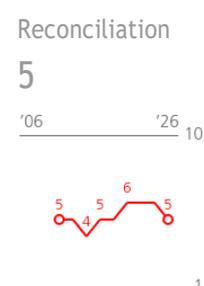
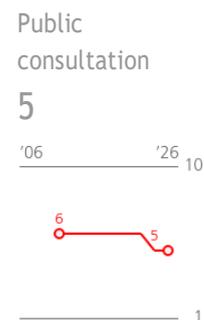


When the Vetevendosje (LVV) party was elected on a progressive agenda in a landslide in 2021, civil society groups had high hopes that it would involve them more deeply in policy deliberations. Although the government has formally supported the input of civil society actors in policymaking, it rarely engages in genuine consultation. Key draft laws, such as the Draft Law on Public Procurement, are kept secret from CSOs. The Kurti government has ignored civil society recommendations in a broad range of areas, such as human rights, anti-discrimination, and ethnic and gender-based tolerance, and above all with regard to reaching a final resolution with Serbia. As has been the case with past governments, it tends to listen more closely to civil society actors that share its political agenda. Therefore, a life-cycle involvement of civil society in policymaking, implementation and performance evaluation has not materialized.

Kosovar society continues to be affected by wartime atrocities. More than 1,600 people are still missing, and there has been little progress in addressing the legacy of the war. The international community has supported civil society actors' reconciliation efforts and community-building actions and has pressed the judiciary to bring wartime perpetrators to justice. The issue of missing persons has been on the agenda of the dialogue, but no progress has been made because of increasingly nationalist stances on both sides. Kurti's efforts to extend state sovereignty in the north of the country have been met with resistance. Kosovo Serbs in the northern region have effectively disregarded state institutions since 2022, and Kurti's actions to dismantle what he calls "Serbian-backed illegal parallel structures in northern Serb-majority municipalities" have hardened interethnic relations. While Serbia has contributed to this worsening of interethnic relations by backing parallel structures in the north, Kosovo's leadership bears part of the blame, as it did not engage in a bottom-up dialogue with Kosovo Serbs, but rather used special police to extend state authority in the north. In the absence of a final resolution between Kosovo and Serbia, interethnic relations will remain tense.

17 | International Cooperation

Kosovo has benefited from significant international aid to build state institutions from scratch and facilitate economic development. It has been the world's largest per capita recipient of EU financial aid, receiving €116 per capita in 2011 alone. Between 1999 and 2007, Kosovo received €3.5 billion from the European Union. Furthermore, an agreement worth €62 million under the IPA III (Instrument for Pre-Accession Assistance) program covers period from 2021 to 2027, bringing the European Union's direct financial assistance under IPA to more than €1.3 billion. The EU's Growth Plan pledged another €900 million to support Kosovo's economic modernization. This reaffirms the European Union and its member states as the primary providers of financial assistance to Kosovo. Kosovo has used this extensive international aid to boost its economy, build democratic institutions and strengthen its international standing. Post-independence Kosovo has experienced positive economic growth and institutional stability in most parts of the country.



However, the effectiveness of this external assistance has been hindered by local constraints such as high-level corruption and a lack of focus on long-term strategies due to the prioritization of the short-term interests of local actors. The unresolved dispute with Serbia has also impeded the efficiency of international aid. Kosovo remains under EU financial sanctions due to the mishandling of tensions in the north, and the provision of funds envisaged by the EU Growth Plan will be subject to progress in the EU-mediated dialogue with Serbia. The Alliance of Kosovar Businesses warned that Kosovo could lose some €500 million in EU funds by the end of 2023 due to the European Union's sanctions. In 2025, a senior diplomat told Reuters that more than a dozen projects totaling at least €150 million had stalled following the European Union's freeze on funds to Kosovo. These include a €70 million sewage treatment plant and a concert hall renovation. While between 2014 and 2020, Kosovo was allocated up to €600 million from the European Union in support of democracy, the rule of law and infrastructure projects, the halt in funds in 2023 has affected Kosovo's development projects. Therefore, better coordination and strategic agenda-setting for development objectives are needed in order to fully harness the potential of external funding.

Kosovo is not a full member of the international community, because it lacks U.N. membership and has struggled to enter international and regional organizations such as the Council of Europe, UNESCO and Interpol. The policy of non-recognition pursued by Serbia, China, Russia and five EU member states has stalled international recognition of Kosovo. Yet Kosovo is a member of other international and regional organizations facilitated by its Western partners. Kosovo adheres to most conventions on human rights, the labor market and democratic values, as well as the European Union's common and foreign policy. Kosovo has adopted the EU Employment and Social Welfare Strategy. As part of its European Reform Agenda commitments, an action plan addresses the issue of youth unemployment. 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 and take precedence over the country's legislation. In 2018, the Kosovo Assembly adopted the 2030 agenda on economic, social and cultural rights. 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 and the Adriatic Charter. It recently applied to join NATO's Partnership for Peace.

However, under Kurti's government, Kosovo's relations with the United States and the European Union have deteriorated. The United States and the European Union have accused Kurti of a lack of coordination and cooperation in the ongoing dialogue with Serbia. The license plate crisis in 2022, Kosovo Serbs' withdrawal from state institutions, clashes between police and paramilitaries in Banjska in 2023, and frequent flare-ups in the north of the country have contributed to the West's increased

Credibility

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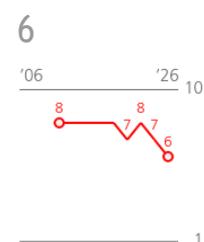
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distrust toward Kurti's government. After reaching a comprehensive agreement with Serbia under the auspices of the European Union in 2023, there were hopes that the longtime dispute with Serbia was finally resolved. But a lack of commitment by both sides almost killed the agreement. Kosovo was placed under financial sanctions by the European Union for not doing enough to deescalate the situation in the north and adhere to the 2023 Brussels deal. It was also prevented from entering the Council of Europe and was expelled from a NATO military exercise in 2023. Conflicting foreign policy objectives and a lack of staff and strategic outlook have strained Kosovo's relations with its partners and hindered its efforts to strengthen its international standing. The events of 2023 and 2024 have all contributed to Kosovo being regarded as an unreliable partner by the United States and the European Union.

At the regional level, Kosovo has generally been committed to rules and principles set by regional and international organizations. It has approved Berlin Process agreements on establishing a Common Regional Market, the free movement of people and capital, a green agenda, and regional cooperation. It is a member of CEFTA, but tensions with Serbia have limited its full participation in regional forums. The imposition of tariffs on Serbian goods in 2023 was not welcomed by the international community. The Kurti government subsequently lifted tariffs on Serbian goods in 2024 following U.S. pressure. The 2023 Brussels agreement between Kosovo and Serbia aimed to normalize relations. Both countries committed to recognizing each other's passports, diplomas and certificates in order to improve economic relations and unleash the potential of the labor market. However, disagreements at the political level have affected cooperation on technical issues such as the recognition of diplomas, the provision of professional training and easing the cross-border flow of human capital. A final, legally binding and implementable resolution between Kosovo and Serbia would significantly improve bilateral relations while also enhancing Kosovo's integration and participation in regional initiatives.

Relations with Albania – Kosovo's friendliest country for historical reasons – have also deteriorated. The Vetevendosje Movement (LVV), through its political figures in Albania, has actively participated in elections there, attempting to challenge Prime Minister Rama. Kurti himself, as prime minister and an Albanian citizen, voted in the 2021 general elections in Albania. This was widely criticized as reckless. Disagreements between Albania's Prime Minister Rama and Kurti over Kosovo's approach to the EU-mediated dialogue with Serbia added to the already fractious relations between the two leaders. Rama canceled a scheduled joint meeting between the governments of Kosovo and Albania in 2023, citing Kurti's failure to defuse tension in the north of Kosovo, thus further straining bilateral ties. Kurti has also faced accusations of interfering in North Macedonia's 2024 general elections by openly supporting political parties representing the Albanian community. This is seen as a departure from the long-held policy of both Kosovo and Albania to avoid interference in the political choices of North Macedonia's ethnic Albanian population. Bosnia and Herzegovina does not recognize Kosovo's independence due

Regional
cooperation



to Republika Srpska's veto. However, within the framework of the Berlin Process, Kosovo abolished visas for Bosnian citizens in 2024, and starting in 2025 they have been able to travel to Kosovo using only an ID. Cross-border cooperation and economic ties between Montenegro and Kosovo, with financial support from the European Union, have improved. Diplomatic relations remain stable, and both countries are striving to join the European Union.

Strategic Outlook

The Vetevendosje (LVV) party received a strong mandate in 2021 to change Kosovo's socioeconomic landscape. The war in Ukraine affected energy prices in an already vulnerable country with a high level of energy dependence. This increased food and energy prices, strained Kosovo's budget, and subsequently slowed the economy. However, subsidies for energy bills and increased benefits for the unemployed and other vulnerable people, for maternity leave and for childcare eased poverty and boosted internal consumption. In 2023 and 2024, economic growth revived and accelerated, fueled mostly by construction, trade and services. Unemployment has been decreasing, inflation is low and stable, and the economy is growing again.

Nevertheless, Kosovo continues to face challenges in the energy sector. Power cuts are frequent during the winter, and the country has done little to diversify its energy sources. It relies mostly on coal-produced energy and on imports from neighboring countries. The government has introduced its Energy Strategy (2022 – 2031), but no further steps have been taken to implement the document. Strengthening the social security net has alleviated poverty in the short term, but in the absence of strategic and structural reforms addressing the public administration, government efficiency, property rights and fiscal policy, this risks tearing apart Kosovo's fragile public budget. Kosovo needs to further formalize its economy and ensure a level playing field for both domestic and international actors doing business in the country. Reliance on diaspora remittances is not sustainable; therefore, the country should do more to attract foreign direct investment to secure jobs for youth and buttress its ambitious social policy objectives.

Kosovo is often praised by international organizations for being a vibrant democracy amid conditions of rising authoritarianism in other Western Balkan countries. It holds regular, free and fair elections, and power is transferred peacefully. Media freedom and the freedom of expression are guaranteed by the constitution and the law. Yet Kurti's government has increasingly resorted to the old elite's playbook by picking fights with journalists and media outlets critical of the Vetevendosje party's rule. Civil society and media associations' voices and recommendations need to be taken into consideration and addressed. The initial idea of vetting the judiciary to eradicate corruption within the justice system and to strengthen the rule of law should be considered with caution. Vetting all judges and prosecutors may create vacancies and backlogs in the system, thus preventing people from accessing due process. In addition, critics argue that this process may threaten the independence of the judiciary. Kosovo needs to do more than talk in the fight against corruption and organized crime. It should ensure sound legal mechanisms are in place, strengthen law enforcement agencies, and, most importantly, respect the independence and impartiality of the judiciary and the state agencies tasked with combating corruption.

The dialogue with Serbia has never been a priority for the Kurti government. However, the unresolved dispute with that country has drained much of the government's energy and continues to ensure that Kosovo's statehood is contested. Prishtina's assertive approach to Kosovo Serb-majority municipalities has hardened the existing interethnic cleavage and soured relations with

Kosovo's traditional allies, the United States and the European Union. In an increasingly complex world, Kosovo needs to craft a realistic strategy for dealing with Serbia in order to reach a final, legally binding agreement. Moreover, it should launch a bottom-up dialogue with Kosovo Serbs to make them feel at home, thus increasing the legitimacy of central institutions among Serbs living in the country's north. This would unlock the country's economic potential, enable it to build a sustainable peace, and open the way to EU and NATO membership.