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COMMISSION STAFF WORKING DOCUMENT

Kosovo* 2022 Report

Accompanying the document

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

2022 Communication on EU Enlargement policy

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

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1. INTRODUCTION

1.1. CONTEXT

The EU-Kosovo Stabilisation and Association Agreement (SAA) has been in force since April 2016. A second phase of the European Reform Agenda was adopted in October 2021 to further guide the implementation of EU-related reforms under the SAA framework. The authorities continued to demonstrate visibly their commitment to Kosovo's European path.

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

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

The COVID-19 pandemic continued throughout the reporting period. The public health containment measures and other restrictions introduced to limit the severity of the pandemic were lifted in May 2022. During the reporting period, Kosovo adopted two fiscal packages in order to mitigate the severe economic and social impact of the crisis.

After Russia's invasion of Ukraine began at the end of February 2022, Kosovo immediately condemned Russia's war of aggression and expressed support for Ukraine's independence, sovereignty and territorial integrity. The government adopted several packages of restrictive measures against Russia and Belarus, mirroring the measures imposed by the EU and the United States. The government also responded to the refugee crisis, suspending its visa regime for citizens of Ukraine. Kosovo declared its readiness to accept up to 5 000 refugees and to host 20 Ukrainian journalists.

1.2. SUMMARY OF THE REPORT[1]

The reporting period overlapped with the first full year in office of the Vetëvendosje-led government. Kosovo enjoyed political stability, with the government holding a solid majority in the Assembly.

The Assembly's work continued to be negatively affected by a polarised political atmosphere and difficulties in achieving decision-making quorum, even though the government relies on a strong majority. This is partly due to poor management of the legislative agenda on the part of the majority but also because opposition members of the Assembly (MPs) abstained from voting to prevent legislation from being adopted.

[1] This report covers the period from June 2021 to June 2022. It is based on input from a variety of sources, including contributions from the government of Kosovo, and EU Member States, European Parliament reports and information from various international and non-governmental organisations. This also includes the results of comparative assessments and indices produced by other stakeholders, in particular on rule of law.
The report uses the following assessment scales to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress, and very good progress. Where appropriate, also interim steps have been used.

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The 2021 municipal elections were overall well-organised, transparent and competitive. Kosovo's electoral process still needs comprehensive strengthening to address long-standing weaknesses throughout the electoral cycle, as identified in successive EU election observation missions since 2014.

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

There is some level of preparation in the area of public administration reform, but limited progress was made in this area. Notably, some key positive steps were taken by developing overarching strategies on public administration reform (PAR) and public finance management (PFM) for 2022-2026, adopting legislation to proceed with the first wave of streamlining of public agencies and launching the development of a new salary law. There has been little progress in implementing the existing legislative framework for public administration reform.

Kosovo is still at an early stage in developing a well-functioning judicial system. While some progress was made, the overall administration of justice continues to be slow, inefficient and vulnerable to undue influence. Steps were taken to start implementing the rule of law strategy and action plan and to reform the legislative framework governing the prosecutorial system by amending the Law on the Kosovo Prosecutorial Council. Justice reform should be addressed first and foremost by improving the implementation of existing tools to safeguard the integrity, the independence and the efficiency of the judicial system. The government's commitment to fully implement the Venice Commission's Opinion on the concept document on vetting of judges and prosecutors, in close cooperation with the EU, is welcome.

Kosovo is at an early stage / has some level of preparation in the fight against corruption. During the reporting period, some progress was made with the adoption of significant anti-corruption legislation. There is a need to improve the implementation of the overall legal framework. Sustained efforts are needed to achieve more proactive investigations, final court decisions and final confiscation of assets. Despite the efforts already made, there is a need for strong political will to continue to effectively address systemic corruption risks and a robust criminal justice response to high-level corruption.

Kosovo is at an early stage in the fight against organised crime and limited progress was made in investigating and prosecuting organised crime cases. The powerful tools envisaged by the Criminal Code and the Law on Extended Powers of Confiscation are not yet fully utilised. A number of successful operations targeting organised crime took place, involving international and cross-border cooperation. Fighting organised crime in the north of Kosovo continues to be challenging.

Some progress was made in the fight against terrorism and the fight against and prevention of violent extremism, in line with the objectives set out in the EU-Kosovo implementing arrangement for the Joint Action Plan on Counter-Terrorism for the Western Balkans. The Kosovo authorities need to be more effective in their efforts to combat money laundering and the applicable law should be brought in line with the EU *acquis* and international standards. The legal framework broadly guarantees the protection of human and fundamental rights in line with European standards. Kosovo showed commitment to addressing gender inequality. More needs to be done to effectively guarantee the rights of persons belonging to

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minorities, including Roma[2] and Ashkali and displaced persons, to ensure gender equality in practice, and to advance the protection of cultural heritage. The lack of administrative instructions to implement the law on child protection hampers further progress in this area. As regards freedom of expression, Kosovo has some level of preparation and benefits from a pluralistic and lively media environment. However, concerns remain regarding public smear campaigns, threats and physical attacks on journalists. The lack of financial self-sustainability leaves the media, including the public broadcaster, vulnerable to political and business interests.

The Kosovo authorities continued to make progress in managing migration. Migration governance and asylum should be further strengthened.

Kosovo made some progress on the economic criteria, and is at an early stage of developing a functioning market economy. The economy demonstrated resilience during the pandemic. Nevertheless, long-standing structural challenges, such as the widespread informal economy, the high prevalence of corruption and the overall weak rule of law, continue to hinder the private sector.

While the fiscal rule has been suspended since 2020, the economic recovery as well as formalisation gains led to a strong increase in tax revenue and a low public deficit in 2021. Driven by surging commodity prices, inflation increased substantially. The financial sector remained stable, and lending continued to expand. Despite strong political opposition, the government took fiscally prudent positions regarding war veterans' pensions and the Kosovo Pension Savings Trust.

Kosovo made limited progress and is at an early stage in terms of ability to cope with competitive pressure and market forces in the EU. Little progress was made on improving the quality of education and addressing skill gaps in the labour market. Kosovo made some progress in improving road infrastructure and increasing investment in renewables, but the coal-based, outdated and unreliable energy supply remains a concern. Kosovo still lacks a long-term energy strategy. Kosovo made some progress in digitalising the economy.

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

The EU-facilitated Dialogue on the normalisation of relations with Serbia continued with regular monthly meetings on the level of Chief Negotiators and a High-level meeting on 18 August 2022. The Parties adopted an Energy Agreements' Implementation Roadmap in June 2022 and agreed on travel with only identity cards between Kosovo and Serbia in August 2022. Kosovo needs to engage more constructively and make further substantial efforts on the implementation of all past agreements and contribute to reaching a comprehensive legally binding normalisation agreement with Serbia. Such an agreement is urgent and crucial to enable Kosovo and Serbia to advance on their respective European paths.

[2] All these groups are considered under the wider ''Roma'' umbrella term under the EU framework for National Roma Integration Strategies.

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During the reporting period some progress was made in aligning with European standards in the area of statistics and financial control, while limited progress was achieved in aligning with European standards in the areas of public procurement. In most of the areas related to the internal market, Kosovo has some level of preparation, including on competition. During the reporting period, Kosovo made some progress in all areas, except on consumer policy and health protection, where only limited progress was made.

Kosovo made some progress in the areas of competitiveness and inclusive growth (customs, taxation, economic and monetary policy, digital transformation and media, enterprise and industrial policy, social policy and employment, education and culture) and limited progress in the area of research.

On the Green Agenda for the Western Balkans and sustainable connectivity, Kosovo made some progress in the area of transport and limited progress in the areas of energy, environment and climate change. In the field of resources and agriculture, Kosovo made some progress on food safety, veterinary policy and phytosanitary policy, but only limited progress on agriculture.

On external relations and trade policy, Kosovo made limited progress during the reporting period and is at an early stage of preparation. Kosovo has not yet ratified the Central European Free Trade Agreement's additional protocols on trade facilitation and trade in services. Kosovo introduced export restrictions on a number of agricultural food products without justifications or prior consultation with the Commission.

Overall, Kosovo needs to improve its administrative capacity and coordination, across all sectors, to achieve effective implementation of the EU *acquis*.

CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

2.1.1 Democracy

The reporting period overlapped with the first full year in office of the Vetëvendosje-led government. Kosovo enjoyed political stability, with the government holding a solid majority in the Assembly. This political enviroment has been conducive to Kosovo stepping up its efforts to strenghten democracy and the rule of law, to fight corruption and to intensify legislative activities, including on EU-related reforms.

Opposition parties generally remained actively engaged in the Assembly, and on some occasions supported key EU-related legislation. However, a frequent lack of quorum in the Assembly and boycotts by opposition parties caused delays in adopting key laws.

In autumn 2021 Kosovo held regular local elections. Despite shortcomings, the elections were overall well-administered and transparent. They were also competitive, except in Kosovo Serb areas. Women remain under-represented at all levels of participation and decision-making: in political parties, electoral administration, as well as central and local assemblies.

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Elections

The 2021 municipal elections were overall well-organised, transparent and competitive. The campaign was vibrant, and a plurality of contestants offered voters a real choice, with the exception of the Kosovo-Serb municipalities, where political competition was limited. The very low number of women in mayoral races reflects low female political participation in Kosovo.

Kosovo should address long-standing weaknesses, as identified by successive EU election observation missions since 2014. Kosovo should implement all the recommendations, in particular regarding procedural shortcomings and disproportionate restrictions that contradict international standards. The Assembly established an *ad hoc* committee to address these recommendations. Key recommendations should be implemented well in advance of the next elections. The new electoral legislation should contain safeguards that limit political interference in the electoral process.

Kosovo held regular mayoral and municipal assembly elections on 17 October 2021 in all 38 municipalities, and 21 mayoral election run-offs on 14 November 2021. Elections were assessed by observers as well-administered and competitive, while the election campaign was peaceful. Vote counting and the tabulation of results were assessed as transparent, yet the process was lengthy and marred by significant weaknesses.

In the first round, 17 out of 38 mayors were elected. The run-off mayoral elections took place four weeks later in the remaining 21 municipalities, including in the two biggest cities, Pristina and Prizren. Voter turnout in the first round was 42.72%, and 37.08% in the runoffs.

Out of 14 women mayoral candidates, only two were placed in their party's electoral strongholds and both were elected. A total of 1 937 **women** (37%) stood for municipal assembly seats, in accordance with the 30% gender quota for including women on electoral lists, and 36 of them (12%) headed lists. Few political parties exceeded the 30% gender quota, and therefore did not meet the 50% target for representation foreseen in the Law on Gender Equality.

The **legal framework** for elections remains unchanged since 2010. Kosovo should address all shortcomings and contradictory provisions in the law. Almost all recommendations offered by previous EU electoral observation missions remain unaddressed, mainly due to the frequency of early parliamentary elections. Political parties need to deliver on their commitment and to actively participate in the *ad hoc* committee to address all recommendations from successive EU observation and expert missions in a comprehensive and transparent manner.

Political parties need to seriously address the issue of **gender inequality** in their programmes and statutes, and to take affirmative action to overcome the obstacles that limit women's participation in political life. Kosovo needs to harmonise verification mechanisms for and restrictions on candidates with criminal records in line with international standards. The Assembly adopted the Law on Political Party Financing and Campaign Financing.

Parliament

The Assembly's work continued to be negatively affected by a polarised political atmosphere and a lack of decision-making quorum, despite the fact that the government relies on a solid majority of 67 seats (out of 120). The Assembly increased the use of fast track/accelerated procedures for adoption of key legislation. Efforts are needed to strengthen the role of the Assembly as a forum for constructive political dialogue and consensus-building, particularly

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regarding the EU reform agenda. The Assembly adopted new rules of procedure. The Assembly still needs to improve its internal management, adopt an annual work plan, swiftly move from a show-of-hand system to electronic voting and strengthen its oversight function.

The Assembly remained the main forum for political dialogue between the ruling majority, opposition and non-majority communities. However, inflammatory language against political opponents continued to be used in debates. The majority and the opposition need to improve political dialogue and work together to further advance the EU reform agenda and build consensus around major reforms. Due to the local elections in the autumn of 2021, the Assembly's work slowed down as MPs engaged in the electoral campaign.

Frequent absences of members of the Assembly Presidency in meetings, the non-participation of Srpska Lista, and later the resignation of the Democratic Party of Kosovo (PDK) Vice-President upon his election as mayor of Mitrovicë/a, made it frequently impossible for the Assembly Presidency to reach a quorum to hold meetings.

Regarding the Assembly's **legislative role**, it often lacked a decision-making quorum, partly due to poor management of the legislative agenda on the part of the majority but also because opposition members of the Assembly (MPs) abstained from voting in order to prevent the adoption of legislation. As a result, agenda items were delayed for months.

During the reporting period, the Assembly approved 77 laws, 27 of which related to the ratification of international agreements. A total of 21 laws, including the Law on Budget 2022 and the Law on Mid-year 2022 Budget Review were approved by accelerated procedure, thereby deviating from the deadlines provided by the rules of procedure. With regard to EU-related reforms, the Assembly adopted a number of significant pieces of legislation, amongst others the law on asset declarations and on political party financing.

The Assembly plenary debated regular annual reports of independent bodies. The Assembly should support the work of the independent regulators and institutions more systemically, by appointing their board members in a timely manner and ensuring regular monitoring of the implementation of the recommendations provided by committees.

The Assembly has no annual work plan. The Assembly needs to improve the planning and coordination of its work to ensure a more predictable law-making process and attendance of MPs and ministers.

For over a year the Assembly has not reinstated the electronic voting technology and continued using a show-of-hand voting system, which on many occasions led to incorrect voting results. More importantly, under the show-of-hands voting system the Assembly does not publish the voting records of MPs, which undermines transparency and accountability to the public.

There were efforts to improve **parliamentary oversight** of all government branches; yet, effective control remains weak. The Assembly exercised its oversight of the executive through sessions for parliamentary questions, ministerial hearings by committees, and monitoring of implementation of laws. The Assembly has to exercise all available tools to hold the government and other institutions to account.

Governance

During the reporting period, Kosovo enjoyed political and institutional stability, which provided a conductive environment and opportunities to implement EU-related reforms and adopt overdue

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legislation. In this context, some progress was made in adopting and implementing EU-related reforms. Kosovo adopted the National Programme for the Implementation of the Stabilisation and Association Agreement (NIPSAA) and the European Reform Agenda (ERA) II Action Plan. Kosovo has strenghtened its capacity to coordinate the implementation of commitments and obligations arising out of the Stabilisation and Association Agreement (SAA) and ERA II, and has improved reporting mechanisms. To pursue reforms more effectively, it is essential that the government builds on existing achievements, ensures cross-party support for reforms, and decentralises the decision-making process by delegating more responsabilities to the line ministries. Kosovo should use the period without any regular elections to fulfil its obligations under the SAA and ERA II.

In August 2021, the government adopted an Action Plan to implement the second phase of the ERA, which was subsequently endorsed by the Assembly in October 2021. In March 2022, the government approved the NIPSAA for the period 2022-2026, which was endorsed by the Assembly in April 2022.

During the reporting period, the government made efforts to further strengthen the inter-institutional **coordination of EU-related affairs**. The Office of the Prime Minister (OPM) coordinates and monitors the EU integration process through the First Deputy Prime Minister for European Integration, Dialogue and Development, as the highest-level political appointee in charge of this process, and the Office of Coordination of the Stabilisation and Association process. Although inter-institutional coordination structures for the European integration process are in place, coordination between line Ministries faces challenges.

In early 2022, Kosovo prepared a detailed calendar of activities relating to the implementation of SAA and ERA II to set a clear timeline to fulfil the commitments. More efforts are expected to increase the trust, and in turn, to strengthen coordination between the political and technical-level staff. Coordination, planning and monitoring of donor assistance, as well as project preparation, needs to be further strengthened for Kosovo to benefit from opportunities under the Instrument for pre-Accession and the EU Economic and Investment Plan.

As regards **local government**, disparities between municipalities in their performance and delivery of services continued. Kosovo legislated for the decentralisation of a set of social welfare and social protection competences, but municipalities have still not received funding for the implementation of these services. Moreover, municipalities have a very low own-source revenue base and there is room for improved collection of property taxes in particular. Municipal fiscal autonomy and accountability could also be improved with increasing the size of the general grant or introducing revenue-sharing mechanisms. In terms of governance, municipal assemblies do not play a strong oversight function over the municipal executive.

Civil society

Overall, civil society continues to operate in an enabling environment. Cooperation with the government needs to improve further through a higher level of engagement and transparency. Efforts remain necessary to enhance the transparency of public funding for civil society organisations (CSOs), as well as to ensure that legal requirements stemming from the Law on the Prevention of Money Laundering and Terrorist Financing do not put undue limitations on the financial viability of low-risk CSOs.

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An empowered civil society is a key component of any democratic system and continues to be recognised as such by public institutions.

Civil society in Kosovo continues to foster democracy and pluralism, participating in decision making processes, monitoring policies and promoting good governance and social progress. They also actively contribute to the design, implementation and monitoring of EU-related reforms, and regularly participate in the policy dialogue platfom foreseen by the Stabilisation and Association Agreement (SAA). Civil society organisations are generally free to exercise their rights of association, assembly and to critically express their views without undue pressure from public authorities, including those promoting civil, political, economic, social and cultural rights.

Limited progress has been achieved with the implementation of the strategy for cooperation with civil society 2019-2023. The Government Council for Cooperation with Civil Society met only once in 2021. The work of the Council needs to become more effective and accessible, including through the regular publication of key activities.

Public consultations are organised by central-level institutions. The online platform the government uses for this purpose has been improved with features allowing visualisation of key statistics. At municipal level, the number of online consultations has slightly increased but it remains significantly lower than those organised at a central level by relevant ministries. Public participation in the legislative process is still limited and inputs provided by civil society are not systematically reflected in public consultation reports.

Public funding for non-profit organisations is reported annually and made publicly accessible through an online database. The government appointed public funds coordinators in each public central institution with the aim of boosting the effectiveness of the process. The regulation on public funding to NGOs requires regular monitoring and follow up by the Ministry of Finance. The existing platform for public financing of CSOs has been upgraded, but public officials have limited capacity to implement public calls. A technical working group was created to review the current regulation.

An updated sectoral risk assessment of the civil society sector remains necessary in order to allow for a flexible approach to lower-risk CSOs. No progress was noted regarding the implementation of the 2019 Law on Freedom of Association that would ease organisations' registration process.

The environment for volunteering needs to be improved, including by putting in place an appropriate legislative framework, aligned with international standards, as well as allocating financial and human resources for youth volunteering programmes.

2.1.2 Public administration reform

Kosovo remains at **some level of preparation** and made **limited progress** in public administration reform (PAR). Notably, some key positive steps were taken by developing overarching strategies on PAR and public finance management (PFM) 2022-2026, while maintaining the implementation of PFM strategy on track, adopting the law on the first wave of streamlining of agencies and launching the development of a draft salary law that needs to be finalised and adopted. While the legislative framework on various aspects of PAR is partially in place, progress is lacking as regards implementation. Following the 2019 rulings of the Constitutional Court, ongoing amendments to the Law on Public Officials need to be aligned with PAR principles prior to adoption. The delay in implementing the Law on Public Officials

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has undermined the organisation of centralised recruitments. The finalisation of job classifications and the systematisation of positions have been slow, and this has created significant discrepancies in administrative capacity. Insufficient implementation of the Law on the Organisation and Functioning of the State Administration and Independent Agencies (LOFSAIA) has led to an unsatisfactory level of improvement in the administration's performance and accountability. The process of streamlining agencies has been delayed and, to be successful, needs clearer leadership and strengthened capacities to ensure the delivery of quality results. Strengthening capacities in the Ministry of Internal Affairs, to ensure effective implementation of the Law on General Administrative Procedures, is also required.

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

→ improve the functioning of the civil service by expediting the implementation of the Law on Public Officials in line with the relevant Constitutional Court ruling and with PAR principles, while organising centralised recruitments;

→ develop a coherent wage scheme in line with the principles of merit, fairness and equal treatment in the civil service, while finalising the internal organisation of the ministries, by putting in place job classifications and job systematisation in the civil service, which are enabling conditions for a coherent wage scheme;

→ improve the legal certainty and reduce the administrative burden of the public administration towards businesses and citizens, by implementing the Administrative Prevention and Burden Reduction Programme and the Law on General Administrative Procedures;

→ improve accountability in the public sector by: (1) effectively implementing the Law on Organisation and Functioning of the State Administration and Independent Agencies and (2) expediting the ongoing streamlining of agencies by setting up a steering body and adopting a revised action plan for rationalisation.

Strategic framework for public administration reform

A new overarching public administration reform (PAR) strategy is under preparation, merging the previous **public administration reform strategies** on modernisation of the public administration, on policy planning and coordination and on better regulation into one umbrella framework. The Public Administration Modernisation Strategy 2015-2020 expired, but its action plan continued to be implemented in 2021 with an improved but still relatively low implementation rate (37%) in the reporting period. A new monitoring platform is being prepared, to enhance implementation of the strategic indicators and targets and to provide transparent information on progress to the public. Monitoring of reforms has not been systematic as PAR and public finance management (PFM) annual and bi-annual reports for the year 2021 have not been approved. The Ministerial Council on PAR is in charge of internal coordination of the PAR strategic framework at the political level, but more **political support** is needed in order to make this a functioning body and provide regular monitoring and reporting on PAR. At the technical level, the Ministry of Internal Affairs is in the lead, but its limited capacities prevent it from effectively supervising and leading PAR. A functional analysis of the Ministry has been prepared to serve as a basis for a regulation on its organisational structure.

Policy development and coordination

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As regards **policy-making**, Kosovo made some progress on further building some foundations for strategic planning. It developed a strategic management framework that, once implemented, should (i) provide a clear hierarchy of objectives; (ii) improve performance measurement with clear targets linked to the medium-term policy planning and budgeting framework and increase managerial accountability. The National Development Strategy 2022-2030 (NDS) is still being developed. Maintaining the hierarchy between priorities of this strategy and sectoral ones requires political support across line ministries. Budgeting and policy planning need to be better integrated, by linking overall policy planning and sectoral strategies' objectives and medium-term expenditure framework (MTEF) and budget documents. The capacities of the Strategic Planning Office, under the Office of the Prime Minister, responsible for overall coordination of planning, monitoring and reporting and for regulatory impact assessments, need to be further strengthened.

Limited progress was made in further strengthening **inclusive and evidence-based policy and legislative development**. Upgraded administrative capacities are needed, in the Office of the Prime Minister, to ensure quality control of regulatory and budget impact assessments and of **public consultations**. The capacity of line ministries also needs to improve in order to increase the use of these tools for policy making and to make the conduct of public consultation and regulatory impact assessments more effective. Public consultations on various draft legislation are organised very late in the process and inputs provided by civil society are not systematically reflected. The government should ensure that the legislative process complies with principles and standards on legislative drafting, including by systematically issuing concept documents as a basis for reform.

Public finance management

A new public finance management (PFM) reform strategy (2022-2026), including public procurement and public internal financial control, has been drafted but not yet adopted. Reporting on the 2021 transitional action plan was delayed. Despite the negative effects of the pandemic, the implementation rate of the 2017-2021 PFM strategy has remained on track, maintaining the pace of reform albeit better in some areas than others. Building on this, the focus now needs to be on two main elements: strengthening fiscal discipline, notably by improving revenue collection and tax compliance in line with international standards as well as improving the accuracy and credibility of budget planning and execution annually and in the medium-term. Improving public investment management will be key in this respect as well as ensuring coherence between the medium-term expenditure framework (MTEF) and the national development strategy (NDS) 2030, as well as between the MTEF and sectoral strategies. Overall, the Ministry of Finance, Labour and Transfers should improve ownership of the new PFM strategy and new organic public finance management law, not least as they affect the implementation of the Economic Reform Programme for 2022-2024.

In the area of **public procurement**, expansion of the e-procurement modules progressed and increased linkages between this system and the Kosovan financial management information system support commitment control and proper budget implementation.

As regards **budget transparency**, citizen-friendly budgets continued to be published but updated information on budget implementation is no longer available on the fiscal transparency portal. (*See also chapters on public procurement, taxation, customs and financial control*)

Public service and human resource management

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The Law on Public Officials (LPO), adopted in 2020, determines the scope of the civil service and the legal basis for **merit-based recruitment, promotion and dismissal**. However, the Constitutional Court ruled in 2019 that the current LPO was partly unconstitutional. The draft amendments to the law are broader than requested in the ruling, and need to be aligned with merit principles prior to adoption. Irrespective of such amendments, implementation of the current LPO, has been seriously delayed, causing various constraints and gaps in administrative capacities across the public administration. This is due to the Ministry of Internal Affairs' (MIA) poor ability to steer those processes and organise centralised recruitment for entry positions. An annual recruitment plan has yet to be adopted.

The MIA is in charge of implementing the **human resources management (HRM) policy** throughout the public administration, but its capacities are insufficient to effectively steer public administration reform. Each institution, at both central and local level, has human resources management units, but capacities need to be upgraded. While an information system for human resources management (HRMIS) is functional, but relevant civil service data is lacking, which hampers reporting on the implementation of LPO and coordination of HRM between central and local level and it reduces public transparency. The functioning of the Independent Body for Oversight and Civil Service needs to be ensured, and its capacities improved to better monitor and supervise efficiently civil service procedures and deal with appeals. Kosovo should strengthen the human resource management system by improving job classification and standardisation of positions and by creating an interconnection with the electronic payroll system. Compliance of **appointments and dismissals** of civil servants with the formal procedures laid down in the LPO still needs to be improved and a consistent rule-based system of selection and merit–based recruitment must be ensured in practice. The representation of non-majority communities in the central administration, as well as the number of women in senior positions, remains insufficient.

The legal basis of the **remuneration system** remains fragmented, resulting in a system that fails to ensure the principles of transparency, merit and equal treatment. Such fragmentation contributes to significant differences in the basic salary for equal positions in public institutions. Following the ruling of the Constitutional Court, a new draft Law on Salaries is currently being developed and should address unfair salary structures, abuse of allowances and discretionary decision-making. However, before adopting a new wage scheme, key reforms on civil service and human resource management need to be done in parallel, in order to ensure a fair and transparent system of equal pay for equal qualifications in the civil service. Those reforms entail finalising the internal organisation of ministries, including definition of job classifications in line with the Law on Public officials and finalising job systematisation. The situation is aggravated by the lack of data, such as an official analysis of civil service salaries.

There is no systematic approach to the **professional development** of civil servants. The Kosovo Institute for Public Administration, which provides training for civil servants, is largely dependent on donor support. The LPO lays down rules and criteria for the development of civil servants, including performance appraisal, mobility and promotion. However, those provisions are not implemented in practice and an effective performance management system still needs to be put in place.

Integrity plans to promote **integrity in the public service** exist**,** but implementation remains limited. Implementation of the Law on protection of whistle-blowers has started and related crucial secondary legislation developed. However, whistle-blowing mechanisms and protection

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requirements still need to be strengthened and effectively implemented. Reports on disciplinary measures against civil servants are published regularly. (*See section on the fight against corruption*)

Accountability of the administration

The Law on the organisation and functioning of state administration and independent agencies (LOFSAIA), covering performance and accountability, is not sufficiently implemented. The rationalisation process is delayed because the review of agencies was not done by the end of the transitional period provided for in the law. Generally, reviews of restructuring agencies and establishing new ones, in line with LOFSAIA standards, remain limited due to the weak capacities of the Ministry of Internal Affairs to control the quality of these processes. Although the Assembly adopted the Law on the first wave of rationalisation in agencies, there is no strategic and comprehensive approach to steer and monitor the delivery of quality results. Consequently, the lines of accountability in public administration remain blurred, with too many independent agencies sharing executive functions and reporting to the Assembly and many subordinated agencies reporting, inefficiently, to line ministries. The government should take forward the rationalisation process more strategically, by reviewing the action plan on rationalisation of agencies, setting up an inter-governmental working body to steer and upgrade oversight capacities to monitor the process and by providing more guidance - developing the related LOFSAIA methodological framework - to line ministries. In addition, reforming delegation chains in the civil service is key to establishing a system in line with principles of managerial accountability: Rules are needed on the financial and administrative aspects of delegating managerial responsibilities, and middle and high-level managers need to be empowered to take decisions *(See Chapter 32).*

Public scrutiny of the work of government is still limited. The Assembly's oversight of the government must be strengthened, and a more systematic review of the Assembly's bills by the government must be put in place. Efficient implementation of the Law on access to public documents remains a challenge. Despite the appointment of a new Commissioner for Information and Privacy, he does not have enough supervisory powers to ensure an independent appeal mechanism if public bodies deny or ignore requests. Public bodies continue to not proactively disclose, on their websites, annual plans, reports, budgets and financial plans.

The Kosovo National Audit Office and the Ombudsperson are the key institutions ensuring **citizens' right to good administration.** However, their recommendations are not always efficiently implemented by public bodies. The judiciary needs to increase its efficiency in handling administrative disputes to ensure citizens' rights and access to administrative justice. The Basic Court of Pristina still struggles with a large backlog of administrative cases, with many incoming minor offence cases. Fragmented legislation affects the liability of public authorities in cases of wrongdoing and the **right to seek compensation**.

Service delivery to citizen and businesses

The government has been addressing reforms in this area in a piecemeal manner, through progress in individual institutions, rather than comprehensively transforming service delivery. Implementation of the Law on general administrative procedures has been slow. The Administrative Burden Prevention and Reduction Programme 2022-2027, still to be adopted, aims to provide a more comprehensive approach, by both reducing administrative requirements for permits and licenses, by means of legislative simplification and digitalisation, and ensuring

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better compliance with the Law on General Administrative Procedures (LGAP). Services are also available to citizens and businesses through the e-Kosova digital portal, but this does not address issues with over-the-counter service delivery. Data quality and reliability remain a challenge; the Ministry of Internal Affairs is responsible institution for service delivery but lacks a specialised unit to manage and monitor public service delivery policy. Service delivery to groups in socially vulnerable situations, including persons with disabilities, remains inefficient.

Chapter 23 - Judiciary and fundamental rights

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

Kosovo is at **an early stage in/has some level of preparation** for applying the EU *acquis* and the European standards in the area of the judiciary and fundamental rights. **Limited progress** was made, including some progress on the functioning of the judiciary and on investigation and prosecution in certain organised crime and high-level corruption cases. The capacity of the judiciary and prosecution, including for handling cases in a timely manner, remains weak. On fundamental rights, the government needs to: (i) ensure oversight of the legislation's implementation; (ii) streamline strategies; and (iii) better coordinate policies.

Functioning of the judiciary

Kosovo is at an **early stage** in developing a well-functioning judicial system. The overall administration of justice continues to be slow, inefficient and vulnerable to undue influence. During the reporting period, **some progress** was achieved. Steps were taken to start implementing the rule of law strategy and action plan and initiating the reform of the legislative framework governing the prosecutorial system by amending the Law on the Kosovo Prosecutorial Council. Kosovo completed the roll-out of an electronic Case Management Information System across all courts and prosecution offices and continued to strengthen the central criminal records system, although challenges remain. Kosovo made efforts to implement the Law on Mediation. The Kosovo Judicial Council adopted a protocol to ensure a more effective and efficient implementation of mediation services, and each prosecution office throughout Kosovo has officials handling mediation cases. The government has adopted a concept document setting out its proposal to carry out a comprehensive vetting of judges and prosecutors. A comprehensive approach to justice reform, which is based on a holistic view of the gaps and weaknesses of the judicial system, is necessary to ensure long-term impact. Justice reform should be addressed first and foremost by improving the implementation of existing tools to safeguard the integrity, the independence and the efficiency of the judicial system, including through appropriate legislative changes. These mechanisms include, *among other things,* an asset-declaration system, disciplinary procedures and consistent performance evaluation, in line with the recommendations of the Venice Commission Opinion of 17 June 2022 on the concept document on vetting and relevant European standards. The government has stated its commitment to follow the Venice Commission's recommendations on justice reform and to cooperate with the EU.

In the coming year, Kosovo should in particular:

→ improve the integrity and professionalism in the judicial system by improving the existing tools (asset declaration system, disciplinary proceedings, performance evaluations and

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integrity checks limited to high judicial institutions), including through appropriate legislative changes. Ensure that any justice reform is carried out in line with relevant Venice Commission recommendations and European standards.

→ continue to effectively implement the rule of law strategy and action plan without delay, by means of a regular and structured process that includes proper inter-institutional coordination;

→ step up efforts to reduce the backlog of cases based on a revised plan supported by a digitalisation strategy; to that end, ensure the systemic use of the Case Management Information System by judges, prosecutors and support staff for automatic case assignment, and further promote and properly finance the use of alternative dispute resolution tools, such as mediation, supported by a monitoring and evaluation system to follow up on the impact of mediation services. Ensure reliable statistical data, in line with the European Commission for the Efficiency of Justice (CEPEJ) methodology.

The COVID-19 pandemic affected the functioning of rule of law institutions and overall performance of the judicial system. There is a need to improve the overall use of digital technologies and adopt necessary legal amendments to facilitate remote court hearings. Efforts were undertaken to address the issue of criminal trials affected by the *three-month rule,* according to which a trial has to re-start after three months pass without any hearing. This affected prominent corruption and organised crime cases. As the Criminal Procedure Code (CPC) does not address this matter, the uncertainty should be urgently addressed.

Strategic documents

The functional review of the rule of law sector led to a rule of law strategy and action plan, which were adopted by the government in August 2021. The Strategy sets out specific measures that aim to increase the integrity and performance of anti-corruption mechanisms in Kosovo, strengthening the judiciary and prosecution, improving access to justice for all, protecting human rights, ensuring gender equality and reforming the Ministry of Justice to increase its capacities to implement the EU *acquis* and European standards. While implementation is ongoing, actions already taken under the Strategy include the establishment and bringing into operation of the Commercial Court, the adoption of amendments to the Law on the Kosovo Prosecutorial Council, the adoption of laws in the field of anti-corruption, the advancement of the performance evaluation systems within the Kosovo Judicial and Prosecutorial Councils and Council strategic plans. The Strategy calls for the setting-up of a Steering Committee and an inter-institutional body to monitor its implementation, which includes the involvement of both Councils. The Steering Committee, including judicial system stakeholders and civil society, has been set-up, but it needs to ensure consistent monitoring and tracking of progress in implementing the measures set out in the Strategy. In April 2022, the President set up the Council for Democracy and Human Rights, with the Rule of Law Strategy as one of its key components. This high-level coordination forum aims to serve as another layer of oversight and to support the implementation of the Strategy.

The Kosovo Prosecutorial and Judicial Councils regularly update **strategic plans** setting the objectives for the judiciary and prosecution system. Both Councils adopted annual action plans. During the reporting period, the Judicial Council adopted a strategic plan for the efficient solving of cases of corruption and organised crime, a communication strategy for 2022-2024 as well as the Strategic Plan for Access to Justice for 2022-2025. However, these plans do not always

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contain clear links to the respective strategies. The implementation of the strategies should be effectively monitored. While both Councils initiated coordination with donors and international partners, the Kosovo institutions should set up an effective central mechanism to ensure proper donor coordination to avoid inefficiencies, inconsistencies and duplication of efforts.

Management bodies

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

In March 2022, the government adopted amendments to the Law on Kosovo Prosecutorial Council with the aim of reducing a trend of corporatism within the Council. These amendments, *inter alia*, reform the composition of the Kosovo Prosecutorial Council by reducing the number of members (from 13 to 7) and changing the balance between the three lay members (appointed by the Assembly) and ten prosecutorial members (elected by their peers) – thus reducing the number of prosecutors to four, including the Chief State Prosecutor. The Venice Commission issued two opinions on these amendments, in December 2021 and March 2022. The second opinion assessed that the revised draft addresses the key issues identified in the December opinion, and provided further recommendations to finalise the draft amendments. The Assembly has addressed the additional Venice Commission recommendations and adopted the amendments in June 2022. A number of MPs submitted the adopted amendments for review by the Constitutional Court. There is a consistent delay from the Assembly of Kosovo in appointing the members of the Councils. The Assembly should regularly ensure the full constitution of both Councils, without any delay. The budget allocated to both Councils was decreased for 2022, compared to 2021. This has further limited the number of positions of professional support staff for courts and prosecution offices. The Councils should make use of statistics made available to the public for policy analysis and development.

Since 2017, **Kosovo Serb judges and prosecutors** are formally integrated in the judicial system. While the integration was a success overall, Kosovo consistently fails to ensure implementation of the provisions on the composition of panels for cases coming from Serb-majority municipalities, especially in the Court of Appeal. Kosovo must also ensure that judicial proceedings can be accessed in all official languages across Kosovo, in line with the Constitution. Immediate action is necessary to address the issue of lack of qualified translators, also to reduce the backlog of cases. Access to judgments and decisions rendered by the Serbian courts in Kosovo between 1999 and up until the integration of Serbian judges in October 2017 remains problematic. More importantly, Kosovo has not yet implemented the agreement providing for the recognition of such judgements and decisions. According to the Constitution of Kosovo, judges may not become involved in any political activity. The same principle is reflected in the Law on Courts and the Code of Ethics of judges. In April, the Kosovo Judicial Council imposed a disciplinary sanction on the President of the Mitrovica Basic Court for participating in a meeting with the President of Serbia, which it considered a political activity.

Independence and impartiality

The Constitution and the legal framework provide for clear safeguards for the **independence and impartiality** of the judiciary. Continuous efforts are necessary to ensure this in practice and

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effectively shield the judicial system from undue pressure and interference. The Councils should promptly react in all cases of alleged political interference in the prosecution and the judiciary.

The regulatory framework provides for the **random allocation of cases** through a case management information system. In practice, a significant number of cases remain manually assigned, especially when a judge is unavailable, which is a concern. Any deviation from the random allocation of cases needs to be explicitly justified and transparently documented. High profile and sensitive cases are not always processed in a timely manner.

During the reporting period, there was one request for **close protection** made by prosecutors, which was granted. There was no request for close protection made by judges.

Accountability

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

The Kosovo Judicial Council has established an Advisory Committee on Judicial Ethics. Both Councils continue to conduct **disciplinary procedures** against judges and prosecutors. There is a slight shift towards imposing less lenient disciplinary sanctions, compared to previous years. The number of imposed suspensions and demotions for judges and prosecutors is higher. The Councils should ensure strict and efficient proceedings in full compliance with the applicable legislation and the necessary procedural safeguards. While there are efforts in ensuring proper implementation of the legal framework regarding disciplinary proceedings, more willingness, diligence and work are needed to ensure consistent and effective application of disciplinary proceedings against judges and prosecutors. During the reporting period, the Kosovo Judicial Council established an electronic database to register all complaints and requests for initiation of disciplinary investigations as required by law.

Judges and prosecutors are obliged by law to **declare their assets** and gifts received, and to report any possible **conflict of interest** to the Anti-Corruption Agency. In 2021, one prosecutor and two judges failed to submit the asset declaration within the deadline of annual regular declaration.

The Kosovo government continued work on setting up a vetting system of the judiciary, in particular by adopting a concept document on vetting. The Venice Commission adopted, at its plenary session of 17-18th June 2022, an Opinion on this concept document. While the Venice Commission acknowledges the challenges facing the current judicial system, it concluded that the time is not ripe for the introduction of a large-scale vetting of all judges and prosecutors since "an important part of the problem is related to inefficient application of and gaps in the legislation on existing bodies". Kosovo should fully align with the Venice Commission recommendations by first exploring other avenues, including through legislative changes, such as ensuring a proper legal and regulatory basis for verification units within the Councils, making a more active use of asset declarations of judges and prosecutors, ensuring that irregularities in the asset declarations trigger disciplinary action and the set-up of integrity checks for high-level judicial institutions (in particular the Councils). Such concrete measures would represent an effective way to strengthen independence and accountability of the judicial system through legislative changes. Continued dialogue with the Venice Commission and the European Commission on the next stages of designing and implementing the envisaged justice reform should be ensured. Consultations with all relevant stakeholders, including the Councils, should

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continue. Finally, any reform aimed at improving the quality and independence of the system should not further deteriorate the efficiency of the judicial system.

Professionalism and competence

The Councils independently organise **recruitment processes for judges and prosecutors** on the basis of merit-based criteria, after which successful candidates are appointed by the President for an initial three-year term. During the reporting period, the Kosovo Judicial Council initiated the recruitment process for 54 new judges, among which eight positions for the Serb community in Kosovo. The President decreed 48 judges, out of which three are Kosovo Serb and one is Bosnian. The recruitment process was conducted in accordance with the legislative framework. The Kosovo Judicial Council has appointed the President of the Court of Appeals and the Basic Courts of Prizren and Gjilan. The Kosovo Judicial Council recruited a significant number of legal associates to support the work in the Basic Courts . In addition, the Council is in the process of certifying judicial experts. Any initiative in this regard should be properly coordinated amongst the relevant institutions.

The Kosovo Prosecutorial Council conducted the selection of the new **Chief State Prosecutor** as the term of office of the previous one expired in April. The EU, other international actors including the USA and German embassies in Kosovo, and civil society, publicly expressed disappointment over lack of fairness, transparency and merit principles in the process carried out by the Kosovo Prosecutorial Council. During the reporting period, the Council initiated the recruitment process for 16 new prosecutors, which resulted in 7 candidates being decreed by the the President. The process of appointment and reappointment after the initial term of office of judges and prosecutors must fully respect the principle of independent functioning of the judiciary and prosecution system, in line with the Constitution.

The Councils are required to carry out **performance evaluations** of prosecutors and judges with a permanent mandate every 3 years. While both Councils have revised the regulatory framework governing the performance evaluation of judges and prosecutors in the previous years, the impact is yet to be seen. Councils must ensure rightful and objective application of these regulations, leading to performance evaluations based on clear criteria and indicators.

Quality of justice

The Academy of Justice is responsible for delivering initial and in-service **training** for all legal professionals. In response to the pandemic, the Academy continued to provide online training. Since July 2021, the Academy has allowed participation to hybrid-type trainings. The curriculum for initial training is being revised. A new approach of trainings, supported by an EU-funded project, was adopted in November 2021 and is now implemented, in line with the requirements of the Rule of Law Strategy. Further in-service training is needed as regards ethics and integrity and professional skills, in particular in the field of management and administration. Oversight and reporting lines of the Academy should be strengthened in line with European best practices.

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

On **jurisprudence**, some progress has been made regarding the legal obligation for all courts to publish their judgments on an accessible and searchable web portal within 60 days, in all official languages. While there are improvements in the publication of judgments, timely and consistent publication has to be ensured. The prosecution offices publish relevant information on

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indictments on the website of the State Prosecutor within 24 hours. The Academy of Justice maintains a database of legislation, commentaries and other legal material accessible to all judges and prosecutors.

Kosovo had 432 judges (148 women and 284 men), 24 per 100 000 inhabitants, and 183 prosecutors (78 women and 105 men), 10 per 100 000 inhabitants in 2021. According to the European Commission for the Efficiency of Justice (CEPEJ), the European averages are 21 judges/12 prosecutors per 100 000 inhabitants. Kosovo still has a low percentage of **female** judges and prosecutors in comparison with most other European countries.

Although the number of **professional associates** in all Kosovo courts has increased in 2021, the number of legal staff directly assisting judges and prosecutors remains insufficient. A number of vacancies remain open as the Assembly did not approve the full request of the judiciary budget for 2022.

The **budget approved for the judiciary** for 2021 and 2022 is slightly higher than in 2020, rising from EUR 61.9 million in 2021 to EUR 67.2 million for 2022 (EUR 59.5 million in 2020), or respectively 2.46% and 2.45% of the general budget (2.27% in 2020).

For **e-justice tools**, the implementation of the case management information system (CMIS) is in an advanced phase. The roll out of CMIS in the Supreme Court marks the implementation of the automatic case assignment in all courts, instead of manual allocation. At the level of the prosecution, the implementation of CMIS remains a challenge. While formally, all Basic prosecution offices are using the CMIS, certain cases are still handled manually. The Appeals Prosecution and Chief State Prosecutor Offices are working towards full connectivity with CMIS. The police system is connected to the CMIS for exchange of data in criminal cases. The connection with the Civil Registration Agency and the Business Registration Agency is functioning well. Consistent use of the system is needed and should be encouraged by the management to ensure that the system is applied systematically and that the data entered is accurate and complete, in particular so that the automatically obtained statistical data on the performance of the judiciary and prosecution is reliable (in line with CEPEJ recommendations and methodology). Administrative staff require further training. Work on a National Centralised Criminal Records Registry (NCCR) is progressing, with nearly all cases and convicted persons entered into the system. However, the Kosovo Judicial Council and the courts need to ensure the systems' sustainability, including the proper use of CMIS, so that the data is properly inserted in the NCCR. The two IT systems still need to be made inter-operable. Legislation concerning procedures and responsibility over the NCCR still needs to be developed.

There is a tracking mechanism for high-level corruption and organised crime cases, which currently includes 82 cases. *(See section on fight against corruption)*

The **mediation system** has been operational since 2008. A mediation mechanism, in place since 2018, is implemented by both the Judicial and Prosecutorial Councils. There is a need for a monitoring and evaluation system to assess the overall impact of mediation services, the allocation and acceptance procedures, and the impact on the reduction of pending and backlog of cases. Both Councils have adopted internal regulations and protocols to support the mediation system. Proper budget allocation is seen as a challenge for both Councils. In 2021, the courts referred 3 119 cases to mediation, marking a slight decrease compared to 2020 (3 135 cases). The State Prosecutor and the prosecution offices solved 2,153 cases by employing alternative procedures, a decrease compared to 2020 (2 902). The number of licensed mediators remained

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the same, at 190 (67 women, 123 men), of whom 14 were from the Serb-majority municipalities. Public awareness of and familiarity with **alternative dispute resolution** tools remains low. The mediation system needs further strengthening, and this can be achieved through full implementation of the Law on Mediation and allocation of a sufficient budget. The Ministry of Justice has adopted two administrative instructions aiming at further improving free professions system and increasing the overall efficiency of the judicial system. The Kosovo Judicial Council published a protocol for referring appropriate civil cases to mediation.

Efficiency

The efficiency of the judicial system remains of concern. The clearance rate is particularly low for civil and commercial cases at first instance - 53% in 2021 (85% in 2019 and 70% in 2020) - and second instance - 66% in 2021 ((123% in 2019 and 115% in 2020) - and for administrative cases at second instance - 74% in 2021 (80% in 2019 and 78% in 2020). While the clearance rate for severe criminal cases at first instance was 105% in 2021 (107% in 2020), several factors hamper the **efficiency** of criminal justice. The capacity of judges to manage court proceedings efficiently needs to be significantly improved to avoid unproductive hearings, unreasonably protracted proceedings and ultimately low-quality decisions. In all case categories, there is a backlog with a sizeable number of pending cases older than two years. The newly established Commercial Court is functional as of August 2022.

Also, the **time taken for judgements** (i.e. the average time from filing a court case to receiving a judgment) remains a cause for concern as they are overall far too long. In 2021, the disposition time stands at 1 339 days for civil/commercial cases in first instance and 798 days for administrative cases in first instance. At second instance, that is 646 for civil/commercial cases and 426 days for administrative cases. Severe criminal cases take 613 days in first instance and 99 days in second instance. These delays in proceedings, in combination with a preference for detention over other restrictive measures, have led again to overly **long detention** cases. During the reporting period, the Ombudsperson continued to receive complaints against courts and prosecutors with allegations of unjustifiable delays in judicial proceedings. The authorities need to consider introducing an effective judicial legal remedy to address such delays, including compensation. The authorities also need to ensure proper managerial follow up on the deadlines, including reacting to delays with proper and timely managerial actions.

To further improve the quality and efficiency of the judicial system in Kosovo, judges, prosecutors and support staff should make full use of CMIS and related trainings. In addition, monitoring and evaluation of courts' activities and giving judicial systems adequate funding and human resources needs to be prioritised. The revised Criminal Procedure Code, pending in the Assembly for adoption, would address shortcomings in the criminal proceedings. The **sentencing policy** in relation to organised crime and corruption remains erratic, with courts not systematically implementing the Supreme Court's 2018 sentencing guidelines, despite the fact that the Court has established a committee to monitor its implementation.

Finally, continuous efforts are needed to introduce reliable **statistical systems** for the judiciary based on CEPEJ indicators, and to use the findings for the management and policy-making purposes.

Domestic handling of war crime cases

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The government has put forward measures to strengthen domestic institutional mechanisms dealing with **war crimes**. The amendments to the Criminal Procedure Code on the applicable procedure of trial *in absentia* of war crimes adopted in the Assembly have not been implemented. Despite recent amendments, meeting certain criteria defined by the law remains a challenge, in particular when suspects reside in Serbia.

The implementation of the strategy on war crimes adopted by the Kosovo Prosecutorial Council in 2019 continues to be hampered by the political context, lack of resources and the lack of international and regional cooperation. In the reporting period, the Kosovo Police arrested 3 persons suspected of war crimes and initiated 35 new investigations. Following the first conviction for a war crime at first instance since the end of EULEX's executive judicial mandate, in the reporting period, two other convictions were handed down by the Basic Courts. However, these judgements were later either sent back for re-trial or significantly modified in appeal. Significant obstacles remain in the proper adjudication of war crime cases. More broadly, concerns remain about the willingness to hold former Kosovo Liberation Army members accountable in war crimes cases.

In 2021, the Special Prosecution Office of Kosovo indicted one person for war crimes. In 3 cases, 4 persons were convicted. Despite the increase of assigned prosecutors (from three to four), the war crimes department of the Special Prosecution Office continues to struggle in processing the workload, which has constantly increased since 2018. There are over 1000 war crimes cases pending, mainly inherited from EULEX in 2018. There is a need for continuous training and support staff, in particular on police-prosecution cooperation. A number of requests for assistance transmitted through the Office of the EU Special Representative (EUSR) in Kosovo to Serbia were not addressed. Mutual legal assistance between Kosovo and Serbia in war crimes cases remains difficult. Cooperation with the UN International Residual Mechanism for Criminal Tribunals (IRMCT) in The Hague has resumed during the reporting period.

The Kosovo Specialist Chambers and Specialist Prosecutor's Office (SPO) have continued to investigate and prosecute violations of international law. In the reporting period, pre-trial preparations were ongoing in 2 cases, including against the then President of Kosovo, and 2 cases are in the trial phase. In one case, the Chambers found the chairman and his deputy of the Kosovo Liberation Army War Veterans Association guilty of obstructing official persons in performing official duties, intimidation during criminal proceedings and violating the secrecy of proceedings. Each accused was sentenced to 4.5 years of imprisonment. It is essential that Kosovo institutions provide full cooperation with the Specialist Prosecutor's Office and Specialist Chambers, enabling them to fulfil their mandate in full independence, without any outside interference.

The Government Commission on Recognition and Verification of the Status of Survivors of Sexual Violence during the Conflict continues its work. Still, the aspect of societal stigma that the survivors face and the limited number of cases approved for recognition and compensation might deter future applicants. Since the beginning of the process in February 2018, this Commission received 1 728 applications. So far, 1 274 persons have recognised status of survivors of sexual violence during the conflict. During 2022, this Commission received 107 applications and recognised the status of survivors of sexual violence during the conflict to 224 applicants. The timeframe of the law still excludes those who suffered conflict-related sexual violence after 20 June 1999.

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Kosovo should develop an overarching strategy for **transitional justice**, including a comprehensive approach to addressing its past. The Ministry of Justice is in the process of drafting the Transitional Justice Strategy. The same Ministry has started the work on the Draft law for establishment of an Institute for documentation of crimes committed during the war in Kosovo. The Government Commission on Missing Persons, within the Office of the Prime Minister, took over the leading role in the working group for the amendment to the Law on missing persons. The future of an initiative to establish a Truth and Reconciliation Commission remains unclear. Civil society remains actively engaged in reconciliation initiatives.

In 2021, excavation works allowed the identification of the remains of nine victims in Kizevak, Raška municipality in Serbia, and three in Sid in Serbia. The remains of nine victims from the conflict in Kosovo exhumed in Kizevak were handed over to their families in 2021. Three sets of human remains were also repatriated from Kosovo to Serbia. The Pristina delegation to the ICRC-chaired Working Group on the Missing Persons remained engaged during the reporting period. There was no session of the Working Group after April 2021 as the Pristina delegation refused to hold new meetings until the Belgrade delegation changed its head. Nonetheless, lower levels of the mechanism (Sub-Working Group on Forensic Issues and Analytical Team) continued to work on concrete cases and sites and held 13 meetings after April 2021 (of which, 11 in 2021 and 2 in 2022). In May 2022, Serbian authorities conducted excavations in Stavalj in the presence of the Kosovo Commission on Missing Persons, in line with the commitments made in the framework of the ICRC-chaired Working Group. No human remains were found.

Fight against corruption

Kosovo is at an **early stage/has some level of preparation**. In the reporting period, **some progress** was made with the adoption of significant anti-corruption legislation: the Assembly approved the new Criminal Procedure Code, the Law on the Agency for Prevention of Corruption, the new Law on Asset Declaration and legislation on political party financing. Yet there is a need to improve the implementation of the overall legal framework. In spite of the fact that the the Corruption and Financial Crime Department was established during the reporting period, the Special Prosecution Office filed few indictments in high profile cases. The Special Departments in courts handling high-level corruption and organised crime cases would benefit from additional and specialised support staff. Sustained efforts are needed to have more proactive investigations, final court decisions and final confiscation of assets. The legal framework on confiscation continues to be largely unimplemented and the value of finally confiscated assets remains low. The main problem remains the lack of implementation of existing legislation. Overall, corruption is widespread and remains an issue of serious concern. Despite efforts made, there is a need for strong political will to continue to effectively address systemic corruption risks and a robust criminal justice response to high-level corruption. Sectors most vulnerable to corruption require targeted risk assessments and dedicated actions.

In the coming year, Kosovo should in particular:

→ further strengthen the capacity of the Anti-Corruption Agency, in terms of staff and expertise, to ensure it can effectively carry out its mandate;

→ further strengthen the efficiency of confiscation regime by promoting systematic use of both extended and 'regular' confiscation by criminal prosecution and police; increase the level of specialisation and expertise in seizure and confiscation of assets; establish a confiscation fund;

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→ further strengthen law enforcement-prosecution cooperation and encourage multidisciplinary cooperation and the target-based approach to ensure proactive investigations and effectively combat high-level corruption cases; systematically conduct financial investigations during the criminal investigations; ensure the security of judges and prosecutors;

→ effectively implement the new legislation on political party financing.

Track record

Efforts continued with regards to the track record of **investigations, prosecutions and convictions** in the fight against corruption. However, more political will and resources remain necessary, in particular to tackle high-level corruption. In July 2018, the European Commission confirmed that Kosovo had met the benchmark in its visa liberalisation roadmap to strengthen the track record in the fight against organised crime and corruption. These efforts should continue to improve and the Commission will continue to actively monitor the further development of this specific track record. By the end of the reporting period the track record mechanism for visa liberalisation, established in 2015 to monitor and coordinate **high-level corruption and organised crime cases**, included 82 cases. By that time, there had been 72 indictments: 31 organised crime cases and 41 corruption cases, out of which 17 cases ended with convictions/partial acquittals, leading to the conviction of 15 individuals for corruption-related offences and 46 individuals convicted for organised crime-related offences.

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

The Anti-Corruption Agency handled some 375 cases (similar as in 2020) under preliminary investigation for suspicion of corruption related offenses (314 pending from 2021 and 61 from 2020) out of which 150 reports (involving 142 persons) were submitted to the prosecution and police to initiate criminal proceedings and 71 cases were terminated. The position of the Director of the Anti-Corruption Agency remained vacant for three months. After the expiration of the mandate of the former Director end September 2021, the Assembly appointed the new leadership only in December 2021. Thus far, the new leadership managed to process swiftly the backlog of cases.

In 2021, 4 783 officials (97.7%) of the 4 892 officials obliged to submit regular annual **declarations of assets** did so on time, while 56 officials did so after the deadline and 25 officials did not submit any declaration of assets. The Anti-Corruption Agency included 966 officials under the full assets control procedure, which was completed for 741 officials. More than 200 cases are being investigated due to a false declaration of assets and also for the non-declaration of assets. 190 cases were referred to the prosecution and police for further investigation (50 on suspicion of false declaration carried over from 2020 and 190 for failure to declare assets). There were 26 court decisions in 2021, out of which 25 convictions and one acquittal. Shortcomings persist in the system for declaring and assessing the origin of property belonging to senior public officials. The capacities of the Agency, in terms of number of staff, IT resources and training, should be increased. An electronic declaration system is coming into force in order to simplify the process of declaration and submission as well as increase transparency and accuracy in

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monitoring and verification. Cooperation and exchange of data with the police, the tax administration, the Financial Intelligence Unit, the cadastral registry and municipal authorities should be strengthened.

In 2021, the Agency handled 101 cases of **conflicts of interest.** The number of requests of institutions submitted to the Agency for advice and opinion on conflicts of interest has increased. The Agency provided its opinion in 63 cases, 1 case was forwarded for investigation, 1 case for a minor offence procedure and in 10 cases, a conflict of interest was avoided.

In 2021, the Agency handled 108 cases of corruption in the field of prevention of corruption in public procurement, out of which 18 opinions were issued, 64 recommendations have been respected and 19 not, and 7 cases were terminated.

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

Despite a fairly advanced legal framework in place, criminal **asset confiscation** remains low. The 2019 Law on Extended Powers of confiscation is in force but is not being consistently applied. Local coordinators for confiscation matters in the Prosecution Offices were appointed. Confiscation as a means of targeting the economic interests of criminal organisations remains underutilised by prosecutors, who remain the weakest link in this regard. Overall, the willingness to confiscate assets remains low. The confiscation of criminal assets should become a strategic priority in the fight against organised crime, terrorism and high-level corruption in the country.

In 2021, the value of preliminary confiscated assets amounted to about EUR 14 million (EUR 19 million in 2020) while the value of final confiscated property amounted to about EUR 770,000. Between July 2021 and March 2022, the prosecution offices confiscated assets in the total amount of about EUR 92,000 in three cases related with drugs, tax evasion and organized crime. The Agency for the Management of Sequestrated and Confiscated Assets (handling more than EUR 1.6 million in various assets in 2021) continues to struggle in managing the assets in its portfolio, partially due to the courts not allowing the anticipated sale of assets pending proceedings and partially due to the set-up of the Agency. The value of assets sold in 2021 was about EUR 52,000. The government approved the concept document on the establishment of a Confiscation Fund, which would allocate confiscated funds in part to law enforcement, prosecution and courts and in part to social projects.

Kosovo adopted a new regulatory framework on **funding for political parties and campaign financing.** Overall, it establishes a legal framework to ensure complete reporting, timely disclosure, meaningful oversight and accountability for irregularities. Kosovo should effectively implement the new law. There is lack of regular auditing by the Assembly and selective application of sanctions by the Central Election Commission, which results in an incomplete oversight of campaign finance. There is limited awareness and compliance with campaign finance rules. Most political entities did not establish internal financial control rules. Numerous sources of income and expenditures remain unreported. The process of auditing has failed for two years due to the low budget allocated to hire auditors.

Institutional framework

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Inter-institutional coordination and cooperation between preventive anti-corruption institutions and law enforcement entities is key to effectively implement anti-corruption legislation.

Prevention measures

The competences of the **Anti-Corruption Agency** include the verification and control of asset declarations and gifts, dealing with whistle-blowing and the prevention of conflict of interest. A law reorganizing the competences of the Anti-Corruption Agency has been adopted in view of strengthening the Agency's mandate in the field of prevention of corruption. Specifically, the Agency will be entitled to implement tools such as corruption proofing, corruption risk assessment, and integrity plans in the institutions. Furthermore, the Agency will have the competence to initiate administrative investigations and impose sanctions. It is essential to strengthen the capacity of the Agency, in terms of staff and expertise, and its budget needs to increase, in order to fully and effectively fulfil its mandate and new competences, including the verification of asset declarations and the implementation of the new anti-corruption prevention tools. The Auditor-General, the tax authorities, the customs authorities and the Financial Intelligence Unit also have inspecting and auditing powers.

More **joint training** must be provided for staff of the main anti-corruption bodies (which includes all entities responsible for the investigation, prosecution and adjudication of high-level corruption cases), in particular on financial investigations, asset confiscation, money laundering and cybercrime aiming also to strengthen inter-institutional cooperation and coordination.

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

Law enforcement

Kosovo has functional **specialised institutions** to fight corruption, including the National Coordinator for Combating Economic Crimes within the prosecutorial system, the Corruption and Financial Crime Department in the Special Prosecution Office and the relevant Police Directorate. Law enforcement authorities would benefit from additional resources to improve their operational capacity to conduct complex investigations. Police-Prosecution cooperation must be strengthened to ensure proactive investigations and to implement a joint target-based approach to combat high-level corruption cases. Financial investigations need to be launched systematically and in parallel. The use of special investigative measures, when applicable, should be strengthened. Measures and mechanisms to ensure the protection to judges and prosecutors from interference and pressure should be effectively implemented.

The Special Investigation Unit within the Kosovo Police, as the successor of the Special Anti-Corruption Task Force abolished in 2020, continued to operate with the same chain of command and under a temporary legal mandate. The government needs to ensure its sound legal and organisational structure, also to cooperate effectively with the Prosecution. The ongoing reform of the Kosovo Police organisational structure should ensure that the Special Investigation Unit maintains sufficient investigation capacity to efficiently fulfil its functions.

Following the re-structuring of the Special Prosecution Office in 2020, its capacity increased with the recruitment of prosecutors, professional associates and translators. It is essential to increase the level of specialisation and expertise on prosecuting high-level corruption and

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financial crimes. In 2021, the total number of indictments was 147 (146 in 2019), while the total number of sentencing decisions was 122 (36 in 2019).

The Special Departments in the Basic Court of Pristina and the Court of Appeals, which handle all cases of the Special Prosecution Office, have continued to function albeit with shortages in professional support staff. Additional support staff for the Special Departments are being recruited. Despite the establishment of the Special Department with exclusive jurisdiction on cases of the Special Prosecution Office, the average of time to conclude the proceedings in first instance is lengthy. There is a need to step up efforts to reduce the length of proceedings in these cases.

Legal framework

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

In July 2022, Kosovo adopted new **anti-corruption legislation** consisting of the Law on the New Criminal Procedure Code, the Law on the Agency for Prevention of Corruption and the Law on Asset Declaration. These are included in the European Reform Agenda II and incorporate recommendations from the Rule of Law Strategy. The new law on the Criminal Procedure Code aims at strengthening the criminal proceedings. The anti-corruption legal framework introduces, among other novelties, the preventive measure of suspension of officials from duty in case of obstruction of proceedings. The new Law on the Agency for Prevention of Corruption strengthens the mandate of the Agency in the field of prevention of corruption and in the implementation of the asset declaration law, protection of whistle-blowers law and prevention of conflict of interest law. New tools to prevent corruption are added to the competence of the Agency such as corruption proofing, corruption risk assessments and monitoring of integrity plans in the institutions. The new Law on Asset Declaration adds categories of public officials obliged to declare assets; it includes more complete asset information and data to be declared by officials, increases the number of officials under full control by the Agency and introduces an online system of declaration of assets.

The legal framework on criminal **confiscation** remains fairly advanced, including through the 2019 Law on Extended Powers of Confiscation. These advanced tools need to be better utilised. The Draft Law on the State Bureau for Verification and Confiscation of Unjustified Assets, which aims to introduce in Kosovo a system of non-conviction-based confiscation, is pending in Parliament. The new Law will incorporate recommendations of the Venice Commission Opinion. Such an advanced system requires clear safeguards against possible misuse and abuse and should respect the principles enshrined in the Constitution and the fundamental rights of individuals. Moreover, such a system should not replace or undermine the application of the existing legal framework on criminal confiscation, including the Law on Extended Powers of Confiscation.

The legal framework on **money laundering** is still not properly implemented. Although the law does not require the proof of a predicate offence to retain a conviction, many prosecutors and judges continue to consider a predicate offence as an essential part of money laundering offences. As a result, many stand-alone money laundering cases are dismissed either by the prosecutor or by the court. The government is reviewing the legislation on prevention of money

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laundering and combating terrorist financing to fully harmonise it with the 4th and 5th EU Directives and recommendations of the Financial Action Task Force (FATF) (S*ee also chapter 4 on the free movement of capital and the section on organised crime).*

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

The Law on the **Protection of whistle-blowers** is in line with the latest EU legislation in this area. Secondary legislation determining the procedure for receiving and handling the cases of whistleblowing is in place. Strengthened whistle-blowing mechanisms and protection requirements still need to be implemented.

The Assembly adopted the **legal framework on political parties and election campaign finances** in line with the Venice Commission Opinion. Kosovo still needs better functioning, more accountable, more transparent and enforceable party finance and campaign finance legislation.

Strategic framework

The Rule of Law Strategy and Action Plan (*see section on Judiciary*) include specific measures aiming to improve the institutional framework against corruption, as well as the assets declaration system and regulations on acceptance of gifts. Since 2018, Kosovo does not have an Anti-Corruption Strategy in force. The Judicial Council adopted a strategic plan for the efficient resolution of cases of corruption and organised crime (2022-2025).

Fundamental rights

The legal framework guarantees the protection of fundamental rights and is in line with European standards. Kosovo showed commitment to addressing gender equality issues by further implementing the Law on Gender Equality in the public administration recruitment process and by improving inter-institutional coordination on fighting gender-based violence, including by adopting a new strategy and action plan against domestic violence and violence against women. Moreover, additional efforts are needed to effectively enforce fundamental rights. The government's capacity to streamline and oversee fundamental rights policies and legislation requires improvement, including in coordinating the mechanisms to protect human rights, gender equality and non-majority communities, at both central and local levels. Fundamental rights issues need to feature higher on the political agenda. Human and financial resources are still lacking and relevant authorities are still dependent on donor support and guidance and need to assume greater ownership.

More efforts are needed to address the recommendations of the 2021 report, which are still applicable. In the coming year, Kosovo should in particular:

→ Set up a sustainable mechanism of coordination and oversight legislation, strategies and policies of fundamental rights; strengthen the implementation of existing instruments; adopt a functional system of measuring and reporting on the implementation of the Human Rights Program and Action Plan; adopt the sub-legal acts deriving from the new Law on Child Protection; adopt the Civil Code;

→ strengthen the implementation of the Law on Gender Equality; adopt the Law on Domestic Violence and Violence Against Women; continue efforts to ensure proper functioning of the

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system of protection, prevention and adjudication of all forms of gender-based violence by implementing the relevant strategy and action plan;

→ adopt the Strategy for Return and Communities, the Law on Kosovo Property Comparison Verification Agency addressing the Ombudsperson's recommendations, appoint a Director and Deputy Director of the Agency; implement the Strategy for the Advancement of the Rights of the Roma and Ashkali communities 2022-2026;

→ strengthen child protection and child-friendly justice, including for children belonging to minorities and children with disabilities;

→ adopt the Law on Cultural Heritage and the Law on Religious Freedom; advance the protection of cultural heritage by fully enforcing legislation on special protective zones and illegal construction; implement the 2016 Constitutional Court Decision on the Visoki Dečani monastery; re-establish relations with the Serbian Orthodox Church and reconvene the Implementation and Monitoring Council.

International human rights instruments form an integral part of Kosovo's legal framework and are directly applicable, as provided for in the Constitution. Kosovo continued to align its legislation with these instruments and maintained its practice of *ad hoc* reporting.

The institutional set-up for the promotion and protection of human rights is in place; however, it does not function well due to conflicting mandates and diluted responsibilities. The government should ensure that the Programme for the Protection and Promotion of Human Rights and Fundamental Freedoms (2021-2025) and the related Action Plan (2021-2023) are implemented and monitored in a coordinated manner. Implementing human rights legislation, and overseeing and coordinating existing human rights mechanisms remain a challenge. In general, human rights issues still do not feature high enough on the government's political agenda. The Office of Good Governance within the Office of the Prime Minister still lacks appropriate human, financial and administrative resources to fulfil its broad mandate, including on drafting, implementing and overseeing policies in the areas of human rights, good governance and anti-discrimination. This Office needs to establish synergies with the Deputy Prime Minister for Minority Issues and Human Rights, the Ombudsperson, and the Assembly's Committee on Human Rights and the recently established Council for Democracy and Human Rights under the Presidency, to effecively implement and streamline human rights policies and legislation. The Assembly needs to take a more proactive role in overseeing the implementation of human rights legislation.

The Ombudsperson's Institution continues to play an important role in the promotion and protection of human rights at central and local level. The new Human Rights Programme and Action Plan approved in March 2021 strengthened the role of the Ombudsperson's office in protecting and promoting human rights and fundamental freedoms. The Office has further strengthened its capacity to review cases. Although there is an increase in the responsiveness of institutions to the recommendations of the Ombudsperson, consistent implementation remains a challenge. Out of 157 recommendations, 43 have been implemented, 4 have not implemented and 110 are awaiting implementation. In 2021, the Ombudsperson received 1 612 complaints, out of which 692 were open for investigations (against 1 419 in 2020, of which 720 were opened for investigation). Between 1 January and 27 June, the Ombudsperson received 819 complaints, out of which 356 were opened for investigations. The selection of four Ombudsperson deputies was finalized in June, although the vacancy needs to be re-advertised for the fifth deputy Ombudsperson from non-Albanian communities. The selection process was transparent and

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inclusive, with a panel consisting of representatives of civil society, activists and public institutions.

On the **prevention of torture and ill treatment**, the situation remains satisfactory and the Kosovo authorities continue to show commitment to preventing these practices in all circumstances. The National Preventive Mechanism operates under the umbrella of the Ombudsperson Institution. During 2021, it carried out 62 visits (against 52 in 2020) to the places of deprivation of liberty and 22 visits during the first part of 2022**.** The number of incidents of inhumane and ill-treatment and torture in relation to police officers stands at five cases during 2021 (against 6 cases in 2020) and three cases between January-June 2022. The Police Inspectorate of Kosovo registered 11 cases with suspicion of ill-treatment: 16 police officers were investigated as suspects. For these cases, the Police Inspectorate forwarded six criminal reports and five separate reports to the competent prosecutions and issued recommendation for the suspension of three police officers. In 2021, the National Preventive Mechanism issued 11 recommendations, three of them were partially implemented and eight are pending implementation. The Assembly adopted the Law on Execution of Criminal Sanctions, the Law on the Correctional Service and the Law on the Probation Service. Kosovo should further strengthen ongoing efforts to provide adequate medical and psychological support and rehabilitation to all victims of torture and other ill-treatment in Kosovo. The Committee for the Prevention of Torture (CPT) published its latest report on Kosovo in September 2021 following a visit the previous year. Among other recommendations, the CPT encouraged the authorities to pursue their efforts in combatting ill-treatment by the police.

While the **prison system** continues to comply broadly with the UN Standard Minimum Rules for the Treatment of Prisoners and with the European Prison Rules, there are several challenges. Equal treatment and equal rights of prisoners, especially among women and minority groups, remains an issue. Standardised individual assessment and sentence planning procedures are yet to be finalised. The Kosovo Correctional Service should strengthen efforts to provide adequate rehabilitation and psychological support to all prisoners and detainees to meet the minimum standards for treatment. Several senior management posts in the Correctional Service remained vacant, hampering its effective functioning. Progress could be observed in preventing and dealing with self-harm and suicide cases and the treatment of inmates with mental problems. Preferential treatment of high-profile prisoners has diminished, together with political pressure on the Correctional Service. According to the National Preventive Mechanism, there was no overcrowding. The efforts to improve the drug addiction treatment programmes and prison medical facilities in light of CPT recommendations are ongoing. The CPT 2021 report recommended to improve detention conditions, including with regards to healthcare access, the fight against corruption in detention facilities, and staffing and legal safeguards, among others. During the reporting period, the Ombudsperson received 33 complaints against Correctional Centres, Prisons and Detention Centre, and 75 complaints against Kosovo Police. While new legislation was adopted on the execution of criminal sanction, on the correctional service and on the probation service, this did not significantly change the execution of alternatives to detention and imprisonment.

On **personal data protection**, the law remains broadly in line with the EU General Data Protection Regulation and the Law Enforcement Directive. The long-awaited appointment of the Information and Privacy Commissioner in June 2021 has made a positive impact on the

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implementation of the law on data protection and the internal organisation of the Information and Privacy Agency. The Commissioner adopted the internal organisation and systematization of positions in the Agency in December 2021. Although restrained by limited human resources, the Agency started processing complaints on access to public documents and on data protection in an independent and efficient manner. Further, the Commissioner issued the list of countries and international organisations considered to have an adequate level of personal data protection. During the reporting period, the Agency treated 35 complaints with regard to personal data protection and issued 22 legal advisory opinions to public and private institutions. It also issued 81 decisions for public and private institutions regarding to violations of the Law on Personal Data Protection. From January until August 2022, the Agency received 243 complaints, out of which 180 are closed and 63 are in the process. The Agency issued 55 decisions and five fines to public institutions.

Concerning **freedom of thought, conscience and religion**, there are legal provisions in place which promote tolerance among religions and foresees that religious communities shall be separated from public authorities. However, the Kosovo Assembly still needs to adopt the long outstanding draft Law on religious freedom, incorporating the recommendations of the Venice Commission from 2014 to ensure full respect of this freedom. The law was not yet put forth in the Assembly by the current government. In September 2021, the Constitutional Court notified Kosovo's Chief Prosecutor of a lack of implementation of its 2016 decision whereby it had confirmed the ownership rights of the Visoki Dečani Monastery of the Serbian Orthodox Church over a portion of land surrounding the Monastery. The decision has still not been implemented.

Freedom of expression

Kosovo has **some level of preparation** regarding freedom of expression. The media environment is lively and pluralistic. The legal framework is mostly in line with European standards. **Limited progress** was made in addressing the recommendations of the previous report.

The Kosovo Assembly elected an independent board of the public broadcaster (RTK) while the board elected a new General Director for a three-year mandate. The process was assessed as merit-based by the monitoring local and international organisations process. Due to legal changes, journalist can now benefit from free legal aid. Kosovo will host a number of Ukrainian journalists, providing them with shelter, financial support and working conditions. Concerns remain regarding public smear campaigns, threats, and hate speech on social media, some of which were specifically directed against journalists. Not all threats against journalists and media are reported to the authorities. There continue to be particular concerns regarding freedom of expression in the north of Kosovo, including self-censorship. There was no progress in amending the Law on the Radio and Television of Kosovo. The government took the initiative to amend the Law on Independent Media Commission to align it with the EU's Audiovisual Media Services Directive. This process needs to be inclusive, with involvement of civil society and media actors. The lack of financial self-sustainability leaves media vulnerable to political and business interests. This is further amplified by the lack of information and data on the final beneficiary of media ownership – provisions on this are still not enshrined into law.

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There was no significant progress in the implementation of last year's recommendations. Therefore, in the coming year, Kosovo should in particular:

→ improve the institutional cooperation and response of the key institutions to attacks against journalists and other forms of pressure that hinders their work;

→ review the Law on Radio and Television, among others, to ensure sustainable funding preserving its independence; review the Law on the Independent Media Commission to update its competences, including regarding audio-visual media in line with the Audio-visual Media Services Directive;

→ increase availability of data on the audio-visual market, especially when it comes to media ownership.

Intimidation of journalists

According to the Association of Journalists in Kosovo (AJK), during 2021 there were 29 cases of attacks, threats and public smearing of journalists (in 2020, there were eleven cases of non-physical threats and harassments and four cases of physical assault against journalists). In 2022 and until 27 June, five cases of public smearing of journalists, mostly by high -level public officials, were reported. Threats and assaults vary from those of businesspersons towards journalists and other media workers, to those of state or political party officials. The case of the attack on journalist Visar Duriqi from 2021 is not resolved. Adjudication of cases remains slow. According to the Association, there has been an increase in derogatory statements and smears made by politicians aimed at the media, publicly undermining trust in journalistic reporting and the safety of journalists. During the reporting period, AJK has registered at least two cases of Strategic Litigation against Public Participation Lawsuits filed by public figures against journalists.

Legislative environment

The Constitution and legislation provide for freedom of expression and media freedom. In general, media laws, including on defamation and access to information are in line with standards of the Council of Europe and the case law of the European Court on Human Rights.

The Assembly has not yet adopted the Law on the Public Broadcaster and on the Independent Media Commission.

The Law on the Protection of Journalistic Sources requires amendments to clarify provisions related to court decisions obliging journalists to declare a source, ensuring they are in line with European standards. The legal framework on the protection of whistle-blowers needs to be completed through the adoption of secondary legislation. The new legislation on Free Legal Aid strengthens the protection of journalists' sources.

The Law on Free Legal Aid was amended and as a result it now includes civil society activists, journalists, photo-reporters, camera operators and editors as a beneficiaries. Based on this law, they will receive free legal assistance and will be represented at court by the Free Legal Aid Agency if they are dismissed, sued for defamation, prosecuted or faced with Strategic Lawsuits against Public Participation.

Implementation of legislation/institutions

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The implementation of existing legislation continues to be insufficient. The Kosovo Press Council acts as an independent self-regulatory body for print and online media, mainly by reacting to complaints. The number of online media not registered with the Press Council continued to grow. The council's financial sustainability and adequate resources are crucial for its effective functioning.

The Independent Media Commission still does not have the power to licence and monitor audio-visual media services online, although these were covered by the Audio-Visual Media Services Directive. The 2016 Code of Ethics for Media Service Providers, legally binding secondary legislation, sets provisions for broadcasting in relation to content, such as the need for balanced and unbiased news coverage. However, the Independent Media Commission monitors content only during election campaigns. The Commission needs to ensure it is transparent and inclusive in its decision-making. In part due to a lack of information on media ownership and the distribution of advertising funds, the Independent Media Commission does not impose effective sanctions on broadcasters and no significant enforcement interventions were undertaken. The Assembly organised the selection process of the Board members of the Commission. The process was assessed as open and merit-based by the civil society. Two of the persons holding high decision making positions in the Independent Media Commission were arrested for bribery, which seriously brought into question the integrity of the Commission.

Public Service Broadcaster

The public broadcaster Radio Television of Kosovo (RTK) has entered a new phase of its development, with the newly appointed Board in November 2021. The selection process of the members of the RTK Board was merit-based, transparent and professional, with equal gender representation. This process was commended by many local and international organisations. There has been changes in the highest management of the RTK, with the dismissal of key managerial positions on grounds of mismanagement. A new regulation for the selection of the Director General of the RTK and senior management was adopted by the Board, based on which it elected a new General Director in June for a mandate of three years. The RTK has now extended its coverage to include the northern part of Kosovo. Despite this, Kosovo Serb communities continue to mostly rely on local and Serbian broadcasters.

Economic factors

Kosovo's media environment is lively and pluralistic and has been further enriched by new media and changes in ownership and editorial teams. However, the sector remains heavily dependent on donors and advertising, including from the government and political parties. Many media companies struggle to sustain themselves financially through commercial means. Private broadcasters depend on other sources of funding and remain strongly linked to political and business interest groups. This poses continuing risks to their editorial independence. There is still a lack of data on the advertising market, financing remains largely opaque and there is no audience measurement system. Information on media ownership structures, in particular for online media, remains unclear and often fictitious, as most media do not provide information on their finances or real ownership. Greater transparency on media ownership and possible illegal media concentration is needed. The imbalance between media outlets and available funding raises concerns as to the financial viability of media outlets and over media integrity and independence.

Freedom of artistic expression

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The freedom of artistic creativity is guaranteed by the Constitution. While the COVID-19 pandemic has led to restrictions of public gatherings which to some degree affected artistic also freedom, these remained proportionate and temporary. There is no instance of limitation on any form of artistic expression recorded during the reporting period.

Internet

There is no restrictive legislation or environment on the functioning of the media online nor on freedom of expression online. Kosovo should consider developing a strategy for a better internet for kids, including facilitating the detection of and response to online child sexual abuse.

Professional organisations and working conditions

The effects of the COVID-19 pandemic continued to impact working conditions. The switch to online editions means that no printed newspapers remain in Kosovo. Associations of journalists have been active in condemning cases of threats and attacks against journalists. They have kept up a constructive dialogue with the police and have been vocal in defending journalists against political pressures. The working conditions of media professionals and the implementation of labour laws remain a concern. There are very few women in decision-making positions in the media. Many journalists work either with no contracts or only with service contracts. This situation makes journalists vulnerable to pressure.

(*See also Chapter 10 on digital transformation and media*)

Freedom of assembly and association is guaranteed by the Constitution and generally respected. No major security incident related to public gatherings has been reported but the Kosovo Inspectorate has initiated disciplinary procedures towards police officers that were allegedly involved in incidents during a few protests. Individuals and legal entities have the right to establish an association without having to register it, but most organisations decide to register in order to secure legal personality.

Issues of **labour and trade union rights** are further covered in *Chapter 19 on Social Rights and Employment*.

On **property rights**, the draft law on the Kosovo Property Comparison and Verification Agency (KPCVA) remains pending before the Assembly. Implementation of the judicial decisions, including Constitutional Court decisions, remains an issue in particular in conflict-related property cases.

Ownership of property by women increased. The affirmative measure that assists implementation of property legislation favouring women remains in place. This measure, introduced in 2016, has led to a noticeable increase in the registration of women as property owners, from only 104 in 2016 to 7 417 in 2020 and an additional 1 505 registered properties in 2021.

In 2021, institutions took some positive measures towards the protection of the property rights of communities in vulnerable situations, displaced persons and women. The Property Comparison and Verification Agency performed 29 evictions. The legal remedy of demolition of illegal structures was not used during the reporting period, as parties could not fulfil the criteria required by Administrative Instruction on Demolition of Illegal Structures. The Agency mediated in 82 cases. In 11 cases a mediation agreement was reached within the Agency, in 15 cases parties reached an agreement outside the Agency, 38 cases were unsuccessful and one case resulted in

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demolition of unlawful structure. The Agency is operating with an Acting Director, while the posts of Deputy Director and Executive Director are vacant.

Concerns about fraudulent property transactions and illegal transfers of ownership of properties mainly belonging to displaced persons remain. There has been limited progress on the issue of 350 052 buildings constructed without a permit as only 925 applications for legalization were received. Local institutions issued 3 649 decisions on legalization of constructions built without permit. The regularisation of large-scale informal settlements whose residents mainly belong to marginalised vulnerable communities continues to be hampered by lack of political will to address the issue.

The 2015 Law on **protection from discrimination** is broadly in line with European and international standards, but its implementation remains limited. During the reporting period, the indicator framework for monitoring was finalised. This framework will allow to assess the enforcement of rights in practice and to identify areas that require improvement. Training courses are planned to facilitate the application of mechanisms for the protection against discrimination. The role of non-discrimination officers in the municipalities and ministries needs to be strengthened, with clear reporting lines and description of duties in order to be actively engaged in policy drafting. Domestic case law on non-discrimination is poor, partly due to victims often being discouraged to file cases due to the lengths of court proceedings. Among the cases opened for investigation by the Ombudsperson in 2022, 48 related to discrimination. Discrimination cases are frequently not taken seriously and processed slowly by the police, prosecution and courts.

The Kosovo Prosecutorial Council continues to maintain a tracking mechanism on hate crimes. However, overall, data collection on hate crimes remains insufficient. Hate speech against those in vulnerable situations, including the LGBTIQ and non-majority communities persists, especially on social media.

Legislation and institutional mechanisms on **gender equality** are in line with international and European standards. Women continue to face discrimination in the labour market, access to finance, ownership of property and access to justice. Kosovo has strengthened the application of the law on Gender Equality in the recruitment process within public administration. The Law on Gender Equality has set a parity rule aiming for 50:50 percent of representation of men and women at any level of decision-making in the political and public life. Nevertheless, women are still under-represented in decision-making positions in private and public institutions. The participation of women in politics has continued to increase but remains low (*see section 2.1.1 on Democracy).*

Civil society continues to play a critical role in advancing gender equality, contributing to the improvement of legislation, monitoring the implementation of policies, providing services, assisting victims of violence and raising awareness, which reflects the need for the authorities to step up their engagement in these areas. Women continue to face discrimination in the labour market; their participation rate remains very low. This is attributed to low salaries, limited access to child and elderly care, and lack of family-friendly workplaces. The Labour Law needs to be harmonised with the EU Work-life Balance Directive. The government made efforts to mitigate the impact of the pandemic on the living conditions of women. The Economic recovery Fund distributed 2 million EUR among women's civil society organisations, women-led business and child-care facilities. The government increased its efforts to ensure the implementation of the

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Law on Gender Equality, especially in relation to equality in recruitment in the public administration but women remain under-represented in the highest ranks of the public service. The Agency for Gender Equality continues to play a central role in advancing gender equality, including in legislation and policy, promoting the mainstreaming of gender in institutions' policies/actions, and training civil servants. The coordination with gender equality officers in the ministries and municipalities has improved, but their role needs to be harmonised. More human resources and capacity building is required.

Domestic violence continues to be the most prominent form of gender-based violence in Kosovo. The government is showing determination to improve policies and public responses. The Ministry of Justice set the fight against domestic violence and other forms of gender-based violence as one of its five priorities, and extended free legal aid to all victims. The legal and institutional framework in this area is largely in line with European and international standards. However, the Law on Domestic Violence still needs to be aligned with the revised Criminal Code and the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention). A new Strategy and Action Plan against Domestic Violence and Violence against Women (2022-2026) was adopted in February 2022. The Ministry of Justice funds the integrated database for cases of domestic and gender-based violence. Despite these positive developments, there has been overall limited progress on the ground in preventing and combating domestic violence, and protecting and reintegrating victims. The functioning of the municipal coordination mechanisms for domestic violence as well as shelters for victims of domestic violence and trafficking in human beings is uneven and need improvements.

Reporting of domestic violence has increased but cases are still not handled adequately. The total number of reported cases during the reporting period was 2 710 (2 456 cases were reported in 2021 against 1 632 in 2020). This is a significant increase, which may be explained by a variety of factors, including increased violence induced by COVID-19-related restrictions, higher awareness of their rights by victims and improved reporting channels. The prosecution and adjudication of cases is still inappropriate, with lenient sentences for perpetrators, leading to recidivism. Specialised prosecutors and judges have been appointed, but the prioritisation of cases is slow. Judges put pressure on victims to reconcile with perpetrators. Judges, prosecutors, police and victims' advocates need further training to better understand their role under the current legislation. Other forms of violence against women continued. Women in public life continue to be judged and stereotyped. Body-shaming and other verbal attacks continue, but reactions from public officials, institutions, civil society and women rights' organisations, contribute to making sexism less acceptable.

On the **rights of the child**, Kosovo's legal framework is largely in line with international standards but implementation remains limited. The new Law on Child Protection, which protects children from all forms of physical and mental violence, needs to be effectively implemented. Out of the 17 administrative instructions foreseen in the law, only one is registered in the Official Gazette as adopted. The Cybercrime Investigation Section of the Kosovo Police includes a unit for the investigation of criminal offense in relation to child pornography, including the downloading, possession and distribution of material with child sexual abuse content. The new Civil Code aims at regulating legal concepts and clear provisions related to the treatment of the children in the most vulnerable situations, especially children without parental care. Law on Local Government Finances, consulted in September 2021, is not yet adopted. This Law has a

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specific grant for social services, that will allow for a better implementation of the Law on Child Protection. This process needs to be expedited by the relevant authorities together with the awareness raising campaign to promote the Law and inform authorities on their duties and responsibilities.

Children with disabilities lack proper access to education facilities as well as necessary assistance. To address this problem, the government has pledged to hire 100 assistants to help children with special needs, but the process has not been finalized. The authorities should increase financial support to scale up community-based social and health services for children with disabilities, and increase efforts to integrate them effectively into educational institutions. Girls face more challenges than boys as regards access to education. Violence in schools, including bullying, is increasing. Sustainable financing schemes for service providers, inlcuding for children's rights, needs to be established.

Foster care for children without parental care has not been extended in all municipalities of Kosovo. Civil society organisations advocated that the new Civil Code includes the form of protection called *semi-independent supervised living,* which would enable support to persons in foster care up to 26 years of age instead of 18. There is a lack of quality services and dedicated programmes for the prevention and reintegration of child victims of drug abuse. Municipalities need to provide sustainable funding for pre-school learning centres for children of Roma community in order to keep them in service. The new Law on Early Childhood Education is in the preparation, and will aim to contribute towards integration of services in early childhood development. Over the years, the authorities have failed to address problems related to street children, including child begging. Child, early and forced marriages remains an issue particularly among Roma and Ashkali communites.

Persons with disabilities remain among the most discriminated, as they lack access to physical infrastructure, quality education, proper medical care and healthcare services, and employment opportunities. There is a lack of provision of quality institutionalised services for people with disabilities. There is also a clear gap in harmonising the legislation and policies with the relevant UN Conventions and the EU *acquis* on the rights of persons with disabilities. Some laws are not effectively implemented, such as the Law on Paraplegic and Tetraplegic or the Law on Blind and the Law on Employment. The legal framework on mental health is also incomplete. A comprehensive law for all persons with disabilities would improve provision of service and quality of life.The administrative instruction on the Acces of Persons with Disabilities is not being implemented. The government should finalise and approve the draft Law on Evaluation, Status, Benefits and Services for Persons with Disabilities. Current political commitment on the disability inclusion agenda is positive, but should be associated with more substantial budget planing and allocations across sectors to improve the availability of inclusive services for persons and children with disabilities. The Strategy for Persons with Disabilities and the new Action Plan 2020-2023 are in place.

On the **rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ)** persons, the Constitution protects against discrimination based on sexual orientation or gender. Nevertheless, public awareness on the rights of the LGBTIQ persons and their acceptance remains low. The draft Civil Code , which includes provisions for civil partnerships for same-sex partners, was not approved by the Assembly. The discussions on the Civil Code gave rise to use of homophobic language, including from MPs and the Chairperson of the Committee on Human Rights, Gender Equality and Missing Persons. This has exacerbated the discrimination and

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prejudice toward LGBTIQ persons. During the pandemic, the number of LGBTIQ individuals seeking psychological support increased, both online and in-person. All social services are offered by NGOs, which also report an increase in domestic violence cases towards LGBTIQ persons. The process of buidling a shelter by the municipality of Prishtina for LGBTIQ people who are survivors of domestic violence or became homeless due to family rejection is still underway. As for the legal gender recognition, the government accepted a concept document on Civil Status law, incorporating suggestions of civil society. New procedures need to be quick, transparent and accessible. Further training for law enforcement agents is needed, especially with regard to transgender rights, qualification of hate crimes, and secondary victimisation.

The **procedural rights** of suspects and accused persons in criminal proceedings and the rights of victims of crime are stipulated in the constitution and the law. In particular, the new Criminal Procedural Code is aligned with the EU *acquis* to guarantee, namely, the right to information, right to interpretation and translation, right to have a lawyer, right to be presumed innocent and be present at trial and right to legal aid. Victims of crime, however, often continue to lack the capacity to protect and pursue their legal interests in criminal proceedings, tend to receive insufficient legal information on their rights and are rarely assisted during criminal proceedings by professional legal representatives. The budget allocated for legal aid in 2021 amounted to EUR 1 702 676, in slight decrease of 2% compared to the previous year. The budget implemented for legal aid in 2021 amounted to EUR 1 686 056 (EUR 1 398 442 in 2020). The level of legal aid provision, although improved, still remains inadequate due to conflicting legislation, lack of public awareness and different systems in place for providing free legal aid. In addition, there is no system of quality assurance in the provision of legal aid. Out of 1 612 complaints received by the Ombudsperson in 2021, 261 concerned the right to a fair trial within a reasonable time. Between January-June 2022, **356** cases were opened for investigation: 137 related to **the right to a fair and impartial trial within a reasonable time.** The Law on compensation for victims of crime is broadly aligned with the EU *acquis*. Nevertheless, the quality of service provided to victims by Protection and Assistance Officers should improve. A compensation programme for victims of crime exists and, compared to previous years, the number of requests for compensation is slightly increasing. In 2021, the total number of requests for compensation was 58 (56 in 2020). The Committee for Crime Victims Compensation approved 28 of these requests, for a total value of EUR 102 554 (EUR 91 935 in 2020).

Kosovo has well established mechanisms and structures at the central and local level as well as an adequate legal framework to protect **non-majority communities** and their rights. Better institutional coordination and communication between the different levels of government would further improve their effectiveness. However, the conditions for a truly multi-ethnic and integrated society throughout Kosovo are not fully in place. Gaps remain in ensuring a secure environment for all non-majority communities - especially in areas where returnees live - and in ensuring access to property, personal documentation, language rights, quality education, employment, and social welfare.

Increased coordination between the relevant departments within the Office of the Prime Minister – the Office for Community Affairs (OCA) and the Advisory Office for Good Governance – remains necessary. The position of the Director of the Office for Community Affairs (OCA) within the OPM remains vacant since February 2021. The functioning of the OCA improved with the appointment of an international advisor on community affairs in December 2021. The Advisor initiated a number of activities, aiming primarily at revamping the functioning of the

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Office. These included organising a meeting of the Prime Minister with the municipal community rights protection mechanisms, announcing internship programmes for students from the non-majority communities, and grants for NGOs representing these communities.

The Consultative Council for Communities (CCC), placed under the President's Office, has been able to carry its functions well, mainly vis-à-vis relevant government institution. In comparison to the previous reporting period, government institutions addressed some of the CCC recommendations. The international advisor to the Prime Minister on community affairs is also a government representative to the Council. The CCC has two other government representatives who do not however hold any formal position in the Council. The government should be considering the appointment of new members, to strengthen the link of this advisory mechanism with the executive. The Technical Working Group for the implementation of the recommendations of the Council of Europe's Framework Convention on National Minorities has not met during the reporting period, and there has been limited progress with the implementation of its recommendations.

A more consistent implementation of the Law on the Use of languages is necessary. Being a crosscutting and collective obligation, its implementation remains a responsibility for all institutions. The Office of the Language Commissioner continues to protect and promote community languages and oversee the language compliance in Kosovo. The government has taken further steps to establish the translation unit tasked with improving translation of legislation has been pending since 2019. There is a need for increased efforts in developing and introducing programmes for curricular and extracurricular learning of official and other languages. This will in turn contribute towards better social, economic and public inclusion for all communities in Kosovo. Stronger support by the government to consolidate language policies remains necessary.

The establishment of the Balkanology study programme in October 2021, along with the Language learning centre at the Faculty of Philology, of the University of Pristina improved opportunities for Kosovo majority and non-majority students to learn regional official and foreign languages. However, its success in promoting inter-community relations will depend on the resumption of the works of the Commission for verification of university diplomas obtained in the (Serbia-run) University of Mitrovica North; the Commission ceased working on 31 December 2021. The discontinuation of the verification of these diplomas prevents those with such qualifications from accessing higher education in the Kosovo education system and accessing Kosovo's labour market. The government should ensure that the Commission re-starts its work and consider broadening its mandate to include the verification of secondary school certificates. This is important to enable students' enrolment in Kosovo's educational system and labour market. The employment of persons belonging to non-majority communities in the public sector falls below the 10% threshold provided by the relevant legislation. These persons remain generally underrepresented in the civil service at all levels.

While the overall security situation of non-majority communities remains stable, incidents continue to take place. These incidents included cases of physical attacks. Moreover, vandalism and burglaries of religious objects, including churches and mosques, also occur with some frequency. The Kosovo Police has acted swiftly in most cases, but there is an urgent need to improve follow-up and investigation to contribute to the identification and punishment of perpetrators. Condemnation of the most serious incidents by the Kosovo leadership would also contribute to improve the security situation. In processing and categorizing security incidents

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having the potential to be ethnically motivated, Kosovo authorities and the prosecution should apply the existing legislation, including the hate component as an aggravating factor. Security incidents taking place in return areas have also presented at times a deterrent to the return process.

In 2021, the voluntary return and reintegration of **refugees and displaced persons** witnessed a slight decrease. According to the UNHCR the return of 368 individuals took place in 2021, compared to the 394 in 2020. To ensure a lasting and sustainable return of refugees and displaced persons, it is necessary to create an enabling environment that includes *inter-alia*, dialogue with the local community, security and safety provisions, resolution of long-standing property related issues, access to education, employment opportunities and freely accessing language rights in the native language. In an effort to strengthen policy development and implementation of the voluntary return, the Ministry for Communities and Return should (i) finalize and adopt *the Strategy for Protection and Promotion of the Rights of the Communities and their Members (2022-2026)* and its Action Plan; (ii) fully functionalise returns case management system (returns database); (iii) establish an appeals commission as per the Regulation on returns (No. 01/2018).

The situation of the Kosovo **Roma and Ashkali** and other communities in vulnerable situations, like the Kosovo Egyptians, remains challenging. Women remain underrepresented in **political parties** representing Roma, Egyptian and Ashkali communities, and as a results, women's voices are rarely heard in policy discussion. The government adopted the Strategy for the Advancement of the Rights of the **Roma and Ashkali** communities 2022-2026, and its Action Plan 2022-2024. The strategy aims to advance the rights of Roma and Ashkali communities in the fields of education, health, housing, employment and economic empowerment, and the fight against discrimination, among others. Kosovo should ensure effective implementation of the Strategy and the Action Plan 2022-2024. The Technical Working Group for the Protection from Discrimination of the Roma Ashkali and Egyptian communities met several times during the reporting period.

Members of these communities face limited access to clean water and sanitation, protective equipment and healthcare, while access to education and formal employment remain difficult. The Roma, Ashkali and other communities in vulnerable situations, like the Kosovo Egyptians, face difficult living conditions further compounded by the pandemic. These communities are often discriminated and subjected to hate speech or derogatory terms in different contexts, and victims often do not report cases as they do not trust the institutions. Women belonging to these communities are subject to multiple discrimination; also the percentages of early, child, forced marriages and domestic violence cases is more prevalent than within other communities.

The need to provide **housing** exceeds the budgetary possibilities. This should be addressed within the process of registering housing needs in the database of the Ministry of Environment, Spatial Planning and Infrastructure. Furthermore, the Roma and Ashkali communities should be more involved in solving the housing problem, starting from the requirements of housing needs, to the regulation of property documentation. The mapping of informal settlements has been completed and the authorities initiated the process of legalization. No significant progress was made in developing a methodology for data collection, nor in developing a policy for transforming informal economy among the Roma. Despite some progress in increasing the access to and participation in quality **education** for children from the Roma and Ashkali communities, challenges remain, especially for girls. The challenges relate to low awareness on

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the importance of education, poverty, unemployment, low standards of living and low participation in preschool education. In spite of the limited support provided by Ministry of Environment, Spatial Planning and Infrastructure to the Learning Centre's, more efforts are needed to support pre-school children from these communities. The Ministry of Education adopted administrative instructions to strengthen the social network responding to the lack of participation in school. The **employment** situation for persons belonging to Roma and Ashkali communities is more challenging compared to other communities. Their jobs are often temporary, mostly physical, not highly skilled and poorly paid. Very few women are employed due to traditional stereotypes, early marriages and lack of education and skills. More efforts are needed to assist Roma and Ashkali communities in accessing the job market. Roma, Ashkali and Egyptian are under-represented in public administration falling far below the 10% quota guaranteed by the Law on Public Servants. With limited access to preventive, curative, and other **health services,** members of the Roma and Ashkali communities continue to suffer from poor health. Among the main barriers to accessing health services are: poverty and an inability to pay for treatment and the purchase of medicines as well as lack of medical staff and mobile teams, public transport, and identification documents needed to receive public services. This affects women and girls in a differentiated way: lack of access to specific women health care contributes to the high number of unwanted and child pregnancies. The lack of civil documentation further affects access to rights for Roma and Ashkali communities. The authorities have initiated efforts in partnership with international partners to collect data on civil status and to provide free legal aid.

Concerning **cultural rights,** there is no progress on the adoption of the new Law on Cultural Heritage. The Implementation and Monitoring Council remains the only existing mechanism for the dialogue between the government and the Serbian Orthodox Church and the Kosovo authorities. Conditions for communication and for a more effective functioning of this mechanism should be in place in order for the Implementation and Monitoring Council to continue its work. The protection and promotion of cultural heritage in Kosovo still remains weak and donor driven.

Chapter 24 - Justice, freedom and security

The EU has common rules for border control, visas, residence and work permits, external migration and asylum. Schengen cooperation entails lifting border controls inside the EU. Member States also cooperate with Kosovo in the fight against organised crime and terrorism, and on judicial, police and custom matters, all with the support of the EU justice and home affairs agencies.

Kosovo is at an **early stage/has some level of preparation** in this area. **Some progress** was made, in particular on counter-terrorism and the fight against and prevention of violent extremism, as well as managing migration. The entry into force of several laws important to combatting organised crime has not led to tangible results. The adoption of the Standard Operating Procedure for financial investigations in line with Financial Action Task Force (FATF) recommendations, is a positive development. Sustained efforts are needed to ensure more proactive investigations, final court decisions and the final confiscation of assets. Kosovo continued to make progress in managing both regular migration and mixed migration flows in the difficult context of the COVID-19 pandemic. Although not affected by large migrant movements, Kosovo further increased its accommodation capacity and stepped up preparedness to handle a potential migration influx.

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As Kosovo has partly followed the recommendations of the 2021 report, they remain valid. In the coming year, Kosovo should in particular:

→ continue to reinforce the capacity of the Special Prosecution Office to investigate and prosecute high-profile organised crime cases;

→ establish a Joint Threat Assessment Centre, including a threat level grading system on terrorism and related links;

→ further enhance migration governance, coordination and monitoring of policies; reinforce capacities for data collection and analysis; further strengthen asylum.

Fight against organised crime

Kosovo is at an **early stage** in the fight against organised crime and **limited progress** was made in investigating and prosecuting organised crime cases. Limited results were achieved, despite the existence of proper legal and institutional frameworks. Powerful tools envisaged by the Criminal Code and the Law on Extended Powers of Confiscation are not yet fully utilised. During the reporting period, a number of successful operations targeting organised crime continued, also involving international and cross-border cooperation. Sustained efforts are needed to ensure proactive investigations, final court decisions and confiscations of proceeds of crime. The operational independence of law enforcement agencies must be ensured. Fighting organised crime in the northern part of Kosovo continues to be challenging.

Kosovo has partly implemented the 2021 recommendations: mostly regarding trainings and awareness raising on new legislation, as well as on the need to restructure the Kosovo Police Directorate for Intelligence and Analysis and by adopting of the standard operating procedure to run financial investigations in line with Financial Action Task Force (FATF) recommendations. There is a well-established cooperation with Interpol and Europol. In addition, Kosovo has appointed Eurojust Contact Points. In addition to recommendations to strengthen confiscation of criminal assets (*see chapter 23 section on fight against corruption*), in the coming year, Kosovo should in particular:

→ within the police, effectively implement the intelligence-led and community policing approaches, by establishing intelligence structures, continuing to train analysts in the Police Directorate for Intelligence Analysis and appointing dedicated community police officers for confidence-building and proactive policing;

→ further reinforce the capacity of the Special Prosecution Office to investigate and prosecute high-profile organised crime cases; provide training to strengthen police-prosecutor cooperation, the capacity to conduct financial investigations, confiscate assets and effectively protect witnesses;

→ implement the strategy and action plan against trafficking in human beings 2022-2026, adopting a victim-centred approach; enhance efforts on prevention; improve early proactive identification of victims of trafficking, in particular those belonging to vulnerable communities, as well as their referral to appropriate assistance and support services.

Institutional set-up and legal alignment

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The Kosovo Police has 465 police officers per 100 000 inhabitants, compared with an average of 333 per 100 000 inhabitants (Eurostat, 2018-2020). A working group has proposed amendments to the Law on Police.

Key institutions involved in the fight against organised crime include the Special Prosecution Office and the Special Department of the Basic Court and the Court of Appeals in Pristina. During the reporting period, additional prosecutors and support staff in the Special Prosecution Office were engaged. Additional staff was assigned to the Special Departments. A further increase in staff should be based on a needs assessment.

The Kosovo Police's Investigation Department, responsible for the prevention, detection and investigation of organised crime and corruption related offenses, consists of nine specialised central-level directorates and cooperating units at regional level. In its present structure, the Department reached its limits in terms of efficiency. Deeper structural reforms are needed. The proposed new draft structure of the Department, pending final approval by competent authorities, contains two main pillars: investigation and support. The police is undergoing a necessary reform programme. Thus far, there has been some progress concerning the restructuring and the training of personnel of the Directorate for Intelligence and Analysis.

Separate working groups are monitoring the implementation of the Strategic Development Plan 2021-2025, as well as Integrated Intelligence-Led Policing and Community Policing Strategy and Action Plan 2021-2025, through annual implementation reports. In June 2022, the first strategic level Tasking and Coordination Group identified key priorities based on annual strategic crime assessment report. The government should take into account the findings of the police risk assessment analysis of the government buildings, and accordingly, refrain from utilising police officers from conducting tasks that are not core police service tasks. The Kosovo Academy for Public Safety provides good quality education.

Kosovo Border Police, Kosovo Customs, the Financial Intelligence Unit and the Tax Administration remain responsible for monitoring and controlling the internal and cross-border/boundary flow of goods, materials and capital that might be involved in any form of organised crime. Kosovo Customs and the Financial Intelligence Unit performed well. While the Asset Recovery Office within the police is operational, it still receives limited requests. An initiative to transfer the Office to the State Prosecution Office, and assign dedicated staff from Prosecution, Police, the Financial Intelligence Unit, the Customs and Tax Admistration, is underway. The Police Information System is linked to other law enforcement databases. Standard operating procedures to improve utilisation of the Police Information System, in particular regarding case management in criminal investigations, were adopted. The adopted standard operating procedures regulate access levels to the Police Information System and ensures full harmonisation between the various databases.

The process of internal reorganisation of the **Civil Registration Agency** has stalled during the reporting period. No progress has been made with regard to the drafting of the Civil Registration Agency strategy. The Agency staff has insufficient capacities to implement their tasks efficiently. The procedure for the recruitment of a General Director has been cancelled, leaving the post vacant for over a year. Interoperability of the Civil Registration Agency's IT system with the Kosovo Cadastral Agency, law enforcement agencies and other institutions is a challenge, due to insufficient human resources, budget and technical capacity. The Civil Registration Agency should continue to improve the quality and increase the reliability of data

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processed and registered in the Central Civil Status Registry System, including the database structure and design. The Civil Registration Agency should establish a framework to improve governance of the IT systems, including procedures and policies.

The main **strategic framework** the Rule of Law Sector Strategy consists of the 2018-2022 Strategy and Action Plan against organised crime, the Kosovo Judicial Council Strategic Plan for efficient solving of cases of corruption and organised crime, as well as other relevant strategies and action plans, including on arms control; informal economy, money laundering and terrorist financing; counter-terrorism; trafficking in human beings and narcotics. All relevant institutions must cooperate to effectively implement these strategic documents. In addition to the annual strategic crime assessment reports, in May 2022, Kosovo Police adopted the fourth serious and organised crime threat assessment (SOCTA) report, based on Europol's methodology, which covers the period 2019-2021.

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

The Criminal Code and the Law on Extended Powers of Confiscation has been in force since 2019 (*see section on the fight against corruption*). In July 2022, the Assembly adpted the new Criminal Procedure Code.

The Law on **Money Laundering and Terrorism Financing** should be amended, to be fully in line with with the 4th and 5th EU directives on anti-money laundering and countering financing of terrorism. The government initiated the drafting of the concept document to review the legislation on prevention of money laundering and combating terrorist financing, to ensure its full compliance with EU Directives and the Financial Action Task Force (FATF) recommendations. The draft law on the implementation of targeted international financial sanctions has been adopted by the government, and is currently in the Assembly. The Administrative Instruction for the Beneficial Owner for Reporting Subjects has been adopted. The Financial Intelligence Unit published the general money laundering typologies.

With regard to implementation of the Law on Interception of Electronic Communications, interception capacities were upgraded, allowing decentralisation of monitoring centres to other police units as well as other law enforcement agencies. The police is still in the process of finalising procurement of necessary technical equipment and set up respective monitoring centres. Legislation on **cybercrime** is generally in line with the EU *acquis*. **Legislation on trafficking in human beings** is broadly aligned with the current relevant EU *acquis*, but implementation could be improved. The new Strategy and Action Plan against trafficking in human beings 2022-2026 has been adopted in June 2022.

Implementation and enforcement capacity

Kosovo authorities continue to report on the total number of indictments and convictions for the charge of 'organised crime' as defined in the United Nations Convention on Transnational and Organised Crime. During 2021, 19 new cases involving 148 persons were initiated (five new

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cases involving 63 persons in 2020). For 29 persons, indictments were issued. For 17 persons, the investigation was terminated. During 2021, three persons were convicted.

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

As for **organised crime-related cases** currently not included in the aforementioned track record, during 2021, 46 cases relating to trafficking in human beings involving 70 persons were initiated (19 in 2020), and the prosecution presented indictments against 45 persons (36 indictments were presented in 2020). In 2021, four persons were convicted (two in 2020). In addition, in 2021, three persons were indicted (23 in 2020) for illicit trafficking of firearms and the court convicted three persons (three in 2020). For money laundering, 9 persons were indicted in 2021 (33 in 2020) and one person was convicted (3 in 2020).

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

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

The Kosovo Police has adequate basic capacity and capability to combat organised crime in Kosovo. However, investigations of organised crime remain vulnerable to corruption and unlawful interference. The operational independence of the police must be ensured. The police needs to reform and restructure its processes, inter-agency and multidisciplinary investigative cooperation in order to raise levels to EU standard core business models for policing. The police needs to enforce its integrity plan, improve ethics and conduct profesional criminal investigations. The work of the Police Inspectorate is important. As envisaged by the Law on Police Inspectorate, the Ministry of Internal Affairs should review and develop a plan for the implementation of Police Inspectorate recommendations, which thus far, has not been done. A positive trend of **successful police operations** targeting organised crime continued during the reporting period, also involving international and cross-border cooperation. In 2021, the police dismantled 49 organised crime groups, involving 317 suspects. These operations resulted in a number of arrests and the preliminary confiscation of assets, which now needs to be followed up by the prosecution and judiciary. However, the fight against organised criminal structures should be intensified. Investigations should be more proactive and and criminal groups should be adequately mapped. There should be a shift of focus from investigating commodity to targeting criminal groups and structures. The government should ensure a sound legal and organisational structure to the Special Investigative Unit within the Kosovo Police as the successor of the abolished Anti-Corruption Task Force (*see section on the fight against corruption*).

The implementation of the **intelligence-led policing** and **community policing** remains weak. A positive step is noted with respect to community policing, through the anticipated new overall organisational police structure dedicating two community police officers per sector in each police region. The police needs to continue to establish adequate intelligence structures at regional and central levels. Most importantly, a change of mindset throughout the police organisation is crucial for an effective implementation of the intelligence-led and community policing models. There is a need for more specialised and on the job training for all institutions involved in fighting the more complex occurrences of organised crime. Closer day-to-day

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cooperation in view of developing strategies to better conduct investigations and clear division of responsibilities between the police and the special prosecution is still needed. The police should establish a verification office for Special Investigative Measures, which are key, to review requests of investigators for special measures from the prosecutors. This would enable a joint target-based approach from the police and the Prosecution Service to improve the pro-active finding of illicit and ill-gained wealth.

There is well-established cooperation with Interpol and Europol. Kosovo regularly exchanges information with Interpol via the United Nations Interim Administration Mission in Kosovo (UNMIK). Since 1 June 2021, the police sent 1,824 messages through Interpol-channel. The Kosovo Police and Europol have strengthened their cooperation. The 2020 Working Arrangement on strategic cooperation was followed up by additional implementing agreements, allowing for access to the Secure Information Exchange Network Application (SIENA), the deployment of Kosovo Liaison Officer(s) to Europol and the exchange and protection of classified information. During the reporting period, the SIENA connection in Kosovo has been successfully brought into operation. The police has finalised the recruitment of the liaison officer to Europol and notified Europol about the appointment. The Ministry of Foreign Affairs should now finalise protocol-related matters. The police cooperates well with police services in EU Member States, including through joint investigation teams and exchange of information on civil and criminal cases. The police has signed 100 international police cooperation agreements, including with 11 EU Member States, five EU agencies and other countries and international organisations. The Kosovo Police mutually exchanges liaison officers with seven partner countries. Since December 2020, Kosovo and Eurojust have established cooperation through the appointment of the two Contact Points.

Effective implementation of witness protection mechanisms continues to face challenges, as few potential witnesses have sufficient trust in Kosovo institutions' ability to keep them safe. Kosovo police participate in Europol's Platform for Witness Protection. Prosecutors and judges need training on how to protect witnesses effectively.

The **fight against money laundering and terrorist financing** is not yet producing expected results. In 2021, there was one conviction for money laundering. Money laundering and terrorist financing are often not prosecuted as a standalone crime, which slows down the overall criminal procedure. There is a pressing need to foster prosecutors' and judges' enhanced understanding of the concept of money laundering and terrorist financing and to improve specialisation in this field. There is still insufficient awareness of reporting entities and relevant stakeholders. In 2021, the Financial Intelligence Unit received a total of 920 suspicious transaction reports (an increase of 2% compared to 2020). The Financial Intelligence Unit has exchanged a total of 127 requests for international information exchange through the Egmont Group (19% increase compared to 2020). The Financial Intelligence Unit has issued 46 freezing orders for the total amount of EUR 8 975 202, and carried out 31 inspections of reporting entities. The number of disseminated intelligence reports to law enforcement agencies increased by 27% in 2021 compared to 2020. During the reporting period, the Basic Court in Pristina confirmed the conviction of two suspects, and the confiscation of nearly EUR 1 million, following the order for a retrial by the Supreme Court. The Special Prosecution Office filed a money laundering indictment in the case of treasury, initiated by the Financial Intelligence Unit. Overall, although the efficacy of financial investigations has improved at the police level, they are still not systematically conducted in parallel with the criminal investigations/proceedings. Inter-agency cooperation and

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coordination needs to improve significantly (*see also chapter 4 on the free of movement of capital*). In February 2020, the police adopted the standard operating procedure to centralise all aspects of financial investigations in line with Financial Action Task Force (FATF) recommendations.

Despite progress achieved, the involvement of organised and armed groups in **arms trafficking** remains a serious concern. Kosovo is implementing its strategy in this area and the Law on the Legalisation and Surrender of Weapons, Ammunition and Explosive Devices. During 2021, the Kosovo Police seized 1 280 firearms and 42 031 pieces of ammunition of various calibers. The authorities are amending the Law on Weapons in line with the latest EU Firearms Directive, and the strategy on Small Arms and Light Weapons, although they should accelarate the efforts towards drafting amendments to the key laws and bylaws on firearms, ammunition and explosives towards harmonisation with main EU firearms directives and regulations. The firearms focal point in the police is fully operational and works well. The firearms focal point reports are prepared regularly, ongoing activities on daily data collection and firearms tracing, as well as participation in trainings and meetings at regional or international level reported. Kosovo's firearms focal point continues to function as good practice in the region.

Ballistics laboratory is well equipped. Kosovo has the highest level of harmonisation in the region with the provisions of the UN Firearms Protocol.

Kosovo remains a country of origin, transit and destination of victims of **trafficking in human beings**, notably for sexual exploitation. During the reporting period (15 June 2021 – 15 June 2022), the Kosovo Police has identified a total of 26 victims of trafficking, out of which 21 were girls and women and 5 men, with 15 victims under the age of 18 and 11 over the age of 18. More efforts are needed, especially regarding prevention, the pro-active identification of victims, assistance and support to victims and increasing prosecution and conviction of perpetrators

Cigarette and tobacco smuggling is of growing concern. Kosovo is a key transit country for the smuggling of counterfeit cigarettes as well as for legally produced tobacco products shipped illicitly via neighbouring countries in the Western Balkans.

During 2021, the reporting period, while there were 37 cases (53 in 2020) of **cyber-crime**. There were no indictments and no final judgements, and one investigation was terminated. The Kosovo Police Sector for the Investigation of Cybercrime has initiated 4 cases for the offence of Child Abuse in Pornography and 3 criminal charges were filed against 17 persons. Kosovo needs to address several issues, such as the limited availability of cyber-crime training for newly appointed judges and prosecutors and those handling electrofic evidence.

Following the 2017 working arrangement with the EU Agency for Law Enforcement Training (CEPOL), Kosovo actively takes part in a number of its activities. Kosovo has full access to the CEPOL Exchange Programme and its electronic learning system.

Kosovo stepped up its participation in the European Multidisciplinary Platform Against Criminal Threats (EMPACT). In 2022, Kosovo committed to participate in 23 operational actions in 3 of the 15 EMPACT operational action plans, compared to its participation in 5 operational actions in 2021. Kosovo has yet to appoint a National EMPACT Coordinator. Kosovo continued to cooperate with EU police services through the European Network of Fugitive Active Search Teams (ENFAST), in which it has an observer's status.

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Kosovo continued to participate actively in EMPACT Joint Action Days, such as the one for South-East Europe 2021 (promoting closer cooperation in the work against firearms trafficking, the smuggling of migrants and drugs trafficking) and the Mobile 4 one (targeting various modalities of motor vehicle crime, including smuggling of stolen vehicles via the external borders, parts of vehicles, as well as associated document fraud).

The Serious and Organised Crime Threat Assessment (SOCTA) needs to be shared with the public or other institutions in order to translate the threats identified into operational priorities backed up with adequate resources.

Cooperation in the field of drugs

Institutional set-up and legal alignment

The legislative framework to combat illicit handling of and trafficking in narcotic drugs is based on the 2007 Law on Narcotic Drugs, Psychotropic Substances and Precursors. A more comprehensive, revised draft law that in turn is aligned with more recent EU legislation is yet to be adopted. The Criminal Code addresses drugs and trafficking-related crimes. A coordination mechanism has been established to prevent and combat drug trafficking and the illicit use of precursors. To this end, and in accordance with the current strategy and action plan (2018-2022), a national drug observatory is established within the Ministry of Internal Affairs. There is no head of the observatory since December 2018. In March 2022, the Ministry of Internal Affairs assigned an officer to carry out the function at the observatory. While a decision was taken to increase the number of personnel, this has partly been implemented. Difficulties also remain regarding the sustainable and routine collection of drug-related data throughout Kosovo, also given the lack of a functional Health Information System. The early warning system is not yet established nor operational. The Ministry of Internal Affairs approved an internal regulation on the organisation of the national drug observatory and the early warning system, which ensures adequate human and financial support. Two new positions have been approved to reinforce the secretariat and the drug observatory; however, the recruitment process is yet to start. Cooperation with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) has improved thanks to the support from *ad hoc* expertise outside the national drug observatory. The EMCDDA signed a working arrangement with the Ministry of Internal Affairs and with the Ministry of Health in September 2019.

Implementation and enforcement capacity

Kosovo continues to be both a storage and a transit country for narcotic drugs and their derivatives. Overall, drug seizures are increasing: around 500kg of marijuana, 3.6kg of heroin, and 414kg of cocaine were seized in 2021. In March 2022, the Kosovo Police seized 83.5kg of heroin and arrested seven suspects. Further, in May 2022, succesful police operations targeted a major Cannabis Sativa cultivation plot in North Mitrovica and succesfuly seized 68kg of heroin in Ferizaj. During 2021, the Kosovo Police registered 726 new drug-related cases (1 006 in 2020). Out of the total number of cases, 218 were charged as drug trafficking, 478 as illegal possession of drugs, 29 were related to cultivation and one was initiated for other drugs. In 2021, 1 117 persons were indicted for drug-related offences and 390 persons were found guilty by the courts (seven were acquitted). Provisions are in place for the secure storage of seized drugs awaiting destruction. However, a protocol for the handling, storage and destruction of drug precursors is still not in place.

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Organised crime groups continue to play a dominant role in large-scale drug trafficking and subsequent distribution in the EU. The Western Balkans drug trafficking routes constitute a major challenge. During the reporting period, a number of successful drug targeting operations was carried out, and cooperation with EU Member States was effective. Law enforcement agencies and prosecution need to further increase the understanding of the drug market through analytical work, by examining the intelligence picture and identifying intelligence gaps. Inter-agency cooperation and exchange of information in the fight against drug trafficking among relevant actors in the chain of justice sector should further improve. The prosecution service continues to remain understaffed and insufficiently trained to efficiently deal with drug-related offences. Increased cooperation and coordination among law enforcement agencies in the Western Balkan region is paramount. This can only take place through vastly improved inter-agency cooperation and exchange of information at all levels. A 24-hours drug abuse hotline is available, and addiction treatment and methadone therapy is being offered.

Fight against terrorism

Institutional set-up and legal alignment

A range of **institutions** remain active and involved in combating terrorism and violent extremism, and in dealing with reintegration of returning foreign terrorist fighters and their families. In April 2021, the government of Kosovo appointed the Minister of Internal Affairs as the National Coordinator for the Prevention of Violent Extremism and the Fight against Terrorism. This position is to improve inter-institutional coordination on those issues, monitor and report on the implementation of policies, activities and other actions, and serve as a point of contact for all related issues. In 2021, the Ministry of Internal Affairs established the working group to design the structure of the National Centre for Violent Extremism and Terrorism or to reinforce the Office of the National Coordinator. Thus far, no concrete outcomes can be reported. The EU is ready to provide support through the Radicalisation Awareness Network in designing such new structure. The main challenges regarding counter-terrorism and preventing and countering violent extremism are the lack of horizontal and vertical coordination, communication, information sharing, and of multidisciplinary, inter-office and holistic approach. Social workers and other professionals working at the local levels should be better informed about relevant actions undertaken at central levels.

Kosovo's **legal framework** remains to be fully aligned with the EU *acquis* and international instruments on anti-terrorism. The Law on Combating Money Laundering and the Financing of Terrorism needs to be amended in order to be fully in line with EU and international standards (*see section on the fight against organised crime and chapter 4 on the free movement of capital*). The draft law on implementation of Targeted International Financial Sanctions has been adopted by the government and is currently in the Assembly. Legislation on critical infrastructure protection was adopted in 2018, but the adoption of bylaws is still pending.

Kosovo has a strategy and action plan against terrorism (2018-2023) in line with the EU's counter terrorism strategy. A strategy and action plan against violent extremism (2015-2020) expired at the end of 2020. The National Coordinator decided to merge the two strategies and a Working group is preparing a new draft strategy. The EU is supporting Kosovo in such revision process through the Radicalisation Awareness Network Policy Support. The authorities should set up a Joint Threat Assessment Centre, including a threat level grading system, to facilitate a greater understanding among all agencies of the current operational situation, keep the public

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informed and improve responses, including on the protection of critical infrastructure. In July 2021, Kosovo Police and Kosovo Intelligence Agency produced the first joint threat assessment analysis document.

There is a need to ensure donors' coordination, and to establish a more structured mechanism, as previously existing coordination mechanism is not functioning anymore.

Kosovo authorities continue to implement the bilateral Implementing Arrangement with the EU for the Joint Action Plan on counter-terrorism for the Western Balkans, whose validity and continuation has been reaffirmed by the EU-Western Balkans Ministerial forum in October 2020. Kosovo submitted its second implementation report in January 2021. During the reporting period, Kosovo submitted its third and fourth implementation reports the Kosovo Police has taken part in three separate CT/PVCE trainings, benefiting some 279 officers.

Implementation and enforcement capacity

Kosovo continued to fight the threat of terrorism. In 2021, ten indictments were filed, four persons were convicted and one was acquitted. Investigations were completed in three cases against 15 suspects. Between 1 January and 30 June 2022, ten indictments were filed, nine persons were convicted and one was acquitted. In three cases, the investigation was terminated. The total number of pending terrorism-related cases is 76. Greater consistency of sentencing practices, for offences related to terrorism and violent extremism, is necessary. The functioning of the Special Department within the Basic Court of Pristina and within the Court of Appeals have contributed to a more effective handling of terrorism cases compared to the past. In April 2022, 23 persons sentenced (19) or detained (4) for terrorism related crimes were in prisons in Kosovo, 17 at the High Security Prison and 6 at the Dubrava Correctional Centre. Between January-April 2022, four prisoners sentenced for terrorism related crimes were released. The majority of the releases was based on decisions of the Parole Panel. Sentences for terrorism crimes for foreign terrorism fighters were relatively mild (average sentence 3.6 years). The Ministry of Internal Affairs took measures related to conditional release to ensure that the conditional release panel, in addition to social matters, pays more attention to security aspects when dealing with inmates leaving the prison, when the level of radicalisation is higher.

Despite significant efforts, challenges in countering terrorism and preventing and countering **violent extremism and radicalisation** remain. Militant Salafist ideology and ethnonational movements continue to be present in the region, including Kosovo, and remain a threat. The new strategy and action plan should address all forms of radicalisation and violent extremism, including political, ethno-nationalist and religious ones. It is important that the existing strategies, action plans and reintegration and rehabilitation programmes are continuously revised in order to implement a risk-based approach.

Progress was made on the rehabilitation and reintegration of foreign terrorist fighters (FTFs) and their families that returned from Syria/Iraq. Since the start of the civil war in Syria in 2012, 253 Kosovo citizens have returned (130 men, 39 women, 84 children), 100 have died, and 82 remain in the Middle East (35 men, eight women, 39 children). With international assistance, in May 2022, Kosovo authorities carried out its fourth controlled return operation of two Kosovo foreign terrorist fighters from the conflict zone in Syria. The Reintegration Division of the Ministry of Internal Affairs needs appropriate financial and human resources. Municipal authorities need to be more involved in planning and implementation of rehabilitation and reintegration process. There is the need to focus more on preparedness of local practitioners dealing with returnees.

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The National Coordinator on CT/CVE should play an enhanced role in overseeing the rehabilitation and reintegration process including by linking up with municipalities. Civil society organisations should be given a greater role in rehabilitation and reintegration efforts in local communities. The focal point for counterterrorism and countering violent extremism and established Intelligence Unit within the Kosovo Correctional Service contributed in improving coordination of pre- and post-release processes, but de-radicalisation and disengagement programmes within the correctional system need to be significantly intensified. Authorities need to ensure specific training, also for the Kosovo Probation Service, which must develop programmes for terrorism convicts. During the reporting period, seven such offenders were released from custody. Kosovo continues to participate in the implementation of the Western Balkan Counter Terrorism initiative.

Judicial cooperation in civil and criminal matters

While Kosovo is not party to most multilateral treaties governing mutual judicial cooperation, for status-related reasons, it unilaterally applies internationally recognised treaty standards. Since December 2020, Kosovo and Eurojust established cooperation through the appointment of two contact points.

The legal framework for judicial cooperation in civil matters has been consolidated into one comprehensive law, which is fully aligned with *EU acquis*. Cooperation with countries with which Kosovo does not have bilateral agreements is based on the principle of reciprocity. From June 2021 to March 2022, Kosovo addressed 80 requests on civil matters to EU Member States and received 131 responses. It received 166 requests from EU Member States and provided 240 responses.

Kosovo's international legal cooperation in criminal matters is based on the Law on Legal Cooperation in Criminal Matters of 2013, which was recently amended by the Assembly, as well as on 38 bilateral treaties. In 2020, Kosovo issued 101 requests in criminal matters and received 127 responses. It received 341 requests and provided 224 responses.

During the reporting period, cooperative relations with the European Public Prosecutor's Office (EPPO) have not been established.

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

Legal and irregular migration

Despite the COVID-19 pandemic and related travel restrictions, Kosovo did not report any major outbreaks in the asylum centres. Kosovo has mobilised additional resources to develop or revise existing responses and contingency plan to manage mixed migration flows. It also incorporated migrants and refugees in the COVID-19 response, including in the vaccination programme. Stranded migrants outside reception centres faced particular challenges, as they remain unregistered. IOM launched the Displaced Tracking Matrix Programme to reflect migration trends better as well as to monitor and to collect data for stranded migrants outside the centres.

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Institutional set-up and legal alignment

The relevant **institutions** dealing with migration in the Ministry of Internal Affairs and the Border Police remain effective. Capacity of the Department for Citizenship, Asylum and Migration, within the Ministry, should be increased. The Department currently employs 35 officers while the 2021 Regulation on Internal Organisation of the Ministry of Internal Affairs prescribes the employment of 57 officers. In October 2021, one of the Deputy Ministers of Internal Affairs was appointed as the National Anti-Trafficking Coordinator and the National Migration Coordinator. The authorities should reflect on creating a permanent position in order to bring more stability to this role. The **legal framework** is largely in line with the EU *acquis*.

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

Overall, the Law on Foreigners is somewhat aligned with EU *acquis* and international standards. In 2022, Kosovo has initiated the revision of the Law on Foreigners and the Law on Readmission. It is recommended to align legislation with the provisions of Directive 2008/115/EC (the Return Directive), include a humanitarian protection category, extending the voluntary return period and reflect on the existence of the new reception centre. In December 2021, the government adopted the concept document that aims to harmonise the Law on Foreigners with the relevant EU Directives.

In November 2021, the government adopted the migration strategy and action plan 2021-2025. The Strategy reflects the priorities included in the government programme 2021-2025. It takes into account obligations deriving from the SAA as well as recent European and global initiatives, such as the EU Pact on Migration and Asylum, and Global Compact on Safe, Regular and Orderly Migration. The diaspora is not included in the migration strategy, as it will instead be included in the future diaspora strategy. The new strategy meets all requirements, including in defining baselines, clear budgeting and setting target values. It is only the first step towards developing a comprehensive strategy based on cross-sectorial approach. The government should review current policies and shift from current responsive and fragmented approach towards full cross-sector strategic planning, to a more comprehensive strategy covering all relevant policy areas, coordination and implementation.

The 2020 Migration Profile, which provides an overview of developments and recommendations in the field of migration, was published by the authorities in November 2021. The Regulation on the Management of the Reception Centre for Migrants is pending approval. The Guidelines on assessing and determining the best interest of refugees and migrants children were adopted in September 2021.

The Government Authority on Migration should take a more proactive role in migration governance, coordination as well as in improving the monitoring mechanism for implementing migration policies. A statute which sets the duties, roles and responsibilities of this authority has not yet been adopted.

Implementation and enforcement capacity

Mixed **migration flow** decreased comparing to the numbers registered in 2020. From January to December 2021, 1 487 new migrants were registered. 578 persons applied for international protection, whereas 909 persons used the 72 hours scheme without finally applying for asylum.

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There were 614 non-registered migrants in the period August 2021-July 2022, and 148 in 2022 until May. Capacities of the authorities to provide solutions for mixed migration flows, especially irregular migrants outside the official centre, should be enhanced. Most of the migrants are single men, with a limited number of single women, families and children (88% male, 12% female; 90% adults and 10% minors). 92% of the migrants entered Kosovo irregularly from Albania, 3.5% from North Macedonia, 3% from Serbia, 1.5% from Montenegro. The top eight countries of origin are Syria, Morocco, Bangladesh, Afghanistan, Algeria, Iraq, Libya and Palestine.

Providing proper care and security for the most vulnerable groups of migrants remains a challenge. Due to a lack of biometric equipment, registering migrants at the borders or police stations continues to be a challenge.

The number of persons held at the detention centre remained high: 46 persons were accommodated from January to December 2021 with an average stay of 100 days, which more than doubled since last year (average stay of 40 days in 2020). The detention centre has a limited capacity and does not meet all the necessary standards. IOM, funded by the EU, provided essential support to migrants at the detention centre for foreigners. A health clinic was established and medical equipment delivered, where 50 migrants received counselling services, basic psychological, psychotherapeutic sessions and psychiatric consultations. It is of utmost importance to establish alternative measures to detention for migrants subject to return.

In 2021, 144 persons were returned (21 forced, 102 voluntary returns and 23 deportations). There is a decrease in the number of returns from Kosovo by about 50% compared to 2020. 18 migrants have been assisted to voluntarily return to their countries of origin. Overall, for those migrants who do not need international protection, assisted voluntary return remains the only viable option. Non-voluntary returns have been limited due to status-related issues and the lack of readmission cooperation with most countries of origin.

In December 2021, the government revised and adopted the contingency plan for the management of the potential influx of migrants, refugees and asylum seekers. The authorities expanded accommodation capacities, which are currently sufficient, but limited in case of potential large inflow. There are three asylum centres with a current capacity of up to 600 persons (Magure, 100 persons; Vranidoll, 200 persons; Belvedere Camp, 300 persons, although the latter could accommodate up to 2 200 persons in total based on the revised Contingency Plan). In November 2021, the reconstruction of an ex-military building in Vranidoll, Pristina, has been completed. The centre, which has opened, serves as a temporary reception and registration centre for migrants, offering 55 beds for stranded migrants. Many of them have lived in overcrowded apartments or on the streets facing a high risk of exploitation and abuse by smuggling networks. Its sustainability and an adequate budget beyond 2022 will need to be ensured. It will be important to provide adequate interpretation services, basic psychosocial, medical and other specific services related to the vulnerable groups. The Regulation for the management of the new centre needs to be adopted and its existence reflected in the existing legal framework.

Gaps in enforcement remain, in particular due to a lack of coordination between government agencies. The border police needs further capacity building in the area of protection-sensitive migration. Qualified interpreters are needed to service both the asylum and detention centres and

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the border police. The lack of biometric equipment and interoperability of data affects the efficiency of the initial registration and further processing.

While fundamental rights are generally upheld, the centres are facing structural issues, mainly relating to improper housing units, a lack of secure areas, a lack of in-house medical facilities and adequate specialised supervisory staffing, especially for psychosocial support. Instances of security incidents in asylum centres continue to raise concerns. An immediate response, in terms of increasing the level of safety for asylum seekers in facilities, is necessary. During the pandemic, due to confinement measures, gender-based violence has also been on the rise in the centres.

Kosovo has strengthened its inter- and intra-institutional systems for migration management, including on **migration statistics**. This should allow comparative and regional analyses of migration trends. A Permanent Working Group on Migration Statistics was established by the Migration, Asylum, Refugees Regional Initiative (MARRI) exclusively for the purpose of collecting, processing and disseminating of relevant migration data through the Regional Platform for Migration Data Exchange in the Western Balkans.

Transnational smuggling networks, that include Kosovo nationals, facilitated secondary movements of irregular migrants from entry points along the Western Balkan route in 2021. The police initiated 27 criminal offenses of smuggling of migrants that resulted in 57 suspected and 54 persons arrested and identified 326 victims.

The **readmission agreements** with EU Member States and Schengen-associated countries are being implemented satisfactorily. The number of asylum requests made by Kosovo citizens in both EU and Schengen associated countries has fallen steadily, from the peak of 73,210 in 2015 to 2,315 in 2020 and 2,400 in 2021. Mirroring the trend in asylum requests, the overall number of Kosovo citizens readmitted has dropped from 18 789 in 2015 to 625 (512 forced and 113 voluntary) in 2020 and 849 (710 forced and 139 voluntary) in 2021. Out of 942 readmission requests in 2020, 635 requests were accepted (67.5%), 263 rejected (28%) and 44 (4.7%) are still underway. The return rate of Kosovo citizens ordered to leave EU territory was 58% in 2018, 41% in 2019, 29% in 2020 and 39% in 2021. While statistics show a drop in the return rate between 2018 and 2020, EU Member States have confirmed that Kosovo authorities continue to cooperate well on readmission.

A sustainable reintegration process remains complex. Overall, there is a need for better inter-institutional coordination, including with municipalities, as well as improved systemic monitoring and evaluation. Further efforts are needed to put in place a gender-responsive system. A referral mechanism was established and functions through the Reception Centre for Repatriated Persons. A manual identifying and advancing the referral of vulnerable cases and training on needs assessment were provided to central and local reintegration officials.

In August 2021, Kosovo began temporarily hosting US-affiliated and NATO-contracted evacuees/refugees from Afghanistan, based on the decision by the government to grant them temporary protection for one year, which may be extended. They were hosted in two camp facilities in Kosovo, with the understanding that they will be further resettled in the US under a specific visa regime or in NATO member states. Since August 2021, 639 arrivals and 547 departures were registered at the Bondsteel camp with 39 persons still present in Bondsteel Camp. It is uncertain what will happen to the Afghans still in Kosovo, who did not pass the verification process and have been denied entry to the USA. The earlier agreement between

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Kosovo and USA stipulates that they should not remain in Kosovo. NATO Bechtel-Enka camp closed as of 31 March 2022. 812 Afghan citizens have been evacuated from the NATO Camp and resettled in EU countries, the United Kingdom, Iceland, Norway and Canada. Kosovo accommodation of Afghan evacuees showed not only solidarity with the Afghan refugees but also Kosovo's commitment to NATO. Following the Russian invasion of Ukraine, Kosovo lifted visa requirements for Ukrainians and offered temporary protection status for 20 Ukrainian journalists and their family members. In March 2022, Kosovo expressed readiness to host up to 5 000 refugees.

Asylum

Institutional set-up and legal alignment

Kosovo's asylum legal and **institutional** framework is mostly in line with EU *acquis*. Refugees should be included in social protection schemes to support their inclusion into society. Prolonged stay of asylum seekers during the COVID pandemic has revealed capacity gaps and shortcomings in the effective implementation of the legislation. Certain sectors of the system require further strengthening in line with the EU Asylum Agency and Kosovo Roadmap.

Implementation and enforcement capacity

In 2021, Kosovo recorded 578 **asylum applications** (2 081 in 2019). Compared to 2020 (1 409), the number has decreased. Until 14 March, 82 asylum claims were registered. The Kosovo legal framework provides for access to territory and respects the principle of non-refoulement. Kosovo is a transit route. Most asylum requests are suspended, as applicants disappear without completing the procedure. During 2021, 14 persons (Turkish nationals) received refugee status, while 17 persons (12 from Syria) received subsidiary protection. While in 2022 so far, one refugee and one subsidiary protection status were granted. Due to the pandemic, certain delays have been observed in the processing of Refugee Status Determination, even though virtual interview platforms were operationalised. Although the legislation foresees the provision of social assistance, several asylum seekers experienced delays in accessing it. These delays are often linked to the inadequate capacities of the centres for Social Work, and the delays caused by the existing referral mechanism. The assessment of claims based on merit, analytical approach utilising the country of origin information, detailed justification of the decisions, and assessment of material elements of the claim needs further strengthening.

The establishment of a fully effective and protection-sensitive entry system is of utmost importance. The capacities of first-contact officials for identification, screening, and referrals of persons seeking international protection and persons with specific needs within the mixed migration flow should improve further. Cases of gender-based violence remained institutionally unattended due to the lack of appropriate response systems. The authorities continued to issue the certificate confirming expression of intention to apply for international protection, which continues to pose difficulties in accessing services and asylum procedures. With donor support, the authorities worked on the refurbishment of facilities and improving services in asylum centres. Detained foreigners, who seek asylum, are given the opportunity to be transferred to the asylum centre. There are challenges in providing interpretation services and legal aid to applicants. Although detention is considered as a last resort administrative measure, in the absence of alternatives authorities continue to use it as a temporary measure for different categories of migrants (e.g. those who do not request asylum or are not considered asylum seekers). Alternative solutions to detention need to be established.

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The **integration system** is at an early stage of development and some progress has been achieved in reinforcing the staffing and capacity building through training at both central and local levels and through new procedural and strategic guidance. The Guidelines on Integration of Foreigners have been adopted in December 2021. Authorities issue biometric ID cards and travel documents for refugees, although delays and technical errors have been observed. Challenges for financial integration persists, as refugees and stateless persons continue to face challenges in accessing bank accounts. Regarding child protection, strengthening of procedures concerning unaccompanied minors, including age determination, legal guardianship and communication, remains crucial. Authorities should consider accelerating the process of hiring new staff in the asylum area, in accordance with new secondary legislation. In March 2022, the EU Agency for Asylum and Kosovo adopted and started to implement a bilateral Roadmap for cooperation (2022-2024).

Visa policy

Kosovo has yet to fully align its legislation with the EU visa policy. In December 2020, revised Administrative Instructions on Conditions and Procedures for the Issuance of the Visas at the Border Crossing Point by the Ministry of Internal Affairs was adopted, which aim to align Kosovo with the EU Visa Code.

Kosovo currently imposes visa requirements on nationals of 88 countries, based on a 2013 government decision. The visa-issuing authorities have the capacity to digitally collect biometric identifiers from visa applicants, although the equipment needs upgrading. All granted visas and rejections are registered in Kosovo's visa information system. 16 Kosovo consulates issue visas. For the year 2021, all visas issued at the border crossing points were for official visits.

The citizens of Kosovo need a visa to travel to the Schengen area. A **visa liberalisation dialogue** started in 2012. In July 2018, the Commission confirmed that Kosovo had fulfilled all the benchmarks of the visa liberalisation roadmap and recommended that the Council and European Parliament move forward with the proposal for visa liberalisation. The Commission continues to stand behind its assessment of July 2018 and will provide a technical update to support decision-making by EU Member States. The European Parliament, in both the previous and current legislature, has voted in favour of the Commission's proposal, but the latter is still pending in the Council.

Schengen and external borders

Institutional set-up and legal alignment

The National Centre for Border Management is one of the most important tools of Kosovo to effectively manage the security of its border/boundary. The centre hosts an operational and coordination room that monitors all activities at the border and common crossing points through closed-circuit television, coordinates the real-time exchange of information between the border authorities at all levels, and handles calls from the public. It has a Joint Intelligence Risk Analysis and Threat Assessment Unit, which collects, analyses, and disseminates information from and to the border authorities. There has been limited progress in implementing the revised National Centre for Border Management Development Plan (2020-2025) approved in January 2021. There is a need for better strategic assessment and analyses of border-related risks, including security, and for better cooperation with other border authorities. The lack of

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connection to important international networks such as Interpol's I-24/7, due to status-related issues, affects its effectiveness.

The legislative framework for managing Kosovo's borders/boundary is mostly in line with the EU and international standards. Kosovo has an Integrated Border Management (IBM) Strategy (2020 – 2025) and Action Plan (2020 – 2023), which was recently revised. The relevant Executive Board will review the process of implementation quarterly.

The Passenger Information Unit became operational on 1 June 2022. The Kosovo Police is scanning both, advance passenger information and passenger name records. Standard operational procedures need to be developed and the coverage of received data from carriers needs to be enhanced.

Implementation and enforcement capacity

The Border Department of the police is well staffed, with a total of around 1 350 officers (1 250 in 2021), and generally meets EU minimum standards for border controls. The performance of the Border Police working at the border/boundary crossing points and their knowledge of the border procedures has improved. Development of the infrastructure, equipment and tactical methods, especially at the green border areas, will enhance the capacity of the whole border security system and bring it closer to EU-standards. The Kosovo Police Information System is linked to all border/boundary crossing points. The infrastructure at border/boundary crossing points has improved and the Border Management System continues to operate satisfactorily. However, the lack of access to international databases is a hindrance to effective crime prevention work.

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

The Interim IBM common crossing-points with Serbia continue to be operational. Only two of the six permanent Common Crossing Points (CCPs) have been established (Merdare and Mutivodë/Mutivode) (See section 5 on the normalisation of relations between Kosovo and Serbia). In March 2022, Serbia agreed to open both entry and exit lanes at CCP Merdare and move their authorities into the new premises at CCP Mutivode. Both EU-funded CCPs are now fully operational. Serbia still has not established permanent CCPs to be hosted by their side (Jarinje /Rudnica, Končulj-Dheu i Bardhë and Depce /Muçibabë), which led to a suspension of EU funds for this project in July 2018. In addition, Serbia needs to engage constructively to enable the construction of the third CCP hosted by Pristina in the north of Kosovo at Tabavije /Bërnjak- Tabalije/Brnjak. Additional measures need to be taken to combat irregular crossings and related criminal activities (including corruption), particularly along the border/boundary with Serbia. Since last year, several corruption cases have been initiated, revealing the involvement of IBM authorities, especially Kosovo Border Police. In March 2022, 48 officers were charged for bribery.

All aspects of customs cooperation are now covered in chapter 29 on the Customs Union.

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Counterfeiting of the euro (criminal law aspects)

The Kosovo Criminal Code is broadly in line with the EU acquis on the suppression of counterfeit currency. Kosovo has established competent authorities and procedures for dealing with counterfeit money. However, the Criminal Code is only partially aligned with the EU Directive on the Protection of the Euro and Other Currencies against Counterfeiting, and further alignment is necessary including on altering money and import and export. The Forensics Agency within the Ministry of Internal Affairs caries out technical analysis of counterfeit money (including euro banknotes and coins) that is in line with international standards. The Agency has concluded an agreement with the European Commission on further cooperation on exchange, assistance and training for the protection of the euro against counterfeiting (the Pericles 2020 programme). During the period of July 2021-March 2022, the police initiated 577 cases related to euro counterfeiting. Additionally during April-June 2022, it initiated two cases for Euro counterfeiting, arrested one person and transmitted four criminal reports against four suspects to the prosecution. (*See chapter 32 on financial control*).

2.3. ECONOMIC DEVELOPMENT AND COMPETITIVENESS

Table 7.1: **Kosovo - Key economic figures**	**2013-18** average	**2019**	**2020**	**2021**
GDP per capita (% of EU-27 in PPS)	24	26	26	
Real GDP growth	4.7	4.8	-5.3	10.5
Economic activity rate of the population aged 15-64 (%), total	40.4	40.5	38.3	39.5
female	*19.6*	*21.1*	*20.8*	*22.7*
male	*60.9*	*59.7*	*56.0*	*56.5*
Unemployment rate of the population aged 15-64 (%), total	31.0	25.7	25.9	25.8
female	*36.5*	*34.4*	*32.3*	*29.7*
male	*25.0*	*22.6*	*23.5*	*24.2*
Employment of the population aged 15-64 (annual growth %)	2.5	5.2	-4.0	1.3
Nominal wages (annual growth %)	2.8	5.3	-2.3	3.9
Consumer price index (annual growth %)	0.7	2.7	0.2	3.3
Exchange rate against EUR	1.0	1.0	1.0	1.0
Current account balance (% of GDP)	-6.8	-5.7	-7.0	-8.6
Net foreign direct investment, FDI (% of GDP)	3.6	2.7	4.2	4.0
General government balance (% of GDP)	-2.1	-2.9	-7.6	-1.3
General government debt (% of GDP)	13.4	17.6	22.4	21.9

Source: Kosovo statistics, World Bank and IMF

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

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

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policy guidance jointly adopted by the EU and the Western Balkans and Türkiye at ministerial level in May each year.

2.3.1. The existence of a functioning market economy

Kosovo is at an **early stage** and has made **some progress** in developing a functioning market economy.

The loosening of COVID-19-related mobility restrictions and the resumption of travel and related financial inflows by the diaspora led to a very strong economic rebound in 2021, which moderated in the first quarter of 2022. Notwithstanding the resilience the economy has demonstrated during the pandemic, long-standing structural challenges, such as a widespread informal economy, a high prevalence of corruption and the overall weak rule of law, continue to hinder the private sector. While the fiscal rule was suspended for three years in 2020, the economic recovery resulted in a strong increase in tax revenue and a low public deficit in 2021. Driven by surging commodity prices, inflation increased substantially. Inflationary pressures were reinforced by the fallout of Russia's war against Ukraine. Higher prices for imported commodities widened external imbalances. The financial sector remained stable and lending continued to expand. The business environment saw low improvement. The economic recovery created jobs but lack of data hinders a proper assessment of the labour market situation. Last year's recommendations were partly addressed.

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

→ cushion the impact of adverse shocks by well-targeted support measures when needed while planning the return to the deficit ceiling of 2% of GDP in the medium term;

→ prepare a review of the social security system, including war veteran pensions, with a view to improving the cost-efficiency and fairness of the social security schemes, and a review of tax expenditure, quantifying the size of the revenue forgone from all exemptions and reduced rates;

→ improve the quality of public spending by reforming the public wage system and addressing bottlenecks in the management of capital investment;

→ implement relevant business environment measures, in particular the simplification, merging and abolishment of licences and permits as well as the implementation of laws on inspection and electronic identification;

→ implement active labour market measures to support employment, resume publishing of the labour force survey data and continue to implement measures aiming to formalise informal employment.

Economic governance

Kosovo's economic policies focused on providing policy support to cushion the impact of the pandemic and of high energy prices for the most affected households and firms, but there was little progress with structural reforms. Pandemic-related support amounted to 3.9% of GDP in 2021, targeting vulnerable households and firms, formal and informal employment, and the health sector. The 2022 budget included a blanket allocation for the economic recovery programme amounting to 2% of GDP, which was mostly reallocated to cover energy subsidies at the beginning of 2022, compensating the increase in electricity tariffs. The disbursement of these

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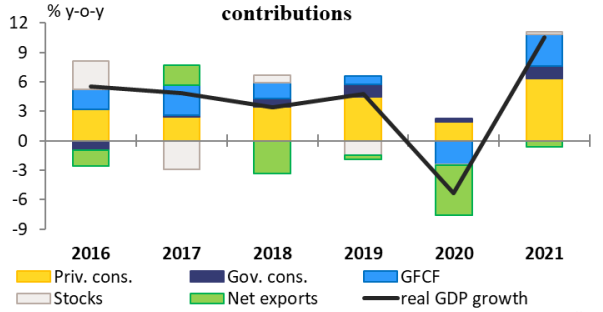
subsidies was delayed until August. The 2022 budget was based on overly optimistic assumption for economic growth, despite rising global energy prices since autumn 2021. High import costs, increased electricity consumption and insufficient domestic power generation resulted in an energy crisis with daily energy cuts in winter. In response to the fallout of Russia's war against Ukraine, the government decided to provide a further EUR 150 million in April to support low-income groups. The government finalised an agreement with Serbia as part of the EU-facilitated Dialogue to address electricity billing issues in four municipalities in the north of Kosovo. When fully implemented, this agreement should substantially reduce losses of publicly owned enterprises and government subsidies to the sector *(See also Chapter 15 Energy)*. The government took fiscally prudent positions in opposing further withdrawals from the Kosovo Pension Savings Trust (KPST) and proposing legislation to decouple the level of war veterans' pensions from the minimum wage despite strong political opposition.

The policy guidance, jointly agreed at the July 2021 Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye has been partially implemented. The 2022-2024 Economic Reform Programme focuses on supporting the economic recovery, but is very vague on the initiatives stemming from the government programme.

Macroeconomic stability

Following a very strong rebound in 2021, Kosovo's economic growth moderated in the first quarter of 2022. Before the pandemics, i.e. in 2016-2019, the average rate of GDP growth was well over 4%. Real GDP surged by 10.5% in 2021, on the back of the revival of diaspora travelling, increasing remittances and investment as well as a strong growth in household loans. Further support came from the pandemic-related government measures. Robust growth in 2021 brought Kosovo's economy above the pre-pandemic level in real terms. Economic growth slowed down to 4.8% in the first quarter of 2022, in line with historical trend. Rapidly rising energy and food prices in the first half of 2022 started to erode the disposable income of households. Slowly advancing economic diversification, high import dependency and an unreliable energy supply make Kosovo vulnerable to adverse external shocks. **Kosovo's per capita GDP remains the lowest in the region**. It stood at 26 % of the EU average in 2021. Due to a large informal sector and high inactivity rates, especially among women, Kosovo has high income inequalities.

Graph 7.1: **Kosovo - Real GDP growth and contributions**



Despite a strong tourism season, the current account deficit widened to 8.6% of GDP in 2021. The extraordinary performance of exports, with exports of services and goods expanding by 91% and 51% year-on-year, respectively, was outweighed by the robust growth of imports (42%), resulting in a practically unchanged trade deficit at 31.8% of GDP in 2021. As usual, the most important offsetting factor was remittances which increased by 18% in 2021 and reached 14.4% of GDP. Further unofficial remittances (2.5% of GDP) were reflected by larger errors and omissions in 2021. In the first quarter of 2022, the current account deficit more than doubled due to the deteriorating balance of goods trade.

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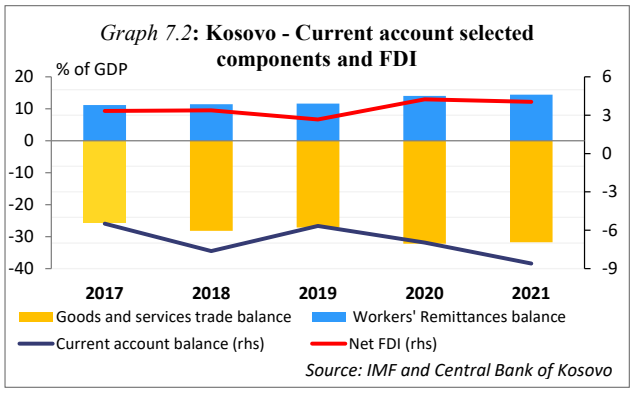
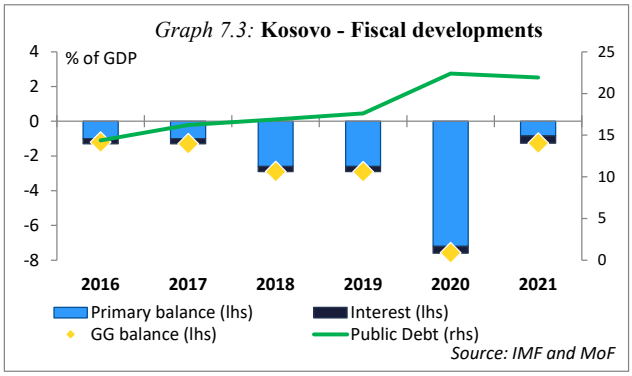


Net FDI inflows increased by 10% in 2021 and stood at 4% of GDP, covering less than half of the current account deficit. Key drivers were continued investment by the diaspora into the real estate sector and reinvested earnings in the financial sector partly due to the ban on dividend distribution, which was lifted in late 2021. For the first time, Kosovo registered portfolio investment inflows of EUR 10 million in the third quarter of 2021, stemming from the issuance of so-called "diaspora bonds" which are treasury bonds designed for the diaspora, but other than that Kosovo remains absent from international debt markets. In the first quarter of 2022, net FDI inflows stood stable at 4.9% of GDP while official reserve assets amounted to 3 months of imports of goods and services.

Higher commodity prices and a robust economic recovery led to increasing inflation in 2021. Annual inflation rose over the course of 2021 from 0.6% in the first quarter to 6.7%in December. Upward price pressures continued in 2022, with consumer prices increasing by 14.2% year-on-year in July. The main drivers were rising food and energy prices, which were amplified by Russia's war against Ukraine. Most energy prices are regulated in Kosovo. In response to rising energy prices in late 2021, the Electricity Regulation Office decided to bring in a two-tier tariff structure for household consumers, maintaining electricity prices for households consuming less than 800kWh unchanged and doubling them for households consuming more than 800kW.

The 2021 budgetary outcome improved considerably, due to surging revenue and conservative spending. The headline budget deficit narrowed to 1.3% of GDP, which corresponds to a deficit of 0.6% of GDP under the fiscal rule definition[3]. This outcome would comply with the fiscal rule prescribing a deficit ceiling of 2% of GDP, though the rule has been suspended since 2020. Government deposits recovered to 3.9% of GDP, up from 3.5% in 2020. The fall in the government deficit resulted primarily from an extraordinary increase in government tax revenue, which rose by 29% year-on-year. Higher revenues from indirect taxes were key, but there were also gains in personal income taxes partly due to formalisation measures associated with the COVID-19 recovery package. Tax and non-tax budget revenue exceeded the projections of the revised 2021 budget. By contrast, public



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

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spending increased by 2.8% year-on-year, compared to the planned 12.6%. Capital spending reached only 75.8% of the revised budget allocation (although this is still an improvement over previous years), while the execution of current expenditure was roughly in line with the initial plan. The largest increase in current spending was in the category of goods and services (9.6%) driven by the purchase of vaccines. Spending on social transfers and subsidies fell by 2.9% due to the high base in 2020. The 2021 economic support programme amounted to 3.2% of GDP, which compares to a crisis-related stimulus of 4.2% of GDP provided in 2020. In 2022, the government responded to high inflation and in particular to high energy prices, with subsidies for agricultural inputs, wage bonuses, temporary increases in pension benefits and social transfers. The latter involves electricity price subsidies for around 20% of households, aiming to target the poorest households with low energy consumption, but taking no account of disposable income. The government resisted pressure to reduce excise the excise and VAT rates on fuel. In June, the Assembly approved the revised 2022 budget, which targets a headline deficit of 5.3% of GDP instead of initially planned 4.5%. As per the fiscal rule definition, the deficit is projected at 3.8% of GDP as compared to the originally planned 2.9%. The government cash reserve is expected to decline to 3% of GDP, which is below the initial projection of 3.9%.

On the back of strong economic and fiscal performance in 2021, the public debt-to-GDP ratio has declined but the investor base for government debt remains narrow. The public debt ratio stood at 21.9% at the end of 2021 and fell to 20.3% of GDP in the first quarter of 2022. These figures do not include the liability stemming from tax-free withdrawals of 10% of pension savings from the Kosovo Pension Saving Trust (KPST), which the government promised to reimburse from 2023.[4] Domestic debt, which is held by a narrow investor base, increased by 15% in nominal terms in 2021. In March 2022, the KPST's share of domestic debt reached 48% as compared to 38% in 2019, while the Central Bank of Kosovo and commercial banks hold a further 19% and 27% of domestic debt respectively. In the absence of a sovereign credit rating and very limited access to international bond markets, foreign financing has been largely provided by international donors. Foreign debt rose by 9.6% in 2021. This includes EU macro-financial assistance (the second and final instalment of EUR 50 million was disbursed in June 2021), World Bank loans (EUR 32.2 million) and Council of Europe Bank lending (EUR 17 million).

Progress with fiscal governance has been mixed. The 2022 budget, as adopted in December 2021, assumed unrealistically high GDP growth (7.8%) and a very large increase (67%) in public investment. While higher public investment is a welcome aim, such a large increase is not supported by the track record of capital spending over the last years, although the budget included additional funds for expropriation of properties to help unlock capital investment. At the same time the absence of a functioning board at the Procurement Review Body since March 2021 has impeded the execution of capital spending. A blanket allocation of 2% of GDP for the economic recovery programme in the 2022 budget undermines fiscal transparency and accountability. To contain social spending, the government adopted an administrative instruction requiring a medium to long-term costing of any pension or social spending initiative before its adoption. Despite this progress, there is no cost estimate for the draft law on salaries for public employees. The revised budget law of 2021 and the budget of 2022 include the assessment of high-risk publicly owned enterprises while excluding others. The full implementation of the agreement reached on 21 June 2022 between Kosovo and Serbia as part of the EU-facilitated

[4] The IMF estimates the liability to KPST at 1.8% of 2020 GDP.

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Dialogue to address electricity billing issues in four municipalities in the north of Kosovo should eliminate a substantial fiscal risk. As in 2021, the cost of electricity losses reached nearly EUR 42 million. The cost of war veteran pensions continues to breach the 0.7% of GDP legal ceiling.

Supporting the most vulnerable while improving the budget balance in 2021 was appropriate, but stronger contingency planning is needed. The pandemic-related fiscal support, which mainly took the form of subsidies and transfers to vulnerable families, employment and affected businesses was broadly well-targeted and helped to cushion the impact of the shock. However, the economic support programme included in the 2022 budget, does not clearly reflect the priorities set in the government programme. Risks related to upbeat GDP projections and rising energy prices in autumn were not sufficiently considered in the initial budget. The tax base remains narrow and weakened by tax exemptions and preferential tax rates, while public spending is burdened by category-based specific transfers. .

Functioning of product markets

Business environment

In line with economic recovery in 2021, business creation was more dynamic with higher numbers of registered and terminated firms. The total number of new businesses in 2021 was 10,659, which is 8.7 % higher compared to 2020. The number of closed businesses in 2021 was 1,602, an increase of 19 % compared to the same period of the previous year (1345). The numbers of firms with female and foreign owners also increased.

Some progress was made in improving the business environment. The Law on Inspections, aiming to reduce the number of parallel and overlapping inspection bodies and streamline the procedures, was approved by the Assembly in December 2021. The draft Law on the Commercial Court, which is critical to improve the efficiency of the justice system, was approved by the Assembly in March 2022. Kosovo started the process of amending the Administrative Burden Reduction Programme, which should deliver a two-year action plan with measurable results. The Kosovo Investment and Enterprise Support Agency (KIESA), whose task is to help businesses and investors, lacks capacity and resources to execute its wide mandate. The lack of a coherent policy for industry development throughout the supply chain, a large informal sector and incomplete implementation of the Law on business organisations undermine the business environment and competitiveness of SMEs.

Despite some success in fighting the informal economy, it still accounts for more than a third of total employment.[5] There was some improvement in voluntary compliance, as the number of registered workers increased due to financial incentives to join formal employment that were, included in the pandemic-related package. The impact of the potential minimum wage increase on informality warrants close monitoring. According to the corruption perceptions index by Transparency International, Kosovo improved its index score in 2021, ranking 87 out of 180 countries, which is 17 positions higher than in 2020.

State influence on product markets

Despite some progress made in 2021, Kosovo's State aid policy framework needs further alignment with EU rules and principles. The current framework lacks a coherent approach to State aid as well as a comprehensive strategy and cost-benefit evaluations for aid and subsidies

[5] IMF 2021 Article 4 consultation.

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granted. There is an inventory of aid schemes, as provided in the Stabilisation and Association Agreement (SAA), but their alignment with the existing legislation on State aid is at an early stage. The government has made some progress on enforcement of competition and State aid rules and on training the staff of the State aid department. The State aid Commission had no decision-making quorum since mid-September 2021 and is unable to function formally until the Assembly appoints a new Commission. According to the official data, State aid is estimated at 1.7% of GDP in 2020, with the largest item being agricultural subsidies. In the context of high energy and crop prices due to Russia's war against Ukraine, further subsidies to agriculture were allocated in 2022, aiming to increase self-sufficiency.

Privatisation and restructuring

Kosovo undertook steps to dissolve the privatisation agency and to set up a sovereign wealth fund. At end-2021 the Privatisation Agency of Kosovo (PAK) approved its exit strategy. In early 2022 the government issued a decision forbidding PAK to sell assets under its administration, which are envisaged to be transferred to a sovereign wealth fund. In June 2022, the government adopted a concept document on the sovereign fund. The sovereign fund is expected to take over socially-owned enterprises[6] (SOEs) and assets managed by PAK and some publicly owned enterprises managed by the Ministry of the Economy after improving their financial performance. During the reporting period the PAK continued liquidation procedures of SOEs. The process of dismissal and appointment of new board members of publicly owned enterprises continued. Changes are needed in the rules and procedures on governance and oversight of publicly owned enterprises in order to address issues of poor performance and maladministration. Some improvements were made in reducing overemployment in Kosovo Telecom and adopting a new performance framework for regional water companies.

Functioning of the financial market

Financial stability

Supported by robust economic growth, the financial sector remained stable. In the second half of 2021, as the economic recovery gained pace, the Central Bank of Kosovo gradually lifted the pandemic-related forbearance measures, without a negative impact on bank asset quality so far. The predominantly foreign-owned banking sector accounts for 66% of financial system assets, followed by pension funds, insurance and microfinance institutions with 26.5%, 2.8% and 4%, respectively. The banking sector's return on average equity (RAE) remained high at 19.5% in 2021, as compered to the pre-pandemic level of 18.9% in 2019, and increased further to 22.3% in Q2 2022. The ratio of bank non-performing loans (NPLs) declined from 2.7% in 2020 to 2.1% in 2021 and stayed at this level in the first half of 2022, partially supported by the denominator effect of high credit growth. Although overall the credit risks remain contained, challenges remain in evaluating risks from the rapid credit expansion in the household segment. The ratio of banks' regulatory capital to risk-weighted assets stood above 15% in 2021 and the first half of 2022, comfortably exceeding the regulatory minimum of 12%. Banks continued to be financed by deposits, predominantly from households. The loan-to-deposit ratio increased to 85.2% in June 2022 from 77% in mid-2021. In 2021, profitability recovered for micro-financial institutions after a sharp drop in 2020. The insurance sector's performance remained positive in 2021, with its net profit increasing by 50% on an annual basis.

[6] The ownership of socially-owned enterprises was considered as shared social property in former Yugoslavia.

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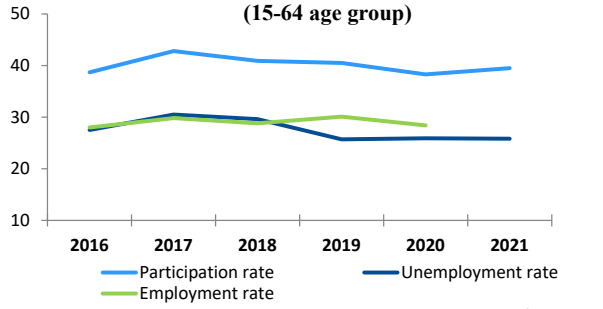
Access to finance

Financial intermediation continues to expand. Credit growth accelerated from 7.1% in 2020 to 15.5% in 2021 and further to over 17% year-on-year in the first half of 2022. Loan growth was facilitated by low interest rates, a continued increase of deposits, improved contract enforcement, and increased guarantees extended by the Kosovo Credit Guarantee Fund (KCGF) for lending to micro, small and medium-size enterprises to cushion the impact of the crisis. In 2021, lending to both firms and households continued to grow on annual basis, by 13.6% and 18.6%, respectively. The amount of credit compared to the size of the economy remained moderate, at around 40%. The lack of easily accessible and affordable credit constitued a barrier to the growth of SMEs. This is partly due to the existing disparity between the market value of collaterals and their legally assigned value taken into account by banks. The capital market remains at an early stage of development. A first-ever 'diaspora bond' issuance was made during the summer of 2021 through commercial banks and in collaboration with the Ministry of Finance. This issuance managed to raise EUR 10 million of the EUR 20 million initially offered. Microfinance has gained momentum in recent years, but shortcomings in the legal framework regulating microfinance institutions hinder the industry's long-term growth and sustainability.

Functioning of the labour market

Kosovo has large delays in publishing labour force survey (LFS) data for 2021. The latest available LFS data refer to the second quarter of 2021, i.e. before the recovery came into full swing. The labour force participation ratio stood at 37.7% in line with its long-term trend. Employment rates of men and female were at 44% and 16%, respectively. Unemployment stood at 20.5%. Tax administration data suggest that official employment in the private and public sector increased by 10% in 2021. A number of registered jobseekers dropped by almost a third in 2021 compared to 2020, which might be partially due to financial incentives included in the pandemic-related support measures, but their level still remains 10% higher than in 2019,[7].

Graph 7.4: **Kosovo - Labour market trends (15-64 age group)**



Source: Kosovo Agency of Statistics

Despite some formalisation gains, the labour market is hindered by an inadequate system of social assistance, a large gender gap and a lack of job opportunities for young people. In 2021, spending on transfers and subsidies reached nearly 11 % of GDP while within this amount expenditure on poverty-targeting social assistance was around 0.5 %. Category-based social transfers, e.g. war veteran pension scheme, are costly and undermine the soundness and fairness of the social benefit system while motivating other specific groups to request similarly generous allowances. In September 2021, within the recovery package the government introduced maternity leave for women unemployed for longer than 12 months. By excluding women in shorter spells of unemployment, this could act as a disincentive for women planning motherhood to take on (formal) work. The lack of affordable transport options, child and elderly care facilities constitute long-term challenges, hindering female employment. High reservation wages, partially supported by remittances, and the lack of jobs are considered to be a key factors fuelling

[7] World Bank 2022 Regular Economic Report

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the emigration of young people. Further issue relates to skills mismatch, as Kosovo's labour market generates little demand for academic qualifications, more so for hands-on vocational skills.

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

Kosovo is at an **early stage** and has made **limited progress** in terms of capacity to cope with competitive pressure and market forces in the EU. Insufficient quality of education and skills mismatches lead to a difficult transition from school to the labour market. Some progress was made in improving road infrastructure. The recent energy crisis underlined the urgency of ensuring a reliable and clean energy supply and diversifying energy sources. Kosovo made some progress as regards the digitalisation of the economy. Structural changes are advancing slowly as the economy remains highly reliant on small and very small firms which cannot compete internationally. The export structure remains dominated by base metals with slightly increasing shares of mineral, plastic and textile products. The recommendations from 2021 were not fully implemented and remain valid.

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

→ improve the quality of vocational training and education at all levels, with the view of narrowing the skills mismatch;

→ strengthen energy security and energy efficiency incentives in the residential and private sectors;

→ increase the share of renewables in power generation in a cost-efficient way;

→ advance tailored financial and non-financial support for SMEs to improve their competitiveness and export capacity.

Education and innovation

Improving the quality of education and its alignment with labour market needs remain a key challenge. Public spending on education (4.7% of GDP in 2020) and the enrolment of children in early school (36%), primary (100%), lower (91%) and higher (81%) secondary education followed historical trends in the school year 2020/2021. A participation of children in early school education and care (3-5 years) is still far below the EU average of over 80 %. Following the pandemic-related disruptions to learning in the previous year, which affected all pupils, but especially the marginalised groups, the government prepared new distance learning solutions for the school year 2021/2022. The new law on textbooks and educational material, aiming to improve the quality of learning material, is pending approval. Learning materials were adapted for the Programme for International Student Assessment (PISA) 2022 test, following Kosovo's lowest ranking in 2018. Kosovo students' scores are the equivalent to five years of schooling behind the OECD average in reading, and a little over four years behind in mathematics. Many graduates remain unemployed as their training does not provide them with the necessary skills required by the labour market. A recent skills mismatch measurement indicates that over 40% of young workers with a tertiary education are employed in jobs below their level of education. To improve training programmes, Kosovo finalised a quantitative analysis on future needs with the support of the Joint Research Centre. Following the expulsion from the European Association for Quality Assurance in Higher Education, Kosovo

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Accreditation Agency (KAA) has implemented the recommendations, related to institutional and financial independence, and an increase in the number of staff. The Law on KAA has yet to be adopted by the Assembly.

Little progress has been achieved in improving Kosovo's research, development and innovation system. Despite legal provision to allocate 0.7% of GDP for science and innovation, the allocated budget for 2022 was less than 0.1% of GDP, due to the lack of funding. In November 2021 Kosovo appointed members of the Council of Science that should develop scientific research activity. Kosovo has successfully completed negotiation with EU to become a fully associated member of the Horizon Europe programme, but it still needs to improve its performance in accessing grants.

Physical capital and quality of infrastructure

Slow progress in improving road and railway infrastructure delays the implementation of major projects. There was no progress on Route 7 *Peace highway*, despite the increase of EU grant for its implementation. The rehabilitation works for the Railway Route 10 continued at a slow pace, with the first segment expected to be completed by the end of 2022. The related signalling and telecom works have not started yet. Transport system still faces a number of challenges in terms of safety, inadequate maintenance, and weak administrative capacity of regulatory institutions.

Kosovo remains heavily reliant on coal. Over 90% of electricity is produced by two highly unreliable and polluting lignite power plants, which the government plans to upgrade. A partial shutdown of the 'Kosovo B' power plant, together with an unprecedented increase in import prices and high electricity consumption in winter 2021, led to an energy crisis with rotating power outages. Renewable energy sources, account for just over 5% of electricity supply. By the end of 2021, Kosovo registered a total of 249.2 MW of renewable electricity generation, 101 MW small hydropower, 137 MW of wind, 10 MW of solar, and 1.2 MW of biomass. The increase is due to an additional 21 MW of hydropower.

Further options should be explored in order to diversify energy supply. The government is exploring cooperation options with neighbouring countries (Albania and North Macedonia) on joint gas projects. The Assembly adopted the Millennium Challenge Compact and the Program Implementation Agreement between Kosovo and Millennium Challenge Corporation for developing battery storage to provide electricity balancing reserve. To establish a sustainable market in Kosovo and Albania, Kosovo signed two agreements with Albania: the Electricity Markets Cooperation Framework Agreement and a Memorandum of Understanding aiming to recognise each other's electricity and supply licenses *(See also chapter 15 – Energy).*

The digitalisation of the economy is in progress. With 96% of households having access to a broadband internet connection, Kosovo has reduced the infrastructure gap between urban and rural areas. Kosovo is engaged constructively in high-level regional dialogue on digital transformation. Following the implementation of the Regional Agreement of 2019, Kosovo is working on the digital agenda covering the period up to 2030. The policy document should provide a comprehensive framework for the digital transformation, including 5G technologies, digital transformation of businesses and public services. the next step is to focus on further development of broadband and 5G. Kosovo needs to continue to develop the legal framework and necessary infrastructure to stimulate e-commerce and allow for international electronic

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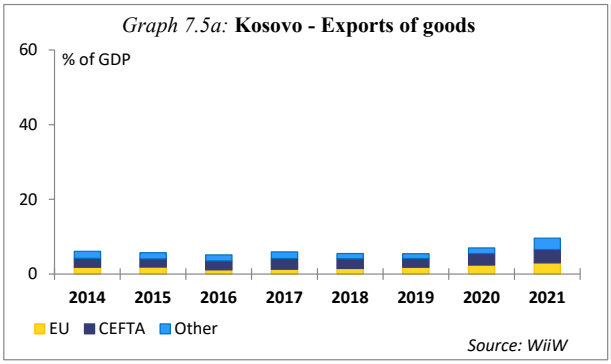
payments. This lack of relevant infrastructure was exacerbated by the COVID-19, meaning that physical commercial transactions were largely impossible for several months.

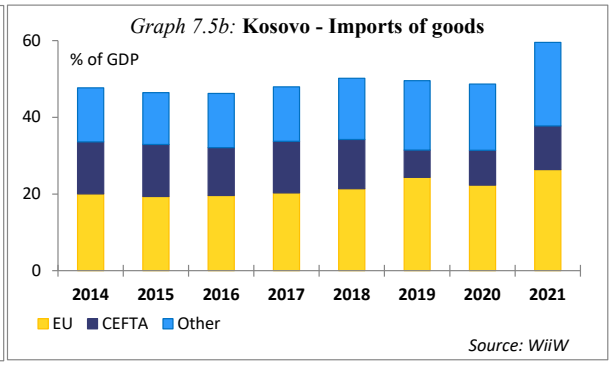
Sectoral and enterprise structure

The economic rebound was mainly driven by the sectors, which suffered heavy losses during the pandemic. Most notably, the annual output in the wholesale and retail trade sector rebounded by around 21% in real terms in 2021, as compared to 2020 levels. Construction output, which contracted in 2020 due to the pandemic, increased by 6.6%, while industry expanded by nearly 4%. The service sector continues to dominate the economy, making up around 46% of GDP and providing 65% of total employment. Within the service sector, wholesale and retail trade, real estate, transport and storage are the largest in terms of employment and output. The share of industry sector amounted to some 26% of GDP in 2021, while the contribution of agriculture in GDP stood at around its long-term average of close to 7%.

The enterprise structure of private sector in Kosovo continues to be heavily dominated by micro and small enterprises with difficult access to finance. By the end of 2021, similarly to the previous years, almost 99% of registered enterprises are those employing 1-9 employees and the remaining 1% are enterprises that employ 10-249 employees. Although credit growth has been strong over the past decade, due to bank's stringent loan requirements affecting mostly smaller enterprises, access to finance remains still an impediment to growth. Further obstacles to access to finance relate to a limited access to reliable information in the cadastre, lack of formal dispute processes and limited enforcement of collateral execution. Given the structure and the difficulties in access to finance, the benefit from economies of scale remains limited.

Economic integration with the EU and price competitiveness





The balance of goods trade has deteriorated due to a large increase in imports while exports also increased strongly. The merchandise deficit reached 46.1% of GDP in 2021 as compared to 42% in 2020. The rebound in consumption and investment led to substantial increase in good imports (41%), driven by mineral products and prepared foodstuffs. In 2021, the EU accounted for some 44% of the total imports of goods, CEFTA's share stayed roughly stable at 19%. The surge in goods exports (57%) was mainly driven by base metals[8], which accounts for one third of merchandise exports, followed by mineral, plastic and textile products. The improved performance was partially driven by enhanced support for exporting SMEs through

[8] Although Ferronikeli, the largest exporter of Kosovo, halted its production due to the rise in energy prices in the last quarter of 2021, its exports nevertheless increased in the whole year of 2021.

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digitalisation of support services and improved export promotion.The share of goods exports to the EU and CEFTA contries declined to 31% and 37 % respectively, due to a noticeable increase of textile and furniture exports to the USA. The adoption of the EU standards remains low in Kosovo.

In line with robust performance of trade, the indicator for trade openness improved significantly in 2021. Overall trade openness increased to 101% of GDP in 2021 from 75.6% in the previous year. The improvement took place on both sides. Strong growth of merchandise trade was complemented by a surge in service exports. Following the lift of lockdown and travelling restrictions, exports of services almost doubled in nominal terms in 2021 compared to 2020. In addition to travelling services, currently amounting to 76% of service exports, there are positive developments in exports of IT and communication services.

The EU remains the main investor in Kosovo. Net FDI inflows are estimated to have increased by 20% in 2021, on the back of massive investment of the diaspora into real estate and reinvested earnings in the financial sector due to the ban on dividend distribution. Heavy concentration in these sectors (around 90% of FDI inflows) contribute little to enhance export capacity. The EU share in net FDI stock reached 38% while the shares of Germany and Switzerland (two countries with large diasporas from Kosovo) increased from the previous year to over 15% each.

2.4. PUBLIC PROCUREMENT, STATISTICS AND FINANCIAL CONTROL

Chapter 5 - Public procurement

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

Kosovo has **some level of preparation/is moderately** prepared in public procurement. **Limited progress** was made. The Procurement Review Body board members were appointed in June 2022. However, the new legislation on public procurement and on concessions, intended to be aligned with the EU *acquis*, has not yet been finalised. Two e-procurement modules have been introduced to increase transparency and monitor contract implementation. Public procurement remains prone to irregularities and vulnerable to corruption during the procurement process and contract implementation.

As most of last year's recommendations remain valid, in the coming year Kosovo should in particular:

→ adopt laws on public procurement and concessions in line with the respective EU *acquis*, and ensure their proper implementation; prepare the corresponding implementing legislation;

→ increase the capacity of all public procurement institutions and the cooperation among them to ensure consistent implementation of the public procurement regulatory framework;

→ ensure that the Procurement Review Body is fully operational and independent, that its capacity limitations are addressed and that its review process is timely, effective and transparent.

Institutional set-up and legal alignment

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Kosovo's **legal framework** on public procurement and concessions is partly aligned with the 2014 EU public procurement *acquis*. No progress has been made for defence and security procurement legislation, which remains partially aligned with the EU *acquis*.

A new Public Procurement Law aiming to align with the EU *acquis* is still under preparation. The authorities have not started to draft relevant implementing legislation. A new law on public-private partnerships is also under preparation. All legal and financial instruments used for public procurement and concessions, including intergovernmental agreements concluded with third countries, should comply with the principles of transparency, competition, equal treatment and non-discrimination.

A new strategy and action plan on public procurement will become part of the new Public Finance Management Strategy 2022-2026.

The **Central Procurement Agency**, under the Ministry of Finance, Labour and Transfers, carries out centralised purchases. The **Public Procurement Regulatory Commission** is responsible for the overall coordination and supervision of the public procurement system. The **Procurement Review Body** examines all allegations of breaches of the public procurement law and reviews bidders' complaints. It is important to ensure better coordination and cooperation among these institutions as well as with other institutions, such as the Kosovo National Audit Office and the Kosovo Competition Authority. This helps detect any bid-rigging and reduces this risk through careful planning and design of the tenders.

Implementation and enforcement capacity

Kosovo's **public procurement market** was estimated at 5.65% of GDP in 2021, compared to 7.5% in 2020. At the end of 2021, approximately (9 576 in 2020) economic operators and around (25 000 in 2020) active users were registered in the e-procurement system. In 2021, 9 892 public contracts were signed compared to 10 935 in 2020, and in terms of value, contracts of a total of EUR 429.62 million were signed in 2021, compared to EUR 499.31 million in 2020. Due to the pandemic in 2021, a significant amount of public procurement activities (11.36%) have been carried out via negotiated procedure. The total value of contracts signed under negotiated procedure without publication is approx. EUR 52 million.

On **monitoring of contract awards and implementation**, in 2021 86.2% of contracts were awarded through open procedure. 99.02% of public contracts were awarded according to the lowest-price criterion, with only 0.98% using the best-price-quality ratio. The use of best-price-quality ratios should be further encouraged in line with the EU Directives on public procurement. More efforts are needed to ensure the interoperability between the e-procurement system and other relevant government IT systems to increase transparency, including through tracking of payments.

The capacity to manage public procurement processes varies between contracting authorities. The tender evaluation process, market research, as well as implementation and monitoring of contracts, need improvement. Better drafting of technical specifications would support the quality, efficiency and transparency of procurements. Limited enforcement, insufficient managerial accountability and quality control, combined with limited contract management capacity, however, entail risks of mismanagement and corruption.

Centralised procurement is mandatory for agencies with fewer than 50 employees and for 14 listed categories of goods and services. The Central Procurement Agency continues to be

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understaffed and its capacities need to be strengthened as it lags in implementation. Market research should be used as a pre-award assessment. Due to the pandemic, the use of negotiated procurement procedures has increased significantly. To mitigate the risks of misuse and fraud, it is especially important to ensure full transparency and solid justification and to maintain audit trails.

In 2021, the backlog of complaint cases before the Procurement Review Body increased and cases were not reviewed, as no functional board was in place. The institution would benefit from more qualified human resources, particularly review experts and legal experts. The legislation on economic recovery, introducing temporary domestic preferential treatment, expired at the end of 2021.

There were no developments as regards **integrity and conflicts of interest**. Kosovo has a code of ethics for public procurement but its compliance is not monitored. Further efforts are underway to strengthen local government procurement systems and audit oversight. More municipalities are publishing procurement contracts.

Efficient remedy system

The legislation on the **right to legal remedy** is broadly in line with the EU *acquis*. Appeals can be lodged through the e-procurement platform. The Procurement Review Body is a quasi-judicial body reviewing complaints from bidders, but it was not operational between March 2021, when the board members' mandates expired, and June 2022, when the new members were selected. The mandate of this new board is for five years. The lack of a functioning Review Body for such a long time has created substantial shortcomings in the review process.

Chapter 18 - Statistics

EU rules require that Member States are able to produce good quality statistics in line with the principles of European statistics Code of Practice and based on professional independence, impartiality, reliability, transparency, and confidentiality. Common rules govern the methodology, production and dissemination of statistical information.

Kosovo has **some level of preparation** in the area of statistics. **Some progress** was made, notably in improving data collection methodology and data transmission to Eurostat. Kosovo's Agency of Statistics (KAS) needs to intensify its efforts to implement the recommendations of the Eurostat peer review. Communication between the statistical institutions has somewhat improved but the coordination at the technical level and the use of available administrative data remains insufficient. During the reporting period, there has been little improvement in the alignment of sectorial statistics with European standards or the provision of new statistical products. The planned population census was not conducted.

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

→ increase the number of statistical products and their transmission to Eurostat;

→ improve statistical governance and coordination between the main statistical institutions and ensure better access to and use of available administrative data sources;

→ intensify preparations for the next population census by ensuring adequate resources and full coverage of the territory.

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On **statistical infrastructure**, the legal framework is broadly in line with the European Statistics Code of Practice; however, its implementation needs to be enforced by preserving the lead role of the Kosovo Agency for Statistics, improving statistical governance and coordination between main statistical institutions and ensuring better access to administrative data sources. The Agency needs to intensify the implementation of the Eurostat peer review recommendations particularly by increasing its cost-effectiveness, strengthening quality management and relations with data users. In addition, the Agency is still in need of additional human resources. Efficiency of internal systems, processes and delegated management remains a challenge. Data transmission to Eurostat continues to improve. Despite improvements with its web-based dissemination of statistics, the Agency needs to strengthen its active relations with data users and academia. Kosovo continues to use the European classification of economic activities (NACE Rev.2) but has not improved the use of other European classifications. Likewise, the existing registers (agriculture, business and schools/education) are updated regularly but the population register still needs significant improvements in order to provide adequate basis for census related activities. In the period, KAS has signed some new MoU to strengthen cooperation with other institutions and established a quality board with a quality manager to strengthen the quality work within the NSI.

On **macroeconomic statistics,** Kosovo has made some slight improvements from last year; further alignment with the European System of Accounts (ESA) 2010 is ongoing. The Agency compiles annual and quarterly national accounts included seasonally adjusted, however methodological inconsistencies need to be addressed. Some improvements have however been achieved in the period, like the experimental compilation of GDP by income approach (for 2011-2019), compilation of Non-Financial Sector Accounts (2016-2019) and Supply and Use Tables (SUT; 2013-2015). Some progress has also been made in the area of informal economy.

Quarterly sector accounts, and the regional accounts are not regularly compiled. Fiscal notifications are not yet available. The number of ESA 2010 transmission tables to Eurostat has seen some improvements during the reported period, for example in regional accounts, where table 10 in the ESA transmission programme has now been compiled for 2018 and 2019. KAS has continued to send some EDP tables within the required deadlines but is not fully compliant. Monthly statistics for international trade in goods are submitted to Eurostat. Balance of payments data are compiled by the Central Bank and are broadly in line with the EU *acquis;* annual and quarterly data are submitted to Eurostat. Government finance statistics are published quarterly by KAS. The Harmonised Index of Consumer Prices is regularly published on the KAS webpage and transmitted to Eurostat where publication is planned for later this year. It is being further developed in line with EU Standards (ECOICOP classification). There has been no progress in the broadening of the work with Purchasing Power Parities (PPP).

Structural **business statistics** and some short-term statistics (STS) are partially in line with the EU *acquis* however their availability is limited and they lack distinction between public and private investments or by sectors, and only one STS (building permits) has so far been transmitted to Eurostat. Industry statistics are produced broadly in line with the relevant regulation. Short-term service sector statistics are produced quarterly. Construction sector statistics are largely not available; only the construction cost index is produced on a quarterly basis (Q4 2021 statistics published in March 2022). Industry statistics (PRODCOM survey) for the year 2020 were published in December 2021. Foreign Affiliates Statistics (FATS) are not available. Tourism statistics and transport statistics are still not aligned with the EU *acquis*, while

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statistics on development and innovation are not produced on a regular basis. The information and communication technologies (ICT) statistics for households started in 2018 and are now published regularly (the results for 2021 have been published in November 2021) whereas the ICT statistics for enterprises were collected for the reference year of 2019 and results have been published in December 2020 but due to technical problems not transmitted to Eurostat.

In the area of **social statistics**, only demographic statistics are broadly in line with the EU *acquis*. The preparations for the forthcoming population census are ongoing with the draft law on population and housing census ratified by the Assembly in July 2022. The actual dates for conducting the census have not yet been decided. The government should allocate adequate resources in order to conduct the general census in 2023, which has been postponed several times since 2021. Statistics on Income and Living Conditions (regular EU-SILC Survey) are produced annually; most recently for 2019 was published in June 2022 and data have been collected for 2020 round. KAS are however facing problem with the analysis and completion of this important survey due to limited internal resources. The Statistical Office seems to depend on external assistance to maintain regular running of the SILC. Social protection and labour market statistics are only partially produced. An annual and quarterly labour force survey is carried out regularly and its publication timeframe has improved. The labour cost index, structure of earnings data and job vacancy statistics, as well as vocational training are still not produced. Education statistics are partially produced but are still not classified according to international education classification standards (ISCED 2011), but progress on this has been achieved and full implementation is foreseen for 2022. Public health and crime statistics are not yet in line with EU standards.

For **agricultural statistics**, the Agency published data on annual agricultural crops, livestock production and orchard statistics. The agricultural holding survey is regularly produced and aligned with *acquis* standards. The last farm structure survey was conducted in 2014 and the new one is not planned until 2024. Agricultural price indices and economic accounts for agriculture are produced on a regular basis. Supply balance sheets and the agriculture labour index are not yet produced on regular basis. Transmission of available agriculture statistics to Eurostat is done through Electronic Data files Administration and Management Information System (EDAMIS).

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

Chapter 32 - Financial control

The EU promotes the reform of Kosovo governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of

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public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the euro against counterfeiting.

Kosovo has **some level of preparation** in the area of financial control. **Some progress** was made in addressing last year's recommendation with some efforts undertaken mainly in closing the remaining gaps in the implementation of primary and implementing legislation on public internal financial control, improved implementation of the recommendations on external audit, and providing a reform direction by integrating all key elements of the public internal financial control strategy in the new public finance management strategy 2022-2026.

High-level political support is needed for the appropriate functioning of internal controls at all levels of the administration and further improvement in implementation of internal and external audit recommendations.

As last year's recommendations were partially implemented, they remain largely valid. In the coming year, Kosovo should:

→ start with implementation of the new public finance management strategy 2022-2026 and related the public internal financial control elements, within the time frame determined in the related public finance management action plan;

→ improve managerial accountability by aligning special laws with the overarching Law on the Organisation and Functioning of the State Administration and Independent Agencies, and clarify the accountability lines within and between public institutions;

→ ensure systematic and timely implementation of external audit recommendations, especially with regard to performance audits that have been undertaken in recent years.

Public internal financial control

Kosovo has integrated all elements of the PIFC strategy while developing the new public finance management strategy 2022-2026, that is pending adoption, together with the corresponding action plan. Coherence with the new public administration reform strategy 2022-2026 needs to be ensured. At this policy level, a stronger connection between the strategic and operational objectives needs to be included together with indicators that measure not only administrative but also managerial accountability. The Central Harmonisation Unit has produced a transitory strategy to cover the gap until new PFM Strategy 2022-2026 is finalised.

Kosovo needs to include **managerial accountability** principles more coherently in the legal basis and administrative practices guiding administrative culture at central and local level. The regulation on financial management and control spelled out the rules for delegating responsibilities, but there is no coherence between PIFC legislation and other horizontal legislative frameworks such as on public finance and public administration; implementation is incomplete and managerial accountability is focusing mainly on compliance rather than performance. Basic accountability and performance mechanisms between ministries and subordinated agencies remain weak, and effective management of subordinate bodies needs to be ensured. There is little progress on rationalising agencies. Non-aligned budget and management structures persist, impeding delegation of budgets and programme activities to the relevant sectors and senior managers within budget users. (*See also Public Administration Reform*).

While the legal framework on internal control is largely harmonised with international standards, and the financial control manual is in force since 2020, Kosovo needs to further revise its

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internal control functions in line with the Commission of Sponsoring Organizations of the Treadway Commission (COSO) principles. The financial control manual is being updated and needs to extend beyond financial to more internal control issues as well. Risk management needs to be included into management and governance processes and reinforced in order for risks to be assessed as they evolve and not only be an annual exercise. Public sector managers needs to continue the process on establishing risk registers and defining risk mitigation measures. A risk-based approach to the selection of cases for controls not yet adopted.

The administrative capacities of **internal audit** units at central and local level are still lacking. **The internal audit practice** concentrates mainly on observing rules and procedures. Challenges remain with the effective establishment of internal audit committees in all budget organisations, including at municipal level. Procedures on quality assurance need still to be developed together and a professional development programme put in place.

The **Central Harmonisation Unit** (CHU) prepares an annual report on the implementation of PIFC on the basis of replies to self-assessment questionnaires and its own quality reviews. However, there is a need for more evidence-based recommendations and more systematic implementation of follow up recommendations. Despite electoral year, CHU has maintained on track the implementation of recommendations to 41,4% in comparison to previous year.

The update of the Administrative Instruction on the National Training Programme and Certification of Internal Auditors in the public sector is ongoing. This Instruction aims to define the organisation, structure, and content of the national programme for certification of internal auditors in the public sector, as well as the evaluation and certification procedures together with the requirements for continuous professional development.

External audit

In line with the standards of the International Organisation of Supreme Audit Institutions, Kosovo's **constitutional and legal framework** provides for the functional, organisational and financial independence of the National Audit Office (NAO). The Law on the Auditor General and the National Audit Office of Kosovo should be modified to remove the obligation to conduct regularity audits annually on all budget organisations, regardless among others of their size, complexity and risk and audits should be selected based on risk level assessment of public finance. These changes would increase the number of audits of publicly owned enterprises and performance audits.

The Office's **institutional capacity** remained largely stable with 165 staff by the end of 2021, of whom 82% are audit staff including management positions and 18% of other professional staff. A new Strategic Development Plan 2022-2025 was drafted based on International Organisation of Supreme Audit Institutions (INTOSAI) methodology and is pending adoption. It includes objectives, performance indicators and a monitoring framework, as well as introduces audit quality control and assurance procedures, and continues to implement a certification programme for auditors.

The Office finalised 14 performance audit reports, compared to 11 in 2020. It worked with civil society organisations, especially at local level, to improve the **impact of audit work**; municipality-level public debates on the audit recommendations took place. Government should ensure a better follow-up and review of performance audits. The percentage of fully implemented recommendations remained is 50 % compared to 45% last year. During reporting

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period, the Committee for Oversight of Public Finance (COPF) reviewed 25 audit reports, of which 6 reports of the ministries, 9 performance audit reports and 7 reports of publicly owned enterprises.

Protection of the EU's financial interests

Kosovo has not yet taken the necessary steps to advance the process of **legislative alignment with the *acquis*** on the fight against fraud to the Union's financial interests by means of criminal law. Kosovo has also not yet set up an **anti-fraud** coordination service (AFCOS) and adopted an anti-fraud strategy. While there is not yet a solid track-record on cooperation with the Commission during investigations, Kosovo Police ensures cooperation on an ad-hoc basis

Protection of the euro against counterfeiting

Kosovo has established competent authorities and procedures for dealing with counterfeit money, but **alignment with the *acquis*** in this area still needs to be assessed. The Law on the Central Bank prohibits the circulation of counterfeit money. The central bank has issued a regulation on cash operations to strengthen rules and procedures for financial institutions operating in Kosovo. The independence of central bank of Kosovo needs to be ensured by improved professionalism and overcoming political influences in appointments. The Commission has a **cooperation agreement** on coins with the Kosovo Agency on Forensics. Kosovo takes part in the Pericles 2020 programme.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

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

Kosovo maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), Energy Community, Transport Community, the South-East European Cooperation Process (SEECP) and the Regional Cooperation Council.[9]

Following the May 2022 Foreign Affairs Council, EU foreign ministers held, for the first time, an informal exchange of views with Western Balkans counterparts. The EU and Western Balkans Leaders meeting on 23 June 2022 reaffirmed the EU perspective of the partners in the region and gave impulse to intensify the cooperation and integration agenda. Particular focus was placed on the integration of the Western Balkans into EU measures to reduce the negative impact of the Russian aggression on Ukraine in terms of food and energy supplies and independence, as well as to support capacity building for cyber security and the social agenda, notably involving youth in the economy. The meeting was also an opportunity to discuss closer political cooperation, including foreign policy alignment of the Western Balkans with EU positions and restrictive measures.

At the **EU-Western Balkans summit in Brdo pri Kranju** in October 2021, the six Western Balkans leaders reaffirmed their commitment to inclusive regional cooperation, strengthening good neighbourly relations and investing more decisive efforts in establishing the Common Regional Market. The summit announced a range of concrete deliverables benefiting the Western

[9] Kosovo is a member of the Central European Free Trade Agreement (CEFTA). Kosovo has Free-Trade Agreements (FTA) with Albania, North Macedonia, Croatia, Bosnia-Herzegovina and Türkiye. Kosovo has several Generalized System of Preferences (GSP) Programmes with US, Japan and Norway.

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Balkans, including: the first tranche of actions under the EUR 30 billion Economic and Investment Plan; the pledge to boost COVID-19 vaccination rates; the path towards lower roaming costs; an Innovation Agenda for the Western Balkans; Green Lanes to reduce border waiting times and Transport Community Action Plans for smart transport and sustainable connectivity.

The **Common Regional Market**, as agreed by the leaders of the Western Balkans at the 2020 Berlin process summit in Sofia, will be critical in increasing the attractiveness and competitiveness of the region. It will help Kosovo to speed up the recovery from the aftermath of the pandemic, notably to attract investors looking for diversification of supply and shorter value chains and to maximise the benefits of the infrastructure investments under the Economic and Investment Plan. A number of important decisions to facilitate the movement of workers remain blocked. It is important that Kosovo plays a constructive role in building the Common Regional Market and that all parties deliver on their joint commitments set out in the Common Regional Market action plan.

In October 2021, Kosovo along with other Western Balkan partners endorsed the action plan for the Green Agenda for the Western Balkans, which aims at reflecting the European Green Deal[10] and contributing to the sustainable socio-economic development and the green recovery of the region after the pandemic. Kosovo should contribute to successfully implement this joint regional vision, with high level of ambition, putting sustainable development, resource efficiency, nature protection and climate action at the centre of all economic activities.

The unresolved fate of missing persons who disappeared during the conflicts of the 1990s remains a key issue to be solved in the Western Balkans. The authorities of Kosovo conducted 9 exhumations and officially identified 21 persons in 2021, there are still 1,621 persons missing by April 2022 as a result of the conflict.

Kosovo generally maintains good bilateral relations with other enlargement countries and neighbouring EU Member States.

Kosovo maintained overall good relations with **Albania**. During the reporting period, two inter-governmental meetings were held (November 2021 and June 2022). In November 2022, 19 agreements were signed, covering a wide range of issues. With the establishment of an intergovernmental coordination secretariat, the overall implementation of agreements has improved. Trade volumes are also increasing.

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

Kosovo has maintained good relations with **Montenegro**. In June 2021, Kosovo and Montenegro signed an agreement removing vehicle insurance tax for entry into their respective territories. Kosovo continues to enjoy overall good relations with **North Macedonia**.

Kosovo has maintained good relations with **Türkiye**, including in the political, economic and cultural sectors. High-level bilateral meetings took place in the margins of the South-East European Cooperation Process (SEECP) Summit in June 2022 in Antalya.

[10] COM(2019) 640.

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4. NORMALISATION OF RELATIONS BETWEEN KOSOVO AND SERBIA

The EU-facilitated Dialogue on normalisation of relations between Kosovo and Serbia continued throughout the reporting period with regular monthly meetings on the level of Chief Negotiators and a High-level meeting in Brussels on 18 August 2022. No further concrete progress was achieved in the negotiations on the comprehensive and legally-binding normalisation agreement, while in the High-level meeting President Vučić and Prime Minister Kurti agreed to regular meetings at the level of Leaders to take the negotiations forward. Kosovo and Serbia are urged to engage constructively and advance the negotiations on the comprehensive, legally-binding normalisation agreement with no further delay. Reaching such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

During the reporting period, the Parties adopted an Energy Agreements' Implementation Roadmap in June 2022, which enables full implementation of the 2013 and 2015 Dialogue Agreements on energy. Following the agreement reached an electricity supply licence was issued to Elektrosever, a Serbian-owned company established under Kosovo law, which will supply electricity to consumers in four Serb-majority municipalities in the north. Finalisation of the necessary technical agreements are under way to make the company fully operational. The Parties are expected to quickly implement all provisions of the Roadmap.

Following tensions in the north of Kosovo at the end of July 2022, an agreement was reached on 27 August 2022 regarding the use of entry-exit documents, whereby Serbia agreed to abolish these documents for Kosovo ID holders and Kosovo not to introduce them for Serbian ID holders. The Parties are expected to urgently reach an agreement on licence plates after they failed to find a permanent solution within the dedicated licence plate Working Group led by the EU, whose six-month mandate expired in April 2022.

During the reporting the period, the Parties also engaged in negotiations on a political declaration on Missing Persons. No agreements were reached, but the Parties are encouraged to continue their negotiations all these topics.

The Kosovo government did not to permit the facilitation of voting by the OSCE, as per past practice, to enable the Kosovo Serb community to cast their ballots in the Serbian constitutional referendum and general elections in 2022. A constructive approach by Kosovo is needed for the Kosovo Serbs to exercise their democratic rights.

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

- The full implementation of the justice agreement drawn from the April 2013 'First agreement of principles governing the normalisation of relations' continues to require further efforts by the Kosovo authorities as Kosovo does not respect certain provisions of the agreement;

- There has been no further progress on the implementation of the 25 August 2015 Agreements. Kosovo authorities have failed to take action to establish the Association/Community of Serb majority municipalities in Kosovo and Kosovo is urged to engage constructively in its establishment with no further delay or obstruction;

- The works on the Mitrovica bridge have long been completed and Serbia is expected to engage constructive to allow the bridge to be opened to vehicle traffic without obstruction;

- As regards the technical dialogue agreements (2011-2012), some are not or only partially being implemented. Both Parties need to remain committed to the continued implementation of the

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agreement on representation and participation of Kosovo in regional forums and not block the work of regional forums over bilateral disputes. The implementation of the cadastre and university diplomas recognition agreements is still pending. Serbia has yet to address the issue of re-located Serbian administrative customs structures with Kosovo denomination that operate from within Serbia, and to cease the issuance of documentation or affixing of stamps with denomination that contravenes the related agreement;

On IBM, the Interim Common Crossing-Points (CCPs) between Kosovo and Serbia continue to be operational. Only two of the six permanent CCPs have been established (Merdare and Mutivodë/Mutivode). In March 2022, Serbia agreed to open both entry and exit lanes at CCP Merdare and move their authorities into the new premises at CCP Mutivode. Both EU-funded CCPs are now fully operational. Serbia still has not established permanent CCPs to be hosted by their side (Jarinje /Rudnica, Končulj-Dheu i Bardhë and Depce /Muçibabë), which led to a suspension of EU funds for this project in July 2018. In addition, Serbia needs to engage constructively to enable the construction of the third CCP hosted by Kosovo in the north of Kosovo at Tabavije /Bërnjak- Tabalije/Brnjak. Additional efforts are needed from Serbia to close illegal roads and by-passes to ensure exclusive use of official crossing points for goods and persons entering into or leaving Kosovo.

- The parties have continued to comply with their respective obligations under the telecoms agreement during the reporting period;

- Requests for mutual legal assistance are in principle being processed;

- Kosovo needs to respect the Arrangements for Official Visits more consistently.

Overall, Kosovo has remained engaged in the Dialogue. However, the Kosovo government needs to uphold its previous commitments and commit to the full implementation of all past Dialogue agreements. Moving forward, Kosovo also needs to make further substantial efforts to avoid actions that undermine stability and rhetoric that is not conducive to dialogue. Kosovo should contribute to a conducive environment for the conclusion of a legally-binding normalisation agreement with Serbia, including in its international relations. Kosovo is expected to engage more constructively in the negotiations on the legally-binding normalisation agreement in the coming period and show flexibility in order to make rapid and concrete progress.

5. EUROPEAN STANDARDS

CLUSTER 2: INTERNAL MARKET

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

Chapter 1 - Free movement of goods

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

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Kosovo has **some level of preparation** for the free movement of goods. **Some progress** was made during the reporting period with the adoption of the Law on Inspections, the adoption of amendments to the Law on Chemicals and the implementation of the Programme for the Elimination of Trade Barriers. Further alignment with EU *acquis* is needed in this area and the administrative and human resources capacity of quality infrastructure institutions needs to be strengthened.

As some recommendations from the previous report remain valid, Kosovo should, in particular:

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

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

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

General principles

As regards **production, distribution and marketing of industrial products**, Kosovo needs to adopt a new law on general product safety that unifies provisions in the area of market surveillance, including implementing legislation on technical requirements for products. The law on general inspections was adopted in January 2022 and needs to be implemented.

Non-harmonised area

Kosovo has started implementing its programme to eliminate barriers to trade and to ensure alignment with the obligations under **Articles 34-36** of the Treaty on the Functioning of the European Union (TFEU). An electronic "intranet" register of Kosovo's **technical regulations** is in place, designed to implement existing obligations related to trade under the CEFTA Agreement and EU *acquis*.

Harmonised area: quality infrastructure

Kosovo's **standardisation** Management Information System is used to manage standardisation processes and exchange data with the European Committee for Standardisation (CEN) the European Committee for Electro-technical Standardisation (CENELEC) and other international standardisation bodies. Kosovo needs to render its e-standard system user-friendly to businesses and compatible with the CEN/CENELEC system to allow for updated and accelerated adoption of new standards. Kosovo Standardisation Agency's affiliate membership of CEN/CENELEC is still pending.

The Kosovo Accreditation Directorate completed **accreditation** for medical laboratories. There are 58 accredited conformity assessment bodies in Kosovo (37 test laboratories and 21 inspection bodies), but their capacity still needs to increase.

In the area of **metrology,** Kosovo's recently adopted law on inspections transferred metrological supervision to the market inspectorate. The legislative framework in the area of petroleum that aims to align with the EU *acquis* on the testing and quality control of petroleum fuels has been adopted. The Kosovo Metrology Agency is preparing for its internal reorganisation to help ensure further EU *acquis* alignment. In May 2021, the Kosovo Metrology Agency sent its application for associated membership to the European Association of National Metrology Institutes (EURAMET).

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As regards **market surveillance**, in January 2022, Kosovo adopted a law on general inspections that increased the market inspectorate's responsibilities and completed the unification of non-food product inspection rules. The law on general product safety has not yet been adopted and should be based on the law on technical requirements for products and conformity assessment.

During the reporting period, 385 product safety inspections were conducted with 19 cases of harmful goods confiscated.

Harmonised area: sectoral legislation

On **"new and global approach" product legislation**, Kosovo adopted legislation designed to be aligned with the EU *acquis* on simple pressure vessels, construction products and precious metal works. Further alignment is needed on aerosol dispensers and transportable pressure equipment.

As regards **"old approach"** product legislation, Kosovo amended its law on chemicals to be designed to align with EU Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and Classification, Labelling and Packaging (CLP).

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

Chapter 2 - Freedom of movements for workers

Citizens of one EU Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.

Kosovo has **some level of preparation** in the field of free movement of workers. **Some progress** was made during the reporting period, notably as regards the conclusion of bilateral agreements on social security. In the coming year, Kosovo should in particular:

→ continue negotiating and concluding new bilateral agreements on social security, notably with EU Member States.

On the **free movement of workers**, EU nationals and their family members are not eligible to work in Kosovo without a work permit. During the reporting period, the Employment Agency issued 209 short-term work permits, of which 157 for EU nationals. In November 2021 a bilateral social security agreement was signed with Albania. Kosovo has already in place bilateral social security agreements with two EU Member States (Belgium and the Netherlands) and Switzerland. These agreements ensure that periods of activity will be taken into account for entitlement to social security benefits. Negotiations for a similar agreement are ongoing with Slovenia.

Chapter 3 - Right of establishment and freedom to provide services

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

Kosovo remains **moderately prepared** in this area. During the reporting period, Kosovo made **some progress**. The Point of Single Contact was established in March. Kosovo has a monitoring mechanism to implement the five-year action plan to make sectoral laws compliant with the EU

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Services Directive but needs to further intensify it. The postal market has been liberalised since 1st January 2022, but the legal framework needs further alignment with the EU postal *acquis*. Kosovo needs to align legislation with the EU *acquis* on the mutual recognition of professional qualifications.

As most of the last report's recommendations have not been addressed, in the coming year Kosovo should, in particular:

→ remove the identified barriers to the right of establishment and freedom to provide services by rolling out the action plan for the full implementation of the law on services;

→ complete the alignment with the EU postal *acquis* as regards the Regulation on Cross-Border Parcel Delivery Services;

→ align with the EU *acquis* on mutual recognition of professional qualifications.

On the **right of establishment and freedom to provide services,** Kosovo is partially aligned with the EU *acquis* on services. The 54 domestic laws and by-laws considered incompatible with the EU Service Directive are still not harmonised and need further revision. The 5-year action plan needs to be implemented and awareness raised on the simplification of administrative procedures, once rolled out. At present, foreign companies are still required to establish an office in Kosovo. Increased inter-institutional coordination between legal departments of relevant line ministries, agencies and other public and professional bodies, and enhanced capacity, would help improve harmonisation with the Services Directive.

The Point of Single Contact has been established in March 2022 within the e-Kosova platform for the sector of licensing auditors and audit companies. The Contact Point for Services platform contains some 400 laws and bylaws that cover trade in services and is linked to the Point of Single Contact (e-Kosova). The citizens/business community can access the link of CPS, however, it consists only of general information on how to start a business, with no interoperability options.

The legal framework regulating **postal services** is aligned with the EU Postal Services Directive. The reserved area for the provision of universal postal services was abolished on the 1st of January 2022. Furthermore, the Regulatory Authority of Electronic and Postal Communications (RAEPC) has adopted implementing legislation on the system for cost accounting and net cost calculation of universal postal services. The activities of the postal service providers are supervised, monitored and inspected by the Regulatory Authority in the event of regulatory violations and customers' complaints. Kosovo still needs to align its legislation with the Regulation on cross-border parcel delivery services.

The Law on **regulated professions** broadly defines the requirements, conditions, and criteria for the exercise of a regulated profession. The division for regulated professions within the Ministry of Education needs to be properly staffed and become operational. Kosovo has in place the implementing legislation, on criteria and procedures of regulated professions. What is still overdue is the mapping of all regulated professions and the establishment of a list of regulated professions.

Chapter 4 - Free movement of capital

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

Kosovo has **some level of preparation** in this area. **Some progress** was made with the adoption of the Law on Property Rights of Foreign Citizens, which addresses the issue of real estate acquisition by foreigners in Kosovo.

Although initial steps were taken, the recommendations of the previous report remain valid. In the coming year, Kosovo should, in particular:

→ further align Kosovo's legal framework with the EU Payment Service Directive 2;

→ increase efforts to fight economic and financial crime and align the Law on the Prevention of Money Laundering and Terrorist Financing with the EU *acquis;*

→ strengthen inter-institutional cooperation in the fight against economic and financial crime.

The **movement of capital** is largely liberalised and aligned with the EU *acquis*. The execution of payments and money transfers is limited to banking and non-banking financial institutions licensed by the Central Bank of Kosovo. The law on property rights, which addresses the issue of real estate acquisition by foreigners, has been adopted by the Assembly. In terms of **payment systems**, Kosovo needs to further align its legislation with the EU Payment Service Directive 2. An administrative instruction on beneficial ownership has been adopted, followed by a series of capacity building efforts for reporting entities and law enforcement officials.

The current framework on e-commerce suffers from regulatory shortcomings, such as a weak electronic payment system. The Assembly passed the Law on Electronic Identification on Trusted Services in Electronic Transactions in December 2021.

The law on the prevention of **money laundering and combating terrorism financing** needs further alignment with EU standards, specifically Directives 2015/847 and 2018/843 on money laundering. A new Law on targeted international financial sanctions has been adopted by the government on 13 May 2022. The law is awaiting approval by the Assembly.

On the **fight against money laundering**, the number of suspicious transaction reports increased to 920 in 2021, 2 % from 2020. The number of seized assets rose in 2021, reaching EUR 8,975,202. The cooperation between the Financial Investigation Unit (FIU) and Law Enforcement Agencies (LEA) improved with the establishment of an electronic information exchange system. The overall exchange of information at the domestic level with taxation and customs authorities increased 8% compared to 2020. The Unit was instrumental in advising the Special Prosecutor in indicting a stand-alone money laundering offence, which, for the first time ever in Kosovo, resulted in convictions by the courts, upheld on appeal.

Kosovo has marked some progress in the fight against **financial crimes** with the support of the joint EU/Council of Europe PECK III Project. Strengthening inter-institutional cooperation in the fight against economic and financial crime is still needed (*See also Chapter 24 - Justice, freedom and security*).

Chapter 6 - Company law

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

Kosovo **has some level of preparation** in the area of company law. **Some progress** was achieved by aligning further with the EU *acquis* on business registration. In June 2021 Kosovo adopted a Corporate Governance Code, in line with OECD principles.

As recommendations from the previous report have been partially addressed, in the coming year, Kosovo should in particular:

→ further align company law legislation with the EU company law *acquis,* also in the area of shareholders' rights, including the promotion of long-term shareholder engagement;

→ further align with the *acquis* on corporate accounting and statutory audit, and strengthen the institutional audit oversight structures and the professional independence and objectivity of auditors and audit firms.

On **Company Law** Kosovo started filling the gaps of partial alignment with the Law on Business Organisation by adopting two implementing acts: the registration of business organisations and the registration of the representative offices of foreign business organisations. The Corporate Governance Code, adopted in June 2021, is consistent with international standards reflected in the OECD Principles of Corporate Governance. Further alignment with the EU company law *acquis* is needed, particularly concerning minimal capital requirements, shareholders' rights, including the promotion of long-term shareholder engagement, company takeovers, aspects of disclosure of information about companies and their branches, and the 2019 EU Directives on the use of digital tools and cross-border operations.

The assessment of technical requirements to ensure the interoperability of the Kosovo Business Registration Agency with the Business Register Interconnection System (BRIS) is pending. Insufficient coordination and data sharing between Kosovo Business Registration Agency and the Kosovo Council for Financial Reporting (KCFR) still affect the timely reporting and publication of accounting documents. Also, the Agency does not yet publish information on companies in some legal situations (e.g. under insolvency proceedings) and there is no legal obligation to publish accounting documents in the business register.

On **company reporting**, the Law on accounting, financial reporting and audit is only partly implemented, and further alignment is required with the EU *acquis* in all these areas, including on non-financial reporting. The same law prescribes that **statutory audits** are performed following relevant International Standards on Auditing. Large companies must submit and publish their audited financial statements with the KCFR; non-compliance risks legal sanction. All submitted financial statements are published on the KCFR website. In 2021, no punitive measures in the form of administrative fines were published on the KCFR website. Kosovo needs to ensure sufficient funding for the Public Audit Oversight Board to function as the competent authority for oversight in this sector.

Chapter 7 - Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR), and for the legal protection of copyright and related rights. Rules for the legal protection of IPR

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cover, for instance, patents and trademarks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, computer programmes and broadcasting.

Kosovo **has some level of preparation** on intellectual property rights. **Some progress** was made to align with the EU *acquis* in the area by adopting the Laws on Patents, Trade Secrets, Trademarks, Industrial Design and Topographies of Semi-conductors. Kosovo needs to further align its legal framework on intellectual property rights, notably on copyright and allocate resources for its effective implementation and enforcement, including training on law enforcement and prosecution. It needs to ensure that appropriate collective licensing agreements are enforced to guarantee remuneration for right holders.

Last year's recommendations have been partially implemented. In the coming year, Kosovo should in particular:

→ adopt the Law on Copyright and Related Rights and finalise alignment of related secondary legislation;

→ take concrete and sustainable steps to increase the capacity and coordination of policy-making institutions and law-enforcement agencies to ensure the enforcement of intellectual, industrial and commercial property rights;

→ establish a functioning collective management system by strengthening its existing one in the fields of music and audio-visual and by creating an additional Collective Management Organisation in the fields of literary and visual works.

In the area of **copyright and related rights,** Kosovo's body responsible for supervising IPRs is the Office of Copyright and related rights, operating within the Ministry of Culture. Kosovo has made some progress to guarantee a level of protection of intellectual, industrial and commercial property rights equivalent to that applied in the EU, and as per SAA, by further aligning with the EU *acquis*; however more efforts are needed. In January 2022, the Assembly adopted legislation on Topographies of Semi-conductors, Patents and Industrial Design, in May 2022 on Trade Secrets and in June 2022 on Trademarks. Some steps were taken to draft new legislation on copyright and related rights in line with the latest EU Directive on collective management of copyright and related rights and copyright and related rights in the Digital Single Market. Kosovo is preparing an Industrial Property Strategy 2022-2026. No steps were taken to strengthen and enforce the existing collective management system to function properly, as the two Collective Management Organisations are not licensing, collecting remuneration or licensing fees nor distributing money to the rights holders. Many of the rights provided in the law for literary works and works of visual arts cannot be implemented in practice due to the absence of a relevant Collective Management Organisation in these fields. The National Strategy to Strengthen the Copyright System 2019–2023 foresaw the establishment of two divisions: one for the promotion and education and one for the collective management and supervision of copyright; both are yet to be established.

On **industrial property rights**, Kosovo needs to allocate sufficient resources to effectively implement its recently adopted legislation. The Industrial Property Agency needs restructuring and additional staff. In 2021, the Agency received 1 950 applications for trademarks, 16 applications for patents and 30 applications for industrial design. The number of applications for trademarks has decreased by 8.2% compared to the previous year. The number of registered

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trademarks, however, increased from 29% of applications in 2020 to 36% of applications in 2021. The Agency has carried out only limited activities to raise awareness of businesses and citizens on the importance of industrial property rights. The State Intellectual Property Council and the Task Force against Piracy and Counterfeiting are the main bodies tasked with coordinating **enforcement**. During the reporting period, the Task Force met frequently, whereas the Council did not hold any meetings due to unavailability of members in 2021.

To effectively enforce intellectual property rights, Kosovo needs to increase the cooperation between the policy-making and enforcement institutions. Furthermore, lengthy procedures for the treatment of applications and the lack of enforcement of decisions taken, are major constraints to effectively implementing the IPR legal framework.

There was a progress in the area of inspections against piracy and counterfeiting compared to 2020 which saw considerably fewer inspections due the pandemic. In 2021, Kosovo Customs initiated 355 investigation cases, seizing 623 271 pieces of fake goods for a total value of EUR 6 315 402, compared to 2020 (185 cases amounting to EUR 2 019 790).

Chapter 8 - Competition policy

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

Kosovo has **some level of preparation** in the area of competition policy. **Some progress** was made by revising the legislative framework and aligning it with the EU *acquis* in the area of competition. Further efforts are needed to adopt implementing legislation and enforce its rules. On antitrust and mergers and on state aid Kosovo needs to continue aligning its legislative framework and ensure its enforcement.

As recommendations from the last report remain valid, Kosovo should in particular:

→ adopt the Law on State Aid and finalise alignment of related secondary legislation;

→ ensure the functional capacity and operational independence of the competition and state aid authorities and increase cooperation and coordination between all stakeholders, including ministries, regulators and the judiciary;

→ fulfil Stabilisation and Association Agreement (SAA) obligations by aligning state aid schemes with EU State aid rules.

Antitrust and mergers

The **legislative framework** is partly in line with the EU competition *acquis*. The legislation on the protection of competition that further aligns with the EU *acquis* has been adopted in June 2022. Its implementing legislation needs to be revised accordingly.

On the **institutional framework**, the Kosovo Competition Authority is responsible for implementing the legal framework and the Kosovo Competition Commission acts as the decision-making body. However, the latter was not functional for most of the reporting period, as its mandate expired in June 2021, and its members have only been appointed in June 2022. Some progress was made by strengthening cooperation between the Kosovo Competition Authority

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and certain sector regulators. A Memorandum of Understanding was signed with the Tax Administration and training sessions were organised with the Central Bank, the Energy Regulatory Office and the Regulatory Authority for Electronic and Postal Communications.

In its **capacity to enforce competition**, Kosovo needs to improve enforcement by imposing fines or remedies following decisions taken by the competition authority. The disruption in the functioning of the Kosovo Competition Commission led to a piling-up of unresolved cases.

As regards **implementation**, in 2021 the Kosovo Competition Authority has not issued any decision, recommendation or professional opinion due to the non-functional Kosovo Competition Commission. To date, the Authority has not carried out any dawn raids and the leniency programme has never been used. The Authority has conducted a Market Study of the Banking and Financial Services sector.

Some training for judges and prosecutors on essential aspects of competition law has started during the reporting period. As delays and contradictory judgments in different court instances persist, raising awareness among judges on enforcement in the area of competition remains crucial.

State aid

The **legislative framework** on State aid is broadly aligned with the EU *acquis.* The Regulation on Services of General Economic Interest was adopted in September 2021. The draft Regulation on Horizontal Aid including the Block Exemptions and Regional Aid is not yet adopted. The draft Law on State Aid was further amended, but its adoption is delayed.

On the **institutional framework**, the State Aid Department of the Ministry of Finance assesses proposals for State aid, drafts assessment reports for the State Aid Commission and updates the State aid inventory. The State Aid Commission is the decision-making body in this area. However, as it has been lacking a quorum since mid-September 2021, it has lost the **capacity to enforce** State aid rules during most of the reporting period. The remaining mandates in the Commission expired in March 2022. The Assembly has failed to appoint the new State Aid Commission.

As regards **implementation**, only four decisions were adopted, due to lack of quorum; one led to formal investigations, two decisions were assessed as not constituting State aid and the fourth was on the interest rate for discount and recovery of State aid. The State Aid Department has received 12 notifications of possible state aid measures, of which 10 are still under evaluation. The work on State aid inventory continues as four potential State aid schemes are being aligned, one related to the energy sector and three to economic zones. The regional map of State aid in Kosovo for the period 2021-2026 was reviewed by the European Commission during the reporting period.

Liberalisation

Public undertakings in Kosovo are subject to the Law on Competition and the Law on State Aid. Kosovo has monopolies of a commercial nature within the meaning of Article 37 TFEU. There needs to be raised awareness to apply State aid rules to the activities of central institutions and publicly owned enterprises.

Chapter 9 - Financial services

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

Kosovo is **moderately prepared** in the area of financial services. **Some progress** was made regarding the functioning of the Supervisory Board of the Central Bank and in addressing the issue of uninsured and unregistered vehicles. As recommendations in the previous report have not been fully addressed, in the coming year Kosovo should in particular:

→ continue to implement the roadmap for implementation of Solvency II measures and enhance the supervisory role on the insurance sector;

→ further advance in implementation of the Basel III framework and adopt amendments to Kosovo's legal framework governing microfinance institutions and non-bank financial institutions, in accordance with best practices;

On **banks and financial conglomerates**, the Central Bank of Kosovo continued to harmonise its legal framework with Basel III requirements on capital and risk management. The financial sector remains resilient despite global economic challenges due to the high capitalisation levels of the predominantly foreign-owned banking sector. Overall, banks' capitalisation ratio remained stable and well above the required minimum capital adequacy ratio of 12%. Although credit risk remains contained, focus should be paid to evaluating risks from the rapid credit expansion in the household segment in particular mortgage lending. During the reporting period, the Central Bank rolled over the existing EUR 100 million re-purchasing line of credit from the European Central Bank to maintain bank liquidity buffers against any possible shocks until 2023. To safeguard banks' capital position, dividend payments were suspended in 2020. That measure was lifted in October 2021

The Bank's Supervisory Governing Board was rendered operational once again by the appointment of two new members, allowing for the reestablishment of a quorum. A fifth non-executive member was later appointed to enhance the board's functioning. More efforts are needed to ensure that principles of transparency and merit-based selection processes apply. Any political influence on the appointments within the Bank undermines the confidence of the public in this service.

Kosovo has not yet established an independent recovery and resolution authority. Amendments to the Law on banks, to assign this function to the Central Bank, must ensure that the authority has functional independence. The Central Bank is working on updating regulations to harmonise them with BRRD I and II, which have not yet been fully transposed. The Kosovo Deposit Insurance Fund (DIFK) has set up the working group on amending the Law on deposit guarantee. Amendments to this law should seek to approximate the Deposit Guarantee Scheme Directive. Gaps in the legislation on micro-finance and non-bank financial institutions should be addressed to ensure alignment with international best practices. The Central Bank must ensure that consumers are adequately protected to prevent unfair banking practices.

Kosovo continued to implement Solvency I measures and has developed and started gradual implementation of a 5-year roadmap on implementation of Solvency II measures. Regarding **Insurance and Occupational Pensions**, the Central Bank should enhance the supervisory and surveillance role in the insurance industry. Despite the opinion presented by the Kosovo Competition Authority, the prices on the compulsory motor liability insurance market remain

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fixed. The Motor Third Party Liabilities price liberalisation process has yet to commence. Any liberalisation should be done in a gradual and phased manner to avoid disruption to the market.

Progress has been made on the the issue of **uninsured and unregistered vehicles**. Authorities have started a one-year plan for the application of window stickers on registered vehicles, that aims to facilitate the identification of non-registered vehicles. Due to the high number of unregistered vehicles, Kosovo is the only country in Europe that is not part of the *green card system* which addresses the issue of cross-border motor accidents. As a result, insurance is required for foreign-registered vehicles entering Kosovo and vehicles with Kosovo plates leaving Kosovo. This continues to represent a financial burden for travellers.

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

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

Chapter 28 - Consumer and Health Protection

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

Kosovo is at an **early stage of preparation** in this area. There was **limited progress** overall, with some progress on consumer protection, and the government's recognition of independent consumer rights organisations. Kosovo made significant progress in improving surveillance, case investigation, contact tracing, case management and vaccination during the COVID-19 pandemic and achieved compliance with the EU Digital COVID Certificate. However, last year's recommendations were not fully addressed, so they remain valid.

In the coming year, Kosovo should:

→ amend the law on consumer protection to remove problematic articles and increase awareness on consumers' rights and traders' obligations, particularly regarding online buying;

→ increase human and financial resources necessary to implement health sector reforms and to strengthen the health care system including further roll-out of the electronic public health information system, notably for Roma and Ashkali communities;

→ ensure the rigorous implementation of tobacco control in line with the relevant EU *acquis* and international obligations.

Consumer protection

Regarding the **legislative framework for consumer protection,** Kosovo's legislation is partly aligned with the EU *acquis* on consumer protection, and adopted a consumer protection programme for the period 2021-2025. It is not aligned with the EU *acquis* on mortgage credit,

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alternative consumer dispute resolution, better enforcement, modernisation of consumer protection rules, or the EU *acquis* on consumer rights, unfair commercial practices and package travel. Kosovo still requires products to be labelled with the flag of the country of origin, which is not in line with the EU *acquis*.

Enforcement of consumer rights protection remains limited, pending a reform of the market inspectorate. An integrated platform to harmonise the complaints process remains to be created. The Division of Appeals of the Financial Services Users within the Central Bank handles most of the complaints regarding financial services.

Regarding **product safety related issues,** Kosovo adopted a law on general inspections that increased the market inspectorate's responsibilities and completed the unification of non-food product inspection rules. The law on general product safety has not yet been adopted. In the reporting period, 361 product safety inspections were conducted with 5 cases of harmful goods confiscated (366 market general surveillance inspections seizing harmful goods in 3 cases and 711 inspections).

As **regards non-safety issues**, the law on consumer protection addresses consumers' economic interests, but it cannot be properly enforced pending reform of the market inspectorate. The weakness of consumer rights organisations remains a challenge.

Public Health

During the reporting period, health authorities in Kosovo continued to focus on the management of the **COVID-19** pandemic. While it put Kosovo's health system under significant strain, significant progress was made on surveillance, case investigation, contact tracing and case management. Thanks to a well-organised vaccination campaign, Kosovo achieved a relatively high vaccination rate, even though it did not reach the goal defined by the National Deployment and Vaccination Plan. New facilities and equipment were established in Pristina and regional centres to support efforts of the Ministry of Health to manage the pandemic.

Alongside all the other Western Balkans, Kosovo is a member of the EU Joint Procurement Agreement on medical counter measures, and an observer in the EU Health Security Committee. Kosovo provides information to the Commission's data collection system on COVID-19 and regularly reports to the European Centre for Disease Prevention and Control (ECDC) on COVID-15 and, since 2015, on several other communicable diseases. By June 2022 EU Member States provided over 400 000 COVID-19 vaccine doses to Kosovo, and the COVAX facility, which receives significant EU funding, provided over 2 million doses free of charge. Kosovo achieved compliance with the EU Digital COVID Certificate.

On **public health** policy, the quality of healthcare remains of concern. There was no progress on the introduction of a universal health coverage scheme, and public health information system is still not functional. Although several dozen doctors and over 200 nurses were hired, health workers continue to emigrate, which has a detrimental impact on the health system. New laws on health and on health insurance were adopted on 19 Aril 2022, along with other health sector. The 2022 health budget decreased by 14.6%, compared to 2021, though the primary healthcare budget was 1.5% higher than 2020, and the budget for hospital and university clinical services (129.7 million EUR) was 10 % higher than 2021.

There was no progress on the **health sector strategy**. While access to basic healthcare is free, spending on diagnostic services and medications is not reimbursed and around 20 % of the

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population have very limited access to healthcare. The high out-of-pocket cost of health (about 40% of total medical costs) limits access for vulnerable groups, only about 65% of annual public health needs are covered by public spending, mostly on fixed costs. Kosovo still does not have a reliable methodology in place as to estimate medical expenses. On **mental health** there were no notable developments in the reporting period with services continuing to be integrated services. The comprehensive law on **tobacco control** (in force since 2013) is not enforced, due to both lack of political will and failure by enforcement authorities to apply the rules.

The legislation on **blood, tissues, cells and organs** and on **patients' rights in cross-border healthcare** is partly aligned with the EU *acquis*. In December 2021, the Assembly adopted the new law on blood and blood components, which is partly aligned with the EU *acquis*, predominantly on the quality and safety standards during the collection, testing, processing and distribution of blood and blood components. On **serious cross-border health threats, including communicable diseases**, immunisation coverage remains high, with mandatory vaccination rates between 87-89% reported among school-age children. Kosovo is still developing an action plan to address recommendations from the 2018 European Centre for Disease Prevention and Control technical assessment report. Legislation on **patients' rights in cross-border healthcare** is partially aligned with the acquis. For specialised health services that are not available in Kosovo, patients can benefit from the health insurance fund for health services in several neighbouring countries, but the available funding only covers 45% of the needs.

Kosovo has an **e-health** information system, based on the European core health indicators, that enables virtual communication between users/patients and general practitioners, provides counselling services, and captures data on patient admissions, discharges and transfers. However, it is not used by all health institutions and further functionalities (covering pathology, radiology, blood transfusion, vaccination and other interventions) remain to be added.

The revised **cancer**-screening programme is not yet prepared. The number of women screened for cervical cancer is low.

There has been no progress with the implementation of the **health promotion** action plan**,** or the strategic plans on mother and child healthcare. The prevention of **non-communicable diseases** remains weak. Kosovo has not made any progress in adopting the nutrition action plan on **nutrition and physical activity**. Legislation of **medicines for human use and medicines for veterinary use** are partially aligned with the EU *acquis*. The list of essential medicines for which the costs are covered by the government needs to be updated. The supply of medicines from the essential list for primary healthcare, procured by the Ministry of Health, has improved in 2021-2022. Currently, the level of coverage for drugs from the essential list is 75% and for consumables in primary healthcare is 90%.

As regards **health care inequalities**, access to quality health care services for children remains a concern - there has been no improvement of the neonatal, infant and child mortality rates, which are three times the EU average, the highest in the region. The situation of children in Roma, Ashkali and Egyptian communities is of particular concern - only 38% of children in these communities have been fully vaccinated.

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CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

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

Chapter 10 – Digital transformation and media

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

Kosovo has **some level of preparation** in the area of digital transformation and media. There was **some progress** with further aligning the legislative framework with the *acquis* and with implementation. Kosovo advanced with the implementation of the Digital Agenda 2013-2021 and the Regional Roaming Agreement, providing consumers with roaming free services as of July 2021. A sustainable solution for the funding of the public broadcaster and ensuring its editorial independence still needs to be found. The draft e-government strategy has not been approved, as it is still under the revision of the Strategic Planning Office. The budgetary resources for cyber security remain insufficient. The process of digital switchover from analogue to digital television has not advanced.

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

→ conclude the alignment of Kosovo's legislation with the European Electronic Communications Code, the EU Network and Information Security Directive and the EU's Toolbox for 5G cybersecurity, and revise the Law on the Independent Media Commission in line with the Audio-visual Media Service Directive;

→ ensure that telecoms and media regulators are given adequate resources to fulfil their mandates independently and develop a solution for the sustainable funding of the public service broadcaster;

→ implement number portability to ensure effective use of numbering resources and foster competition.

As regards **electronic communications and information and communication technologies (ICT)**, the existing resources of the Electronic and Postal Communications Regulatory Authority remain limited and not proportional to their responsibilities. According to the Kosovo Agency for Statistics, in 2021, 96.1% of households had access to the Internet (compared to 96.4% in 2020), 94 % access the Internet through fixed connections (compared to 95.1% in 2020) and 62.3% through mobile connections (up from 54.7% in 2020). In 2021, the share of individuals purchasing or ordering goods and services online (within the last three months) was 23.1%, compared to 35.4% 2020.

The authorities should ensure that markets are genuinely competitive including through number portability, without which numbering resources cannot be used effectively. On broadband, Kosovo has made some progress. In November 2021, the Assembly adopted a law on measures to reduce the cost of deploying high-speed electronic communications networks, aligning it to

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the EU Broadband Cost Reduction Directive. Further efforts are needed for alignment to the European Electronic Communications Code to ensure freedom to provide electronic communications networks and services. Kosovo 2030 Digital Agenda has not been finalised yet.

Kosovo made progress in the area of **digital transformation** with the adoption of the Law on Electronic Identification and Trust Services for Electronic Transactions in December 2021. This law aligns Kosovo's legislation to the EU Electronic Identification, Authentication and Trust Services Regulation. The Law on Network Security Measures and Information Systems is not adopted. The e-government portal is operational; the platform offers over 30 fully digitalised services. (*see also Public Administration Reform*).

Kosovo developed basic capabilities in cybersecurity. However, it lacks a comprehensive legislative framework, operational mechanisms, technical capacities and human resources to effectively operate in cyberspace context. A Law on Cybersecurity and the Strategy and Action Plan on Cybersecurity remain to be adopted.

On **audio-visual policy**, the amendment of the Law on Independent Media Commission (IMC) is not yet finalized. This process should be conducted in an inclusive and transparent manner, with meaningful consultation with key stakeholders. The IMC failed to make any progress on the digital switchover to align with EU standards. Currently, the IMC lacks adequate staffing and resources to exercise its powers independently. It should also ensure it is transparent and inclusive in its decision-making, including through more consistent public consultation. In part due to a lack of information on media ownership and the distribution of advertising funds, the IMC does not impose effective sanctions on broadcasters and no significant enforcement interventions were undertaken. The current Law on the IMC provides broadly for sufficient regulatory, enforcement and monitoring powers to ensure pluralism and competitiveness in the market. However, the amendment of the Law on the IMC, which is currently under way, should further align the Law with the Audio-visual Media Service Directive to extend its powers to online audio-visual media. The Assembly finalised the selection of the Commission Board members and the board is fully staffed for the first time in several years. Civil society assessed the selection process as open and merit-based.

A review of the current Law on Radio Television of Kosovo (RTK) was launched in 2019 but the process is slow. The new draft law includes a realistic and sustainable funding model for RTK. The Assembly dismissed the RTK board in July 2021, citing the RTK's management refusal to be audited, and its failure to comply with procurement procedures and compile a legally required long-term strategy. At the end of 2021, the new RTK board was elected in a process that was considered as open, transparent and merit-based. The Board has in the meantime dismissed the General Director and few of the key management positions, due to alleged mismanagement and has appointed new General Director of this institution. The board is currently undertaking changes in the RTK in order to make it more efficient in offering services to the public.

Chapter 16 - Taxation

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

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Kosovo has **some level of preparation** in the area of taxation. There was **some progress** with implementation of risk-based tax inspections on some high-risk sectors. In June 2022, the Assembly adopted the amendments to the law on excise on tobacco.

The recommendations in the previous report have not been fully addressed. In the coming year, Kosovo should in particular:

→ pursue further alignment of tax legislation including the personal income tax (PIT), and value added tax (VAT) with the EU *acquis*;

→ ensure more systematic implementation of risk-based tax audits and continue implementing the strategy for combating the informal economy, money laundering, financing of terrorism and financial crime (2019-2023);

→ increase cooperation with law enforcement and judicial institutions to ensure timely adjudication of tax evasion and fraud cases, with emphasis on high-risk sectors.

Good progress was made during the reporting period with regard to **tax collection,** with overall revenue for fiscal year 2021 was 19% higher than in 2020. Total tax collected for the first six months of 2022 are higher by 16% compared to same period in 2021. This is due to robust economic activity following the easing of the COVID-19 pandemic restrictions and improved tax compliance but offset by high inflation rates.

On **indirect taxation**, the VAT system is broadly aligned with the EU *acquis*. Kosovo applies a standard 18% rate and a reduced 8% rate. The Law on VAT needs to be further harmonised with the EU *acquis*. The legal framework and procedures on e-commerce taxation need to be established Kosovo has reduced the average time of VAT refunds to 19 days, down from the 30-day legal maximum. The law on excise on tobacco products was amended, changing the basis for calculating excise taxation in tobacco products and increasing monitoring measures. The price remains relatively low compared to the EU, although the government continues to progressively raise excise on tobacco to align it to EU levels. The authorities should develop a plan for the tax treatment of material loss during the transportation, production or storage of excise goods.

On **direct taxation**, no progress was made on amending the Law on personal income tax to remove contradictory provisions and further align it with EU *acquis*.

On **administrative cooperation and mutual assistance**, Kosovo has not been able to join the inclusive framework of the OECD Base Erosion and Profit Shifting (BEPS) due to recognition issues. However, in relation to double taxation agreements, Kosovo has introduced some of the minimum standards of OECD BEPS such as implementation of BEPS measures on transfer pricing during the reporting period. Kosovo should consider adopting the standards enshrined in the OECD-Council of Europe Convention on Mutual Administrative Assistance in Tax Matters. A preliminary legal initiative has been launched to enable automatic exchange financial account information with other jurisdictions. Kosovo currently has **double taxation treaties** in application with Albania, Austria, Croatia, Luxembourg, Hungary, Saudi Arabia, Malta, North Macedonia, Slovenia, Switzerland, Türkiye, the United Arab Emirates, and the United Kingdom. Treaties with Germany, Finland and Belgium from the time of the former Yugoslavia remain in application. During the reporting period, an additional treaty with Latvia entered into force.

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On **operational capacity and computerisation**, the Kosovo Tax Administration has developed a good service quality, in particular with the widespread use of e-filing and e-payment. The improved and simplified e-solutions have supported swift tax-filing processes during the COVID-19 pandemic. In terms of streamlining and improving its service delivery, the tax administration needs to adopt a new organisational structure and further strengthen professional capacities, especially in the tax inspection/audit area.

The tax administration has adopted a four-year strategic plan to improve tax collection, reduce the tax gap, and improve its institutional capacity which is currently being implemented. During the reporting period, the tax administration intensified its actions on risk-based approach tax compliance. Despite higher revenues registered from tax audit processes, Kosovo still needs to strengthen enforcement of the risk-based approach on tax inspection/audit processes, particularly on regional level. Data quality and exchange of data across different agencies for the administration of taxes remain a challenge. Between 2021 and March 2022, tax evasion to the value of around EUR 3 million was detected, compared to EUR 7 million during same period 2020-2021. The volume of tax evasion detected can varies greatly from year to year due to individual cases. Further efforts are needed, in particular on risk-based field inspections and inter-institutional cooperation. As domestic revenue mobilisation is relatively low, Kosovo should review its tax policy and intensify efforts to broaden the tax base by further formalisation of the economy.

Chapter 17 - Economic and monetary policy

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

Kosovo is **moderately prepared** in the area of economic and monetary policy. **Some progress** was made with some data collection and transmission to Eurostat, however, further efforts are needed to address the methodological inconsistencies on national accounts. In the coming year, Kosovo should in particular:

→ increase reporting capacities for governmental financial statistics according to the EU (ESA 2010) and ensure regular monitoring of standards;

→ develop new draft law on public finance management and accountability addressing current regulatory weaknesses for an effective public finance management (PFM) system, while ensuring coherence with the reform priorities in the new PFM strategy 2022-2026.

→ improve the quality of macroeconomic forecast in the budgetary process and advance work on the establishment of an independent body for fiscal oversight.

Kosovo does not have an independent **monetary policy** with standard monetary policy tools at its disposal, as it uses the euro as legal tender, leaving fiscal policy as the main macroeconomic policy instrument. Kosovo`s use of the euro, which was decided by the authorities under exceptional circumstances, is fully distinct from membership of the euro area.

The Central Bank of Kosovo is Kosovo's sole authority to foster and maintain the stability of the financial system and to contribute to maintaining price stability. The Law on the Central Bank of Kosovo and the Kosovo Constitution establishes the functional and institutional independence of the Central Bank. The Law on the Central Bank provides independence and prohibits the

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decision-making bodies of the Central Bank on giving and receiving instructions and seeking influence by the public authorities. The Assembly of Kosovo appoints members of the Board of the Bank based on their merits, professionalism, and ability to carry on their tasks in an independent manner and free from political interference. The Bank still needs to implement reforms with regard to its corporate governance structure in order to improve its accountability and transparency in the longer-term.

The Bank's Supervisory Governing Board was rendered operational once again by the appointment of two new members, allowing for the reestablishment of a quorum. A fifth non-executive member was later appointed to enhance the functioning of the board. The principles of transparency and merit-based selection processes are important for the integrity of the institution and any political influence on the appointments within the Bank undermines the confidence of the public in this institution. The Central Bank needs to ensure that its core functions, including financial stability and banking supervision, are adequately staffed. Amendments to the Law on the Central Bank are required to ensure alignment with EU legislation. According to the Law on the Central Bank, monetary financing of the public sector is prohibited and the public sector does not have privileged access to financial institutions.

On **economic policy**, further alignment with the EU Directive on requirements for budgetary frameworks is needed. Fiscal rules are well entrenched in the legislation, however, further effort is required for compliance with the legislated fiscal rules, particularly in relation to the fiscal ceiling provisioned for in the Law on war veteran pensions. To address the pandemic-related budgetary shocks, in 2020 the budget deficit rule was relaxed for a 3-year term and is envisaged to be reinstated for 2023 budget. Kosovo has made some progress in terms of conducting fiscal risk assessments for high-risk publicly owned enterprises (POE). However there are still shortcomings in this area and more efforts are needed to improve the quality and exchange of financial data of POEs, expand the fiscal risk assessment and to strengthen institutional capacities to carry out financial oversight. Kosovo has yet to establish an independent fiscal council, but authorities have produced an options paper on the establishment of such a body. Since the Law on public finance management and accountability is being amended, before its adoption, legal provisions around the independent fiscal council should be incorporated into the amended law to pave the way for the establishment of such a council in the future. Kosovo is at the early stages of introduction of the programme-based budgeting. Some steps have been taken with the endorsement of a new overarching strategic management framework, which aims at better linking the medium-term policy with budget planning processes. However, authorities need to ensure strong political will and inter-institutional cooperation to transform the budget into a policy-planning tool and strengthen the medium-term budgetary framework.

Kosovo has made slight improvements with regard to the further alignment with the European System of Accounts 2010. The Kosovo Statistics Agency compiles annual and quarterly national accounts and has managed to shorten the period of time it takes to produce these accounts, however methodological inconsistencies need to be addressed. Fiscal notifications are not available yet. The alignment of fiscal reporting with the European system of national and regional accounts (ESA 2010) is at an initial stage and needs further improvement. During the reporting period, Kosovo took some steps with regard to the transmission to the Eurostat partial compilation of the excessive deficit procedure tables for the years 2017-2019.

The 2022-2024 **Economic Reform Programme (ERP)** was submitted on time. The macroeconomic and fiscal framework is subject to high levels of uncertainties. The ERP projects

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real GDP to grow by 7.8% in 2022, well above the historic trend and not accounting for risks stemming from high energy and food prices, which had been on the rise already before the outbreak of Russia's invasion of Ukraine. The structural reforms represent the government plan to boost economic recovery in the medium-term. However, implementation of the structural measures have often been delayed and improvements have not materialized. Similarly, further efforts are needed to improve macro-fiscal forecasts underpinning the budget and the linkage between the macro-fiscal framework and the structural reform planning *(see section 2.3 Economic Criteria)*.

Chapter 19 - Social policy and employment

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

Kosovo is at an **early stage of preparation** in the area of social policy and employment. **Some progress** was made during the reporting period, in particular on the preparations for implementation of the Youth Guarantee and in securing funding for social services. The rate of fatal occupational incidents remains concerningly high.

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

→ ensure implementation of the Youth Guarantee Implementation Plan to prepare for the piloting of the scheme; adopt the new Law on Labour in line with relevant EU *acquis,* in particular in relation to non-discrimination in employment and parental leave;

→ intensify inspections in work sectors with higher risk, and enforce rules on health and safety at work to ensure a decrease in workplace accidents;

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

Kosovo is working on a new **Law on Labour** to ensure further alignment with the EU *acquis,* including with the EU Directive on Work Life Balance. The new draft law includes provisions on the labour inspectorate and the Social and Economic Council; both are currently regulated through separate laws.

During the reporting period, Kosovo has continued to revise legislation on **Health and Safety at Work,** to ensure further alignment with the *acquis*. Implementation of this law remains a concern, particularly in the private sector. The Law on Health Insurance providing for the right and obligation to have mandatory *basic package* health insurance for all citizens, has not been implemented. The Labour Inspectorate has intensified inspections, but with limited impact on prevention of accidents.

On **social dialogue**, Kosovo is updating legislation on the Socio-Economic Council that now constitutes an integral part of the new draft Law on Labour. During 2021, the Council held two meetings to discuss a new Collective Agreement and the increase of the minimum wage. Regarding the latter, on 14th June 2022 the Assembly approved in the first reading an increase in the minimum wage at EUR 264 (from EUR 170). This is the first time that the minimum wage has increased since 2011.

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The capacity of social partners remains limited. Kosovo needs to engage more in tripartite, dialogue and authorities should support trade unions to increase their capacities.

On **employment policy,** Kosovo is drafting a new Sectoral Strategy covering a five-year period. The last sectoral strategy (2018-2020), albeit with modest targets, had a very low implementation rate.

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

The overall activity rate stood at 37.7% in Q2 2021, a slight decrease compared to 38.3% in 2020. Unemployment rates in Q2 2021 were 20.5% (25.9% in 2020). The rates are higher among women, 22.1% (32.3% in 2020), than among men, 19.9% (23.5% in 2020). Some 44% of employees had long-term contracts (42.3% 2020), while 56% worked under temporary ones (57.7% in 2020). The indicators that still give rise to most concerns are the high inactivity rate, 62.3% (61.7% in 2020) and youth unemployment 38.9% (49.1% in 2020). Unemployment is even higher (over 90%) in the Roma and Ashkali communities. Members of these communities usually work in the informal sector, holding insecure, low-skilled and low-status jobs and few of them are registered as unemployed.

Youth unemployment remains high (38.9%), particularly among women. Demographic pressures, joblessness growth pattern, a propensity towards emigration and poor education are key factors in the precarious position of young people. A recent mapping shows that since 2018 there have been remarkable shifts in the categories of young people not in employment, education or training, as regards educational attainment. The rates for those with primary education had levelled at below 30%, the rates of secondary educated youth increased, at a moderate pace, to just over 40%, while the rates for university educated young people increased from around 30% to over 50%.

Kosovo has taken steps to prepare for the implementation the Youth Guarantee Scheme. Currently authorities are working to ensure conditions for piloting the Youth Guarantee, such as amending five pieces of legislation, restructuring the key delivery mechanisms (public employment services), and fast-tracking some long-due reforms in vocational education training.

The restructuring of the **Employment Agency** is underway and planned to be finalised by the end of 2023. Yet, there is a long list of necessary actions to be able to deliver as per the youth guarantee implementation plan; most notably, they need to increase the portfolio of services and active labour market measures, and to cater for a larger number of jobseekers. The public employment services need to vastly improve their management and operational procedures, as well as data management. They should also upgrade the labour market information system to support evidence-based policy making and planning. Further improvements are needed also in its operational capacity, particularly on monitoring, evaluation, as well as employment counselling, prioritising women, youth and long-term unemployed.

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

On **social inclusion and protection**, Kosovo's spending on social protection amounts to 6% of GDP, but less than 0.5% of GDP is allocated for the social assistance scheme as most of the

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amount is spent on old-age and war veterans' pensions. Kosovo has yet to materialise its plans for a thorough reform of its social assistance, pension scheme and the social services. A proposal by the government to reform the *Social Assistance Scheme* for more efficient poverty targeting that can respond to crises and modify the equivalence scale to compensate larger households failed to be ratified in the Assembly.

Some progress was made in providing funding allocation for social services. The authorities have introduced amendments to the Law on Local Finances to earmark funding from the general grant for municipalities, but these have yet to be voted on in the Assembly. Municipalities should regardless make effort to improve service planning and delivery, data collection and integrated care. Care for the elderly remains a serious issue. Shelters for domestic violence remain poorly funded and stretched to their limits. Around 18% of Kosovo's population lives below the poverty line (EUR 45 per month as defined by the World Bank), with 5.1% percent of the population below the extreme poverty line. Children from poor households, socially vulnerable communities and those with special needs lack equal access to vital health and education services due to financial barriers.

Children represent half of those benefiting from **social assistance**, but less than 10% of them are with special needs. Around 9% of children are involved in work, of whom 5.6% working under hazardous conditions, an issue being particularly evident among the Roma and Ashkali communities.

On **non-discrimination in employment and social policy**, Kosovo has to intensify efforts to address discrimination against women, among else by adopting implementing legislation for the Law on Protection from Discrimination. The authorities must address discrimination against women, particularly those belonging to non-majority communities During the reporting period, the Ombudsperson received 94 individual complaints on discrimination: 70 investigations were opened and 24 declared inadmissible. The Ombudsperson has opened four cases for investigation on its own-initiative.

On **equality between women and men in employment and social policy**, gender-based discrimination continued to be widespread in recruitment, promotion, pay, contract length. In Q2 2021, the employment rate for the population aged 15-64 was 16% for women and 44% for men, resulting in a very high gender employment gap of 28 percentage points. Limited access to childcare and flexible working arrangements, as well as regulations which discourage the recruitment of women (e.g. length of maternity leave) remain important barriers. The current draft Law on Labour anticipates to shift the burden of paying maternity leave from businesses to government, however it has yet to be adopted by the Assembly. Other challenges faced by women, especially in rural areas, are the lack of care for the elderly, discrimination when it comes to access to property and gender-based violence.

Chapter 20 - Enterprise and industrial policy

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

Kosovo remains **moderately prepared** in this area. **Some progress** was made. In January 2022, the Assembly adopted a law establishing a commercial court for resolving trade disputes of businesses and foreign investors, as well as a law on property rights of foreign citizens. A

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working group on industrial development strategy (industrial policy) and business support was established in 2021.

In the coming year Kosovo should:

→ adopt and start implementing a strategy for industrial development and business and the sustainable economic growth pillar of the National Development Strategy 2021-2030;

→ improve the capacities of the Ministry of Industry, Entrepreneurship and Trade (MIET) and the Kosovo Investment and Enterprise Support Agency (KIESA).

As regards **enterprise and industrial policy**, Kosovo's Ministry of Industry Entrepreneurship and Trade has established a working group for the development of the Strategy for Industry Development and Business Support, tasked to improve the business environment and promote industrial development, as well as resource efficiency and a more circular economy. Incentives for the use of renewable energy sources in industry are foreseen in view of the expansion of solar energy in the carbon emissions policy, whose approval is expected in 2022. The government has launched a dialogue with stakeholders and held consultative meetings with a view to drafting the National Development Strategy 2021-2030, where one of four pillars relates to the sustainable economic growth, and envisages the development of a Smart Specialisation Strategy.

The law on strategic investments remains to be adopted and the pending applications to be recognised as strategic investor to be evaluated, which will occur in accordance with the current law. Although the current legislation on foreign investment foresees equal treatment of foreign nationals and companies, in practice, this is not always the case (see chapter 4). The formulation of a strategy to reform the corporate governance of state-owned enterprise has not yet begun, even though part of the European Reform Agenda, while state-owned enterprises of strategic importance shall be transferred to a sovereign fund, whose concept has been set out.

In the area of **enterprise and industry policy instruments**, despite some positive steps to increase the administrative capacity of the Kosovo Investment and Enterprise Support Agency, the Agency faces organisational and capacity challenges. Further steps are needed to enable the agency to fulfil its objectives, and in particular, to enable the implementation of before- and after-care services and programmes and promote links between multinational enterprises and SMEs.

Kosovo should establish a streamlined process to handle investors' grievances and retain investments, which would implement the principles of the Systemic Investment Response Mechanism as proposed by the World Bank. Courts continue to struggle to ensure a timely and coherent adjudication of cases, with cases stalled for years. This situation has a negative impact on the productivity of local businesses and desire for foreign investors to do business in Kosovo. In January 2022, Assembly passed Law establishing the legal framework for a Commercial Court. Further effort is required to ensure effective operation of the court.

Although the legislation on foreign investment foresees equal treatment of foreign nationals and companies, in practice, they encounter challenges registering property rights. To address this issue, the Assembly passed the Law on property rights of foreign citizens (EU and non-EU citizens) in January 2022.

Some progress has been made regarding the elimination of unnecessarily permits and reorganisation of licenses on the e-government platform but progress on implementation is

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needed. Coordination between central institutions responsible for licenses and permits remains limited. Effectively lowering administrative burden contributes to reducing informal business activities. The action plan 2022-2023 is in force, yet the design of the new strategy has not yet begun.

The lack of easily accessible and affordable credit serves as a substantial barrier to the growth of SMEs in Kosovo. In addition, the SME and corporate sector in Kosovo suffers from a low capacity to prepare bankable projects due to informality in accounting practices, weak corporate governance and management quality in addition to integrity issues. During 2021, the Kosovo Credit Guarantee Fund (KCGF) was expanded and enabled loans worth EUR 105.5 million to 1720 Micro- Small and Medium-sized Enterprises (MSMEs) in the sectors of production, services, agriculture and trade, including start-up firms and female owned businesses.

Kosovo has applied to participate in the Single Market Programme (SMP), formal negotiations for an Association Agreement started in March 2022 and are at an advanced stage.

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

Chapter 25 - Science and research

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

Kosovo is at an **early stage of preparation** in the area of science and research. **Limited progress** was made during the reporting period. Kosovo further improved its performance in European Union Framework Programmes on Research and Innovation.

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

→ develop a strategic approach to the development, prioritisation and promotion of scientific research and innovation and ensure higher government spending on research; seek to stimulate investment from the private sector by completing a Smart Specialisation Strategy;

→ continue efforts to increase participation in the Horizon Europe programme;

→ provide statistical data on numbers of researchers, percentage of GDP spent on research and innovation, and performance related to the European Research Area priorities.

Kosovo's **research and innovation policy** remains nascent. It lacks a strategic approach to develop, prioritise and promote research activities. The Ministry for Education, Science, Technology and Innovation (MESTI) made efforts to develop implementing instructions in line with the mentioned laws, but they are not yet implemented. The legal system envisages the connections and cooperation between the academia and private sector/businesses. However, in reality, both sectors remain distant. Kosovo established the National Science Council: its role is to contribute towards the advancement of the quality of research capacities and the internationalisation of the research and innovation system.

Work is ongoing to establish a Kosovo register of researchers and to collect statistics on research and development, including in higher education institutions. **A Smart Specialisation Strategy** is under development since 2019. A Current Research Information System (CRIS) is under

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development since 2020. It aims to ensure systematic data collection with regard to research, science and innovation, that would be used to support the research information system as evidence-base for strategic decision. The final preparations are ongoing to first pilot the system in September 2022.

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

There was limited progress on integration into the **European Research Area** with the completion of a Research Infrastructure roadmap under the guidance of the RCC.

In December 2021, Kosovo has joined the **Horizon Europe** as an associate member (the agreement entered into force in March 2022). There is a new National Contact Point (NCP) platform in place operating under new NCP regulation. MESTI has developed new incentives to boost the absorbtion capacities of the research entities in Kosovo, including by reimbursing the costs of each Horizon Europe application with a lump sum. A new Horizon Europe dedicated web portal provides a single entry point for all participants, including SMEs, and every information related to the Horizon Europe opportunities. In 2021 Kosovo's performance in Horizon Europe remined limited with only two proposals receiving a total EU funding of EUR 0.2 million. First figures for 2022 indicate already a much better performance.

Chapter 26 - Education and culture

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

Kosovo is at an **early stage of preparation** in the field of education and culture. While there has been **some progress**, the quality of education needs to be improved and key legislation (including on pre-school education, higher education and accreditation agency) should be adopted by the Assembly. The COVID-19 pandemic further constrained the quality of teaching at all levels of education.

As last year's recommendations were partially implemented, in the coming year Kosovo should in particular:

→ systematically apply quality assurance mechanisms at all education levels, particularly in the pre-university and professional education; in the area of higher education, continue post-accreditation monitoring of programmes;

→ finalise the implementation of the new curricular framework for basic education with quality textbooks and by providing sustainable training to teachers;

→ increase the provision of quality vocational education and training for professions in demand in view of the Youth Guarantee.

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Kosovo's public spending on education in 2021 remained unchanged, at 4.6% of GDP (14% of the total budget). Similarly, there were no changes with regard to the structure of expenditure, with over 80% of the budget spent in teacher salaries, leaving very little funds for students per capita and for investment in quality education. Kosovo should consider a detailed assessment of the existing per capita allocation formulas, focusing on adequacy and equity, especially given the demographic changes and new policies. During 2021, classes were mainly organised with physical presence in schools. Schools in urban areas, which are overcrowded, had to organise lessons in more shifts in order to comply with recommendations for COVID prevention. The Ministry of Education, Science, Technology and Innovation (MESTI) also obliged schools to organise additional classes and lessons to compensate for the lost learning hours. All these put an additional pressure on the education sector. Authorities should continue efforts to increase financial support to scale up community-based social and health services for children with disabilities and to integrate them effectively into educational institutions.

In recent years Kosovo has made considerable progress in **increasing access to pre-primary and primary education**, but more needs to be done to equitably increase coverage of pre-school and secondary education. Enrolment of children in compulsory education - **primary, lower and upper secondary education** - is universal (100% attending grades 1-5, 90.5% 5-9 and 86.6% 9-12). Participation of children in pre-school education and care (age 0<5) remains low, well below the OECD average (over 87%) or the 2020 education and training targets (95%). A persistent problem remains the small number and uneven distribution of pre-school institutions in Kosovo (44 public kindergartens in 23 out of 38 municipalities), lack of appropriate infrastructure and lack of didactic materials. The new Law on Pre-school Education is yet to be approved, and the curriculum for levels of education 0-2 has been developed. The number of students in higher education is decreasing (from over 133 000 students in 2017 to over 95 300 in 2021); yet more concerning are the low graduation rates.

Kosovo has prepared a **new Education Strategy 2022 - 2027**, which for the first time includes plans for digitalisation of schools. The strategy is pending formal adoption by the government. The **quality of education** remains poor, as evidenced by the last two OECD Programme for International Student Assessment (PISA) evaluations, with Kosovo ranking third from bottom. Kosovo participated in the 2019 Trends in International Mathematics and Science Study (TIMSS), and in participating in the in the 2021 Progress in International Reading Literacy Study (PIRLS) and PISA 2022. In TIMSS 2019, Kosovo was among the ten poorest performers. Reforms are still lagging behind due to the lack of suitable textbooks, teaching materials and sustainable professional development schemes for teachers. Another major issue is the mismatch between education outcome and skill requirements. The ministry needs to not only consider legislative changes, but also to increase capacities of education inspectorate.

Higher education institutions should invest more in research and appraise the scientific achievements, publications and performance of teachers. Academic integrity remains an issue, despite improvements as a result of public scrutiny. The Ministry has adopted a decision on the compatibility of scientific works and publications of the academic staff with ethics in research, obliging programme holders to upload their research in indexed platforms ahead of accreditation of their programmes. The contracts of the academic staff are based on teaching hours, not taking into account the additional work on research, science and innovation. Provisions of the Law on Performance-based Funding for Public Higher Education Institutions are not implemented. The ministry needs to have a clear policy guidance on how to increase accountability of the public

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universities based on the above-mentioned provision. Apart from the University of Pristina, all public universities depend financially on the state budget. Progress was made in meeting minimum transparency criteria (according to international norms) of higher education institutions. During the reporting period, the Assembly adopted the pending statutes of remaining public universities, and the affected institutions harmonised their existing regulations with the new provisions of the new statutes, and in some cases, developed new regulations. All of the public universities have now in place strategic documents that will boost their future development.

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

The Kosovo Accreditation Agency (KAA) continued efforts to regain membership of the European Association for Quality Assurance in Higher Education and the European Quality Assurance Register for Higher Education. Kosovo should adopt the Law on Accreditation Agency, to increase its operational independence and transparency of appointments of the KAA management. The new draft law addresses the issue of declaration of wealth by international members of the board, which has pushed international members to withdraw from their posts.

Over half of upper secondary schools students enroll in **vocational education and training** (VET), however, they are often a second choice for those unable to enrol in gymnasiums, since VET schools do not have entry criteria. The statistics for the 2021/2022 academic year show that out of 70 850 students enrolled in upper secondary education, 37 585 students are enrolled in vocational education schools, compared to 33 265 students enrolled in gymnasiums. VET profiles offered by vocational schools are not based on occupational standards, thus not aligned to labour market demands. Progression from VET to university education remains very high. Funding for vocational education has not increased over the last few years, and is insufficient to provide the necessary materials for students. The legal framework is fragmented and needs to be revised and consolidated to regulate all VET aspects as well as to capture latest developments (e.g., the recent regulations governing practice in enterprises, the new VET profiles piloted and the establishment of career guidance centres). The development of the core curriculum for VET has been initiated and its implementation is under way.

Work-based learning, integrated in the current VET curriculum, is not systematically delivered. To a large extent, teaching in the workplace is organized in the form of a block system only for students in the 12th grade, while for lower grades, there is only practical teaching in school. In recent years, there has been progress in the establishment of partnerships between VET schools and employers, but work-based learning remains too limited to substantially improve students' prospects in the labour market. Acceleration of thorough reform in VET is crucial also to implementation of important aspects of the Youth Guarantee. For the first time, the Ministry has introduced dual education for a limited number of profiles, with the aim to expand it further in academic year 2022/23.

Kosovo needs to continue efforts to provide **children with disabilities** access to quality education. A positive development is the decision to increase the number of assistants for children with special needs for 100 per year, at least until 2024 (the recruitment for 100 assistants in 2021 is finalised and budget for recruitment of 100 assistants is allocated for 2022). With the help of an EU funded project, the Ministry for Education organised trainings on inclusion and treatment of children with special needs for teachers and principals of six regional

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resource centres. Kosovo has engaged 11 civil society organisations to help with children with special needs (age 0-6) by providing training for educators and preschool institutions' staff.

The dropout rate remains higher among Roma and Ashkali children though statistics are unreliable. During reporting period, trainings were organised for dropout prevention teams and municipal departments to increase their capacities for implementing child protection policies, also to prevent dropouts.

Kosovo benefits from the international dimension of **Erasmus+.** During 2021, one project was selected for Erasmus Mundus Design Measures, and ninetudents received scolarships.

On **culture**, Kosovo should maintain efforts to meet the standards of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. There has been no progress on drafting the Law on cultural heritage, reflecting its commitments under Annex V of the Ahtisaari Plan. The Implementation and Monitoring Council needs to resume meetings and identify joint solutions to be reached between Kosovo and the Serbian Orthodox Church.

Kosovo currently participates in the Creative Europe programme, as a partner. In December 2021, Kosovo signed the Agreement to participate in the Creative Europe programme 2021-2027 as an associated country in all actions of the Culture Strand and in the action to support the establishment of Programme desks contained in cross-sectoral Strand. Kosovo is to apply for the MEDIA sub-programme and initiate efforts to apply for full membership, once legislation is aligned with the EU audio-visual media service directive.

Chapter 29 - Customs Union

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

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

→ pursue further alignment with the Union customs code and the excise *acquis*, including the Customs and Excise Code;

→ increase the number of field inspections and coordinated actions between Kosovo Customs and other law enforcement agencies in the fight against customs fraud and tax evasion;

→ reduce fees charged to exporters/importers at inland customs terminals

In the area of **customs legislation**, progress is yet to be achieved in alignment of the Customs and Excise Code with that of the Union customs code, as recommended in the previous report. A draft of the updated Customs and Excise Code is still pending approval. Due to recognition issues, there was no progress on Kosovo's application to become an observer under the Common

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Transit Convention. Regarding the rules of origin, Kosovo continues to apply the Pan-Euro Mediterranean (PEM) Convention. Kosovo Customs continues to systematically exchange data on the cross-border movement of goods among Western Balkan economies. Kosovo has signed an agreement with the Union to participate in the CUSTOMS programme which supports cooperation between customs authorities across Europe, particularly in the area of IT. Kosovo signed an agreement with North Macedonia on the joint use of railway crossing points.

The legislation on customs measures governing intellectual property rights (IPRs) and export controls for cultural goods is aligned with the EU *acquis*.

Kosovo Customs continued to progress on **trade facilitation** by approving a fifth authorised economic operator and continued to improve its systems, procedures and administrative capacities in this area. A publicly owned inland customs terminal was established and is fully operational. The publicly owned terminal charges significantly lower fees to discharge customs obligations than the existing private terminals. However, these fees are not in line with the SAA provisions and EU *acquis* and should be abolished entirely.

Kosovo Customs should strengthen its administrative and professional capacity, and ensure that merit-based and transparent transfers and selection processes apply. The new Customs and Excise Code aims to increase the efficiency of the administration based on best practice. Kosovo Customs should continue to implement its medium-term strategic plan (2019-2023) aimed at strengthening its capacity, modernising revenue collection and facilitating trade and the fight against tax evasion, organised crime and other illicit activities.

While Kosovo Customs work on the fight against **illegal cross-border activities**, including the smuggling of goods such as narcotics and hazardous materials, including that of IPR infringements, additional measures are needed to improve its effectiveness and efficiency. Among these, the need to step up the implementation of its anti-corruption plan, conduct more investigations and asset declarations checks filled by customs officials. During the reporting period, Kosovo customs jointly with other law enforcement agencies has made progress in combating different types of smuggling activities, including prevention, repression, and pursue narcotics smuggling has sized 213.3 kilograms of various narcotics (151 kilograms of heroin, 52.8 kilograms of marihuana and 9.5 kilograms of cocaine. The anti-fraud activities have resulted in 10 customs officers being dismissed from service and 12 customs officers suspended. The legal framework should be developed in order to enable thorough investigation of asset declarations checks filled by customs officials. There is a significant increase of activities directed towards **fighting of informal economy and tax evasion**. Kosovo Customs, other law enforcement authorities and line institutions cooperate well to fight against the informal economy and customs fraud.

There has been no development related to **Common Crossing Points** (CCPs). Two of the six permanent CCPs have been established (Merdare and Mutivodë/Mutivode). Facilities of two EU-funded crossing points Merdare and Mutivodë/Mutivode in use as of March 2022.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

Kosovo has some level of preparation on areas related to the Green Agenda and sustainable connectivity. Kosovo continues to actively participate in the Transport Community and Energy Community meetings. During the reporting period, limited progress was made in the energy sector. Kosovo drafted an ambitious energy strategy, which includes an increased share in

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renewable energy sources; however, due to the energy crisis, its approval has been delayed. Following the agreement reached on 21 June 2022 between Kosovo and Serbia as part of the EU-facilitated Dialogue, the Energy Regulatory Office (ERO) Board approved on 24 June 2022 the request for issuance of the electricity supply license to Elektrosever, a Serbian-owned company established under Kosovo law, to supply electricity to consumers in four Serb-majority municipalities in the north. Finalisation of the necessary technical agreements between Elektrosever, Kosovo's Transmission System Operator KOSTT and Distribution System Operator KEDS are underway to make the company fully operational. Kosovo remains heavily reliant on coal. Some progress was made in the transport sector, whereas limited progress was made in the areas of environment and climate change. Kosovo needs to significantly increase its ambition and administrative capacities to properly implement EU standards on transport, energy and environment. Strategies, action plans and legislation in these sectors need to be more consistent and in line with the principles and objectives of the Green Agenda for the Western Balkans and the Economic and Investment Plan.

Chapter 14 - Transport policy

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

Kosovo remains at an **early stage** in the area of transport policy. It has made **some progress,** notably on rail transport, where Kosovo has established the national investigation body.

As most of the recommendations from the previous report are still pending, in the coming year Kosovo should :

→ invest in road maintenance and inspections, organise prevention campaigns and establish a systematic monitoring mechanism for the collection of crash data;

→ transpose the EU rail market *acquis* and adopt the new rail safety and interoperability law;

→ adopt the strategy on multimodal transport, which should include inter alia the civil aviation strategy; continue efforts to align Kosovo's aviation regulation with the European Common Aviation Area Agreement;

→ adopt the intelligent transport system (ITS) strategy and its action plan, ensure sufficient capacity and resources for its implementation and continue efforts to harmonise with the EU passenger rights *acquis* across all modes of transport.

Generally**, on transport matters**, Kosovo proactively participates in the Transport Community. However, key strategic documents for the sector are still missing and further efforts are needed in aligning and implementing existing legislation. Direct concrete measures need to be taken to implement actions as defined in the Transport Community action plans on transport facilitation; rail, road, road safety, and waterborne transport and multimodality. The 2021-2025 sectorial strategy and multimodal transport needs to be revised, as to reflect requirements deriving from European strategic documents related to environment, climate resilience, civil aviation and the intelligent transport system (ITS). The operational and administrative capacities of the independent investigative bodies for air and railway accidents remain insufficient and need to be strengthened. Kosovo should also begin to enhance transport climate resilience and the use of alternative fuels, in line with the Green Agenda for the Western Balkans and the Smart and

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Sustainable Mobility Strategy for the Western Balkans.

On **road transport**, Kosovo remains to make further efforts to prepare the strategic framework and begin transposing the EU road transport *acquis.* Further work is needed to develop and set up road asset management systems. Work should start to establish a Road Safety Agency and to develop a comprehensive Road Safety Strategy for 2022-2030, including the setting of targets and collection of more reliable crash data. Kosovo still needs to align its legislation on road transport, including for example legislation related to the inspections of motor vehicles.

The total number of fatal accidents was 94 in 2021. Kosovo has made positive progress but must continue harmonising its legislation with the EU *acquis.*, as well as carry out activities in the fields of education, awareness campaigns, enforcements to achieve better results in line with the United Nations and European Union goal to halve the number of road deaths and injuries by 2030. In addition, Kosovo should implement CONNECTA report recommendations to improve the quality of the road network and actions, as set out in the road safety Transport Community Treaty regional action plan.

Kosovo has made some progress on **rail transport**, by establishing the national investigation body. The railway regulatory authority published several by-laws on safety issues, but more efforts are needed to finalise and adopt the new rail safety and interoperability law. The extension and rehabilitation of the rail network and the adoption of a multiannual maintenance plan are a solid basis for ensuring better, more reliable and more sustainable services for passengers and freight transported. Some progress was achieved on regional cooperation, with the signature of a memorandum of understanding by all infrastructure managers of the Western Balkan region and of a Dedication to Rails declaration at ministerial level. Moreover, the implementation agreements for joint controls on the rail border crossing between Kosovo and North Macedonia were completed.

Kosovo should ensure the signature and implementation of the 2020-2024 financial agreement with INFRAKOS, the railway infrastructure manager.

On **air transport,** Kosovo is part of the European Common Aviation Area (ECAA) and covered by the single European sky arrangements. The sector continues to face a number of challenges arising from Kosovo's non-membership in several international civil aviation organisations. The institutional shortcoming of the air navigation service agency and the civil aviation authority, as well as the lack of revenue from upper airspace management are also issues. The upcoming civil aviation authority reorganisation and administrative reforms should reflect the public administration reform principles as well as the specific circumstances and requirements of the aviation sector. Kosovo continued to align with the EU *acquis* of the ECAA agreement. It is encouraged to continue work to harmonise with the remaining ECAA first phase items. The extension of the runway at Pristina airport and the installation of new landing systems, navigation, metrology, and radio communications is expected to raise the level of safety of air operations.

Chapter 15 - Energy

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

Kosovo has **some level of preparation** in the field of energy. Kosovo has made **limited progress**, notably by increasing its share of renewable energy and its investments in the energy

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efficiency of public buildings.

Kosovo remains heavily reliant on coal, which in addition to being a dominant source of greenhouse gases, causes serious health and environmental hazards. The Kosovo government drafted an ambitious energy strategy, which includes an increased share in renewable energy sources; however, due to the energy crisis, its approval has been delayed. The strategy will have to be aligned with the National Energy and Climate Plan.

Since recommendations from the previous report were only partially addressed, in the coming year, Kosovo should in particular:

→ continue the environmental upgrade of the Kosovo B thermal power plant and the works for decommissioning of the non-working parts of Kosovo A thermal power plant;

→ continue the rollout of the energy efficiency fund and extend it to residential buildings and small and medium enterprises;

→ adopt the law on renewable energy sources and introduce a competitive bidding process for renewable energy projects in compliance with the state aid legislation, and sign direct agreement with the service provider to use national electronic register for issuance, cancellation and trade of guarantees of origin;

→ prepare the programme for protection of vulnerable consumers and prepare a plan and mitigation measures to support these consumers.

Some progress was made on **security of supply**. To establish a sustainable market in Kosovo and Albania, Kosovo signed two agreements with Albania: the Electricity Markets Cooperation Framework Agreement and a Memorandum of Understanding aiming to recognise each other's electricity and supply licenses. In the future, the current Bulk Supply Agreement between Kosovo Electricity Supply Company (KESCO) and the Kosovo Electricity Corporation (KEK) would need restructuring, as the current agreement prevents Kosovo from material contribution to ALPEX, and affects its liquidity. Following the separation of the Kosovo transmission system operator KOSTT from the Serbia control block, the Serbian electricity transmission system operator EMS has so far not determined net transmission capacities and capacity allocation with the Kosovo control block. Following the agreement reached on 21 June 2022 between Kosovo and Serbia as part of the EU-facilitated Dialogue, the Energy Regulatory Office (ERO) Board approved on 24 June 2022 the request for issuance of the electricity supply license to Elektrosever, a Serbian-owned company established in Kosovo and under Kosovo law, which will start supplying electricity to consumers in four Serb-majority municipalities in the north. The Distribution System Operator (KEDS) has significant financial problems due to high electricity market prices, while the regulated tariff does not reflect its costs. On petroleum trade and compulsory oil stocks, as well as biofuels and bioliquids, Kosovo made some steps in implementing the EU *acquis*.

The Kosovo government drafted an ambitious energy strategy, which includes an increased share in renewable energy sources; however, due to the energy crisis, its approval has been delayed. The strategy will have to be aligned with the National Energy and Climate Plan. Kosovo's electricity system remains highly dependent on two aging and highly polluting lignite fired thermal power plants, which, in addition to being a dominant greenhouse gases emission source, cause serious health and environmental hazards. Kosovo should work on decommissioning the non-working parts of the Kosovo A thermal power plant. Works to enhance the environmental

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performance of the Kosovo B thermal power plant and reduce dust and nitrogen oxide emission, expected to bring levels of gaseous emissions for dust and NOx into line with the EU *acquis,* are postponed to 2024-2025. Kosovo is in breach of the Energy Community requirements for reducing greenhouse gas emissions; the legal framework needs to be aligned with the EU Directives on large combustion plants and industrial emissions.

Kosovo's new energy strategy does not determine the development of gas infrastructure. The feasibility study for the Kosovo-North Macedonia pipeline and the gas master plan are completed. However, there is no decision yet to embark on any gas infrastructure-related investments due to developments given gas supply options. In June, the Assembly adopted the Millennium Challenge Compact and the Program Implementation Agreement between Kosovo and Millennium Challenge Corporation for developing battery storage to provide electricity balancing reserve.

Concerning the **internal energy market**, there is no progress with the further opening of the retail market. To ensure compliance with the Third Energy Package and other requirements of the Energy Community, the Energy Regulatory Office of Kosovo still needs to implement the liberalisation of the retail electricity market in Kosovo. The Energy Regulatory Office adopted a new block tariff structure to reduce energy demand and reflect the additional costs in the power system. The plan for the protection of consumers in vulnerable situations is not yet in place.

In the area of hydrocarbons, the law on trade in petroleum products and renewable fuels has been adopted by the Assembly in February 2022.

On renewable sources, by the end of 2021, Kosovo registered a total of 249.2 MW of renewable electricity generation, 101 MW of small hydropower, 137 MW of wind, 10 MW of solar, and 1.2 MW of biomass. The increase is due to an additional 21 MW of hydropower. To achieve the ambitious targets of the Green Agenda for the Western Balkans, new investments in renewable energy sources need to be mobilised. The assessment of alternative sustainable energy sources carried in 2021, confirmed the potential for development of renewables in Kosovo; a second assessment carried out in 2022 will define available land for the initial phases of development. The adoption of a National Energy and Climate Plan will present the 2030 renewable energy targets and establish policies and measures to reach them in the most cost-effective way.

The biomass supply chain for the cogeneration plant in Gjakova/Đakovica should become operational for the next heating season. Due to concerns over their environmental impact, the development of small hydropower plants faced strong public resistance. In line with EU *acquis* on concessions and the environment, the development of new hydropower plants, should always be accompanied by proper environmental and social impact assessments. The law on renewable energy and the procedures for competitive bidding for renewable energy projects needs to be completed shortly. Kosovo should also sign direct agreement with the service provider to use national electronic register for issuance, cancellation and trade of guarantees of origin as provided in the regional project for guarantees of origin implemented in the Energy Community and in line with the EU standards.

The implementation of the **energy efficiency** fund has shown some progress with investments in public buildings. However, progress remains to be made concerning residential buildings and the private sector, increasing efforts to monitor and verify energy savings. The new energy strategy includes specific indicators and targets to increase energy efficiency in this area. In addition, the

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online platform for energy efficiency monitoring and verification needs to be operational. Kosovo should provide additional financial resources for the replenishment of the fund and should enforce implementing legislation related to the energy performance of buildings. It is crucial to design a revolving mechanism for the residential and private sectors to ensure the long-term sustainability of the fund. Kosovo continued the training of experts for energy audits and certification of buildings. Administrative Instructions on the General Reporting Framework for Energy Efficiency and ESCOs were adopted in December 2021. Implementation of the Energy Efficiency Law requires adoption of remaining by-laws.

The capacities of the **Nuclear Safety and Radiation Protection** Agency remain weak, and Kosovo has still not found a solution for the temporary storage of radioactive waste.

Chapter 21 - Trans-European Networks

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

In the area of trans-European networks (TENs), Kosovo has **some level of preparation**. **Some progress** was made, notably with the implementation of five action plans of the Transport Community Treaty, i.e. transport facilitation, rail, road, road safety, waterborne and multimodality, and the operationalisation of the electrical interconnection with Albania. Kosovo should continue to align its legal framework with the TEN-T and TEN-E *acquis*. As recommendations from the previous report were only partially addressed, in the coming year, Kosovo should:

→ implement the pending connectivity projects and strengthen institutional and administrative capacities for the implementation of strategic infrastructure projects;

→ improve the capacity of the regulatory authority of electronic and postal communications to enforce telecommunications market regulations.

On **transport networks**, Kosovo continued to be actively involved in the meetings of the various bodies established under the Transport Community Treaty. Progress in the development of the trans-European Transport Network (TEN-T) was limited, due to the COVID-19 pandemic and the lack of inter-institutional capacities to implement infrastructure projects. All transport infrastructure investments need to be based on realistic cost/benefit analyses and should comply with EU standards on public procurement, state aid and environmental impact assessments. A revision of the indicative TEN-T core and comprehensive network is under discussion.

In 2021, the segment of the "Peace Highway" (part of route 7) received additional EU financing and Kosovo authorities should secure the remaining financing from IFIs and start construction promptly. The railway works on the Orient/East-Med Corridor (rail route 10) connecting Fushë Kosovë/Kosovo Polje and Mitrovicë/Mitrovica to North Macedonia continued at a slow pace. The preparatory works for signalling and telecom should follow in order to meet the requirements of the TEN-T.

Kosovo achieved some progress on rail market opening, with the TCT Secretariat assessing a 67% implementation rate, which is an increase of 7 percentage points compared to last year's reporting period. Obstacles remain, such as the mutual recognition of train driver licenses, institutional framework and recognition of safety certificates and authorisations. Further efforts are needed to revise the railway law and finalise the new rail safety and interoperability law by

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incorporating the market and technical pillars deriving from the fourth railway package (2016).

On **energy networks**, an assessment of the gas interconnection between Kosovo and Albania has been completed and the feasibility study for the Kosovo-North Macedonia pipeline is ongoing. Both projects can contribute to the diversification of energy sources from coal and to the stability of the energy grid. The gas master plan is also under development. However, the use of gas in the new energy strategy remains unclear.

On **telecommunications networks**, the institutional capacity of the electronic and postal communications regulatory authority remains to be reinforced.

Chapter 27 - Environment and climate change

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

Kosovo is at an **early stage of preparation** on environment and climate change. Kosovo made **limited progress**, notably on environmental reporting and air quality monitoring. Kosovo needs to increase its political commitment to address environmental degradation and climate change challenges and substantially improve the implementation of its legislation, to align it with the Green Agenda for the Western Balkans' goals. Most of the recommendations from the previous report are still pending. In the coming year, Kosovo should in particular:

→ increase the waste collection coverage, apply widely reduction, separation recycling and reuse of waste, address effectively the issue of illegal dumpsites, and introduce circular economy measures to reduce waste, develop and approve inter-municipal integrated waste management plans, and establish the extended producers responsibility system;

→ harmonise with and start implementing legal provisions on environmental liability, damage and crime; implement the polluter pays principle and raise public awareness on environmental protection;

→ implement the climate change strategy and the action plan on climate change, prepare a roadmap for alignment with the Green Agenda for the Western Balkans and climate *acquis* and adopt a National Energy and Climate Plan, in line with the Energy Community requirements and finalise the drafting the long-term decarbonisation strategy.

Environment

As regards **horizontal** issues, Kosovo needs to adopt revised strategies, action plans and legislation to ensure their coherence with the Green Agenda objectives and ensure their implementation. The adoption of the Strategy for Environmental Protection and Sustainable Development 2022-2030 is delayed. The implementation of the current strategic framework is challenged by the lack of funding and administrative capacity, and heavy reliance on international donors. Kosovo still needs to align its environmental protection with the environmental liability directive. Even though the environmental inspections legislation has been redrafted, it is not yet adopted and the enforcement capacity is still missing. Kosovo also needs to amend and implement the laws on environmental and strategic impact assessment. Inter-institutional coordination and civil society involvement needs to be enhanced. Kosovo needs to take over raising awareness responsibilities from the international community and civil society organisations.

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Air quality is still a major health threat. Although detailed identification of air pollution sources is completed, Kosovo failed to implement remedy measures to curb pollution. Because of the preparation of new strategic documents the adoption of preventive legislations was delayed, such as on the National Emissions Reduction Plan. Moreover, Kosovo has not initiated the preparation of the new National Emissions Ceiling Directive. In June 2022, Kosovo adopted the Law on the Protection of Air from Pollution. Kosovo needs to effectively enforce measures for banning coal for heating and start introducing subsidies and investments for other forms of heating. The air quality plans for zones in which pollutant levels clearly exceed limit values still needs to be adopted. The real time monitoring, identification of air pollution sources and reporting of air quality has slightly improved.

The unsustainability of the **waste management** system remains. While the legal framework is partially aligned with the EU *acquis,* it still needs to include the extended producer responsibility and the polluter pays principle. The Assembly adopted the Law on Waste with a delay, in August 2022, aligning Kosovo legislation with the waste framework directive. The implementation of the hazardous waste management legislation is lagging behind. Most of waste still ends up in landfills that are not properly managed or are categorised as illegal dumpsites. The only noticeable progress is on organic waste: some municipalities have implemented pilot measures for separate collection of waste fractions as well as for the reduction of organic waste. So far, 15 out of 38 municipalities have initiated home-composting systems. The establishment of the Municipal Performance Grant encouraged removal of illegal landfills. The number of illegal dumpsites has decreased (from 2 529 in 2019, 1 489 in 2020 and 1 189 in 2021). Kosovo needs to increase in capacity at all levels and set-up realistic targets and timeframes to ensure the effective implementation of its integrated waste management and circular economy. Development, approval and adoption by municipalities of the inter-municipal waste management plans would allow to plan measures for the establishment of a modern waste management system. The coal ash deposit lake operated by the Kosovo Electricity Company and the Mirash landfill in Obiliq/Obilić remained open despite its negative impact on the environment. The government selected locations for the new landfill for Pristina's waste management and for the hazardous waste storage, but the development of environmental impact assessment is still to be conducted.

Kosovo made some progress to align the **water** legislation with the EU *acquis*. The level of alignment and the monitoring mechanism of the 2017- 2036 water Strategy with the EU *acquis* remain insufficient, as well as the implementation of the water law. Monitoring of surface water quality is satisfactory, while the ground water resource-monitoring network is incomplete. The monitoring and effective management of Water protection zones still needs to be enhanced. An effective water monitoring system, with data available to the public, needs to be urgently set-up. The river basin district authority needs to become operational as a matter of urgency. The management plan for the White Drin basin has not been completed and progress is slow for the other river basin management plans. The planning and construction of wastewater treatment plants in bigger cities showed considerable progress. Improvement is still needed on tariff collection and reduction of water losses. Any small hydroelectric power plants needs to be built in full respect of the environmental legislation and to undergo appropriate environmental assessments, due to potential harmful cumulative impact. Flood risk and hazard maps need to be completed. Untreated sewage and discharge remain the main sources of water pollution, particularly rivers. In line with the Urban Waste Water Treatment Directive, agglomerations and sensitive areas remain to be identified.

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No progress was made in the area of **nature protection**. The Strategy for Environment and Sustainable Development 2022-2031 is yet to be adopted. Detailed regulatory plans for the two national parks have been re-drafted into partial plans covering smaller areas. The 2016-2020 action plan for biodiversity is still partially implemented, the designated areas continue to be polluted and poorly maintained and illegal activities such as construction, hunting and logging are not addressed. Effective measures remain necessary to ensure protection of critically endangered species. Even if Kosovo has taken steps to start inventories of natural habitats and species, the designation of potential NATURA 2000 sites is still at a very early stage. Kosovo made some progress on forestry mainly on planning and management, through the adoption of relevant secondary legislation. The forest Strategy and the forestry Law are yet to be adopted. An action plan on fighting illegal logging was adopted in December 2021, but deforestation and illegal logging remain matters of serious concern.

No developments were noted on alignment with the EU *acquis* on **industrial pollution** and risk management, which remain at early stage. The government prepared a new a draft law on integrated prevention and control of pollution and submitted it to the Assembly beginning of May 2022. Progress in drafting the legislation on pollution prevention and control and polluter accountability is very slow. Hazardous mine waste, industrial discharge into rivers and industrial dumpsites continue to pose serious threats to soil, water and health.

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

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

Kosovo is not part of the Union **Civil Protection** Mechanism, but can benefit from certain activities of the Union Civil Protection Mechanism that are available to the beneficiaries of the Instrument for Pre-Accession Assistance (IPA), and benefits from regional civil protection programmes under the same Instrument. Kosovo is encouraged to participate more actively in the activities under the Union Civil Protection Mechanism, such as trainings, exchange of experts, prevention and preparedness projects, exercises, peer reviews and advisory missions. In improving its disaster management capacities Kosovo should develop legislation, governance and financial framework related to preparedness, develop comprehensive investment plan for preparedness and response, improve coordination among responsible authorities in case of large-scale disasters, and strengthen governance and procedures related to developing national risk assessment. The coordination between the central level and local level should be improved. No progress has been made regarding the disaster risk needs assessment, the development of a recovery strategy, and the preparation of disaster response plans. Kosovo should start the process of installing the Trans European Services for Telematics between Administrations (TESTA) as a prerequisite for installing the Common Emergency Communication and Information system (CECIS) of the European Commission.

Climate change

The implementation of the 2019-2028 climate change strategy and the action plan for the period 2021-2023 is very limited. The law on climate change is not yet adopted. The National Plan for Energy and Climate is facing serious delays. Kosovo continues to rely heavily on coal and is not

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complying with the emission ceilings established under its National Emission Reduction Plan (NERP). The newly re-established National Climate Change Council took some few concrete measures to mainstream climate action or raise public awareness, and there is little evidence of policies being aligned with climate change objectives. The greenhouse gas emissions inventory reporting for 2020 is not yet available. The strategic and legislative framework needs to be adapted to the EU strategic goals stemming from the Green Agenda for the Western Balkans. Administrative capacity and awareness raising needs to be considerably enhanced. Kosovo is not a UN member, and de facto not a signatory to the UN Framework Convention on Climate Change and therefore does not have a nationally determined contribution under the 2015 Paris Agreement. However, full implementation of its climate change strategy should serve as a guide to achieve the objectives of the Agreement.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

Kosovo has some level of preparation on cluster 5. The system for the implementation of the agricultural and rural development policy is in place. In June 2022, the Assembly adopted the Law on Strong Spirit Drinks and in July 2022, the Law on Food. Legislation on rural development, genetically modified organisms, plant protection and forestry still needs to be aligned. In chapter 12, the longstanding issue of transferring the inspectors from municipalities to the Kosovo Food and Veterinary Agency has been resolved but more progress is needed in *acquis* alignment. Kosovo needs to adopt the Agriculture and Rural Development Programme 2022-2027 and adopt the law on agriculture land. The measures encouraging land consolidation are insufficient. Implementation of the relevant *acquis* on fisheries also requires additional effort.

Chapter 11 - Agriculture and rural development

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

Kosovo has **some level of preparation** on agriculture and rural development. **Limited progress** was made, in relation to the design and implementation of the agriculture and rural development programmes. In December 2021 the government adopted the strategy for agriculture and rural development 2022-2028, while the agriculture and rural development programme 2022-2027 has not yet been adopted.

In the coming year, Kosovo should in particular:

→ perform a qualitative assessment of the effectiveness of direct payments and rural development programmes provided under the financial framework 2014-2020, adopt the Law on Agriculture Land and the programme for agricultural and rural development 2022-2027;

→ take urgent and effective measures to stop the loss of agricultural land and implement the legislation on spatial planning;

→ take effective action towards developing its organic farming and quality policy sectors.

On **horizontal issues**, the sector is affected by a predominance of small farms and fragmented arable land. In 2021, the budget for direct payments and grants, decreased to EUR 34.3 million, 43% lower than in 2020. The agriculture and rural development programme implemented in 2021 included important support for investments in agricultural households, processing and marketing of agricultural products, farm diversification and business development in rural areas,

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and on farm irrigation. Cross-compliance remains to be addressed.

Kosovo is still in the process of establishing an integrated agricultural information system by upgrading and improving interconnectivity of the existing elements, which include the integrated administration and control system (IACS), the agricultural market information system (AMIS) and the farm accountancy data network (FADN).

The law on the **common market organisation (CMO)** and related implementing legislation remain to be prepared. In April 2022, the government approved a concept document for organising the common market of agricultural products.

On **rural development**, the strategy for agriculture and rural development 2022-2028 has been adopted by the government. However, the agriculture and rural development programme 2022-2027 still needs to be adopted.

On **quality policy**, little progress was recorded. The registration of a first geographical indication is ongoing.

Organic farming certification is addressed by four international organisations in the absence of a dedicated domestic agency.

Kosovo established a Task Force for the Protection of Agricultural Land from Unplanned Urban Constructions and its Degradation in July 2021, with the purpose to address the issue of loss and degradation of agricultural land. An action plan, involving the Ministry of Agriculture and Rural Development, the Ministry of Environment, Spatial Planning and Infrastructure and local authorities, to address the steady loss and degradation of farmland, is needed.

Chapter 12 - Food safety, veterinary and phytosanitary policy

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

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

As most of the previous year's recommendations were not implemented, in the coming year, Kosovo should in particular:

→ timely secure the means and resources required for effectively operating the Food Control and Traceability Management System and the Laboratory Information Management System developed with EU support as they are instrumental in securing compliance of the foodstuff produced or marketed by Kosovo with food safety, animal health, animal welfare, and plant health standards, a prerequisite for a competitive agri-food sector;

→ select the operator for managing the rendering plant and animal by-product collection system and start operation of the rendering plant;

→ strengthen surveillance and control of the animal diseases through improved planning and implementation of disease control and surveillance programmes, including by taking over the responsibility of financing fully oral rabies vaccination campaign to be carried out from autumn 2023 onwards.

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Kosovo made some progress in developing IT infrastructure for managing food control and traceability, and the **laboratory information management system** of the Food and Veterinaty Agency. Further effort is required to achieve alignment of legislation with the EU *acquis*. In 2021, the transfer and training of 75 inspectors from municipalities was completed. Nevertheless, sufficient financial resources need to be ensured for the Kosovo Food and Veterinary Agency to have an adequate number of inspectors. The food and veterinary laboratory continued testing and participated in proficiency testing with EU reference laboratories. However, no progress was made in obtaining international accreditation.

No progress was made on the **veterinary policy.** The Food and Veterinary Agency is yet to develop and implement a comprehensive disease monitoring and control system, in line with EU legislation and World Organisation for Animal Health requirements. The overall 2022 budget of the Agency increased by 17.8%.

The long-term planning and implementation of programmes to **eradicate diseases** that are endemic in Kosovo require improvement. The same applies to animal health controls at farm level, the transport of animals, and livestock markets. The lack of necessary resources, both human and financial, as well as the lack of in-service training and education programmes hampered the adequate implementation of programmes in these areas.

There were no relevant developments regarding **animal health.** The multi-annual animal disease control and surveillance programme still needs to be adopted and implemented. With EU support, Kosovo continued rabies eradication vaccination campaigns. It should take full ownership of these campaigns in the near future, in line with obligations stemming from the EU *acquis*.

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

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

With regard to **phytosanitary** matters, no progress was made on the harmonisation of the relevant legal acts.

Chapter 13 - Fisheries

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on markets and aquaculture, and support for fisheries and coastal communities.

Kosovo is still at an **early stage** of preparation in the area of fisheries. **No progress** was made in this area. As none of the recommendations of the previous reports were implemented, in the coming year Kosovo should:

→ further align its market policy with the EU *acquis;*

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→ establish an inventory of fish species.

Kosovo does not have a coastline, therefore the EU *acquis* on catch quotas, inspection and control is only partially applicable. Fisheries consists also of aquaculture operations. Kosovo should focus on establishing a **market policy** and data collection in line with the EU *acquis* as well as an inventory of fish species. Administrative capacity for policy management, inspection and control should also be reinforced.

Chapter 22 - Regional policy and coordination of structural instruments

Regional policy is the EU's main investment policy for sustainable and inclusive economic growth. Member States bear responsibility for implementation, which requires adequate administrative capacity and sound financial management of project design and execution.

Kosovo is at **early stage** of preparation regarding regional policy and coordination of structural instruments. During the reporting period, Kosovo adopted the Law on Regional Development.

In the coming year, Kosovo should in particular:

→ adopt the Regional Development Action Plan 2023-2025, implement the Regional Development Strategy and adopt the Law on Regional Development;

→ strengthen institutional and administrative capacities across the IPA structures;

→ improve the single project pipeline, including indications of project completeness and maturity.

The Regional Development Strategy 2020-2030 adopted in February 2021, as well as draft Law on Regional Development, envisage that Kosovo would have seven regions at NUTS III level, and hence, seven regional development agencies. However, the legal basis, the law on Regional Development has not yet been approved by the government, setting out the basic principles of regional development management, the responsibilities of institutions, financial instruments, and the rules for balanced regional development.

The amended Law on Regional Development that should be adopted in 2022, will improve regional development policy. The budget for regional development in 2022 amounts to EUR 4.2 million.

The **institutional framework** for the management of the EU funds is not yet established. However, structures for the management of national regional development programmes and projects are in place and functional. Kosovo should further strengthen capacities and resources for managing the EU's IPA financial assistance. Regarding **administrative capacities,** significant efforts are required to allocate more human resources and to increase their capacities, particularly on planning and management of EU funds.

Programming is focused on local development projects and future IPA assistance. Currently, there are no IPA financed projects on regional development. In the area of **monitoring and evaluation,** regular activities continued in the field of regional development programmes and projects.

During the reporting period, Kosovo implemented **cross-border cooperation programmes** with Albania, North Macedonia and Montenegro. Kosovo is not taking part in the transnational and

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interregional cooperation programmes that cover the Western Balkans. Kosovo held the first international high-level conference on regional development in March 2022.

Kosovo's Agency of Statistics (KAS) has officially received Eurostat's approval for the Classification of Statistical Regions (NUTS) at II and III level.

CLUSTER 6: EXTERNAL RELATIONS

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

Chapter 30 - External relations

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

Kosovo is at an **early stage of preparation** in the area of external relations. Kosovo made **limited progress** in this area. The trade deficit increased during the reporting period. Kosovo has yet to establish a humanitarian and development policy.

Kosovo is at an early stage of preparation as regards its application for WTO observer status and no progress was made during the reporting period. Kosovo has made some progress in implementation of Common Regional Market action plan. Kosovo introduced export restrictions on a number of agricultural food products without presenting sufficient justifications, nor following the procedures set out in the SAA. These decisions should be lifted, and Kosovo should abstain from taking unilateral trade measures without justification and prior consultation with the Commission, in line with its commitments in the SAA.

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

→ remove remaining unjustified trade restrictions; implement commitments under the Common Regional Market Action Plan 2021-2024; ratify and implement CEFTA Additional Protocol 5 on trade facilitation and Additional Protocol 6 on trade in services as soon as possible; and finalise the negotiations on, and adopt, the Additional Protocol 7 on dispute settlement;

→ adopt the new Law on Internal Trade and the Law on External Trade; approve the Regulation on the establishment of the Trade Facilitation Enquiry Point.

→ start the process to establish a development and humanitarian aid policy.

Overall, Kosovo remains highly reliant on imports and suffers from a chronic trade deficit. While it benefits from a surplus in the trade of services and remittances from abroad overall Kosovo maintains a persistant current account deficit financed by Foreign Direct Investment and borrowing. Data from the Kosovo Statistics Agency indicates that the trade deficit increased in nominal terms from EUR 2.18 billion in 2020 to 2.31 billion in 2021, representing a decrease in percentage terms from 32% to 30% of GDP.

Kosovo has not yet adopted a comprehensive trade policy, nor ratified the CEFTA Additional Protocols on trade facilitation and trade in services. Kosovo should make further efforts to expand export opportunities. It is yet to make a full use of the trade preferences of the

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Stabilisation and Association Agreement (SAA). Kosovo should ensure smooth implementation of the SAA and abstain from introducing unilateral trade restrictive measures without prior consultation with the Commission, in line with SAA obligations. In April 2022, Kosovo introduced an export ban on certain agricultural food products (including wheat, corn, cereal, flour and edible oil) without justifications or prior consultation with the Commission. These export restrictions should be lifted without delay unless sufficient justification is presented.

The CEFTA area has remained the main destination for the export of goods while the EU is the main source of goods imported into Kosovo. In 2021, Kosovo's goods exports to CEFTA countries amounted to 276.7 million EUR, or 36.9% of total exports meanwhile. goods imports amounted to 886.9 million EUR, or 19.06% of total imports. Kosovo's goods exports to EU Member States amounted to 235.1 million EUR, about 31.3% of total exports in 2021 and import of goods from the EU stood at 2.06 billion EUR, or 444.32% of total imports. Most of Kosovo's goods exports consist of basic raw materials and mineral products, reflecting a limited diversification of the production sector.

Services exports are strongly dependent on travel services, which represented 78.2% of the total for the period of January to October 2021. While lower than in previous years due to pandemic travel restrictions, the majority of them were Kosovo diaspora visits, not foreign tourism. This alongside overall mobility in Kosovo raises concerns over the sector's long-term sustainability.

As regards **bilateral agreements with third countries** on economic/trade/technical cooperation, Kosovo has Free-Trade Agreements (FTAs) with Albania, North Macedonia, Croatia, Bosnia and Herzegovina and Türkiye. Kosovo has several Generalized System of Preferences (GSP) Programmes with the US, Japan and Norway. The government supports the Common Regional Market (CRM) as a basis for a regional free trade agreement. Kosovo continues to make progress in implementing technical measures of the CRM action plan 2021-2024, notably regarding green lanes. However, disagreements relating to the representation of Kosovo are hampering progress in other areas, notably the free movement of workers. Kosovo, along with all participants in the CRM should play a constructive role and deliver on joint commitments set out in the action plan. Kosovo is a member of the Central European Free Trade Agreement (CEFTA).

Kosovo has bilateral investment protection agreements with the US, Austria, Türkiye, Albania, Switzerland, Belgium, Luxemburg, United Arab Emirates, North Macedonia, and Hungary. In 2022, Kosovo exchanged draft agreements for Promotion and Mutual Protection of Investments with the State of Qatar.

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

The Law on the trade of strategic goods provides a framework for the restriction or prohibition, export, import, transit, transhipment, and re-export of strategic goods that enter, exit or pass through the territory of Kosovo.

Kosovo's law on dual-use goods remains aligned with EU Regulation 2021/821. The EU dual-use list has been adopted as the national control list, with additions. Each year, the Department

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for Controlling Market of Strategic Goods in the Ministry of Industry, Entrepreneurship and Trade, amends the List of the Dual-Use Goods and the Military Goods, in accordance with the EU Lists.

There were few developments in the areas of **development policy** and **humanitarian aid**. The country is a recipient of aid programmes, does not provide humanitarian aid to third countries in a systematic manner and there is no development aid agency. Kosovo is encouraged to start the process of establishing a legal framework covering international cooperation and development policy as well as humanitarian aid towards non-EU countries, in accordance with EU policies and principles, and to build dedicated administrative structures. In the context of Russia's war against Ukraine, Kosovo pledged to host up to 5 000 refugees and 20 journalists from Ukraine.

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ANNEX I – RELATIONS BETWEEN THE EU AND KOSOVO

In April 2016, the EU-Kosovo Stabilisation and Association Agreement (SAA) entered into force. The SAA constitutes the first contractual relationship between the EU and Kosovo. It is a comprehensive agreement that provides a framework for political dialogue and covers cooperation in a wide variety of sectors, including justice and home affairs, trade, education, employment, energy, environment and a range of other policy areas. Four Stabilisation and Association Council meetings and five cycles of subcommittee meetings took place since 2016. Kosovo also participates in the ministerial dialogue between the economic and finance ministers of the EU and the candidate countries and potential candidates, which aims at helping the latter to gradually meet the economic accession criteria and be better prepared in terms of economic reforms, competitiveness and job creation. The most recent meeting was held in June 2022.

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

The bilateral EU support for Kosovo under the Instrument for Pre-accession Assistance (IPA II) in 2014-2020 amounted to EUR 562 million. The 2019 and 2020 action programmes included an EU contribution of EUR 181 million.

As part of the response to the COVID-19 pandemic, last year Kosovo received 94,770 doses of vaccines (the deliveries were provided from mid-May 2021 to beginning of Sep 2021). The vaccines were provided thanks to a re-sale agreement through Austria.

The IPA III Regulation (EU 2021/1529 of 15 September 2021) for the 2021-2027 financial period[11] continues to provide financial support to the region and is also financing the Economic Investment Plan (EIP) for the Western Balkans. As from 2021, Kosovo benefits from EU bilateral financial assistance via IPA III, which is based on a performance-based approach and the fair share principle. An amount of EUR 63.96 million has been allocated to Kosovo for its first year of implementation (IPA 2021) whereas for 2022, the IPA allocation has been fixed at EUR 62.25 million, continuing work started in 2021 to support justice reform, institutional capacity building in the civil administration, gradual transition of the energy sector towards decarbonisation and further energy efficiency, and socio-economic development through education and job creation schemes.

The Economic and Investment Plan, accompanied by the Green Agenda for the Western Balkans offers the opportunity to Kosovo to adjust its economic model and create conditions for sustainable growth and jobs in line with the green and digital transition. Under the EIP, Kosovo will be supported with 5 specific flagship projects, which will significantly improve connectivity and energy supply (in complement to regional projects).

[11] Official Journal OJ L 330, 20.9.2021

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

Since 2018, Kosovo has joined the following Union programmes: Erasmus+, COSME, Europe for Citizens, Creative Europe, Customs 2020 and Fiscalis 2020.

The Kosovo Specialist Chambers and Specialist Prosecutor's Office, established to investigate and prosecute allegations stemming from the 2011 Council of Europe Report, which alleges serious violations of international law, continued their work

In 2008, the EU deployed in Kosovo its largest civilian European Security and Defence Policy mission. The European Rule of Law Mission in Kosovo (EULEX) assists Kosovo on the rule of law, notably police, justice and customs. EULEX's overall mission is to support relevant rule of law institutions in Kosovo on their path towards increased effectiveness, sustainability, multi-ethnicity and accountability, free from political interference and in full compliance with international human rights standards and best European practices.

EULEX's current mandate has been extended to cover the period until 14 June 2023 based on Council Decision CFSP 2021/904. Within its current mandate, the Mission undertakes monitoring activities and has limited executive functions. EULEX continues to support the Specialist Chambers and Specialist Prosecutor's Office in line with relevant Kosovo legislation.

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

During the reporting period, the UN Secretary-General continued to provide regular updates on the implementation of the UN's mission in Kosovo (UNMIK). The NATO-led Kosovo Force (KFOR) has continued to help ensure a safe and secure environment in Kosovo. In June 2022, it had 3 735 personnel.

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STATISTICAL DATA (as of 01.09.2022)

Kosovo

Basic data	Note	2009	2016	2017	2018	2019	2020
Population (thousand)		2 181 s	1 772 s	1 784 s	1 799 s	1 796 s	1 782 s
Total area of the country (km²)	1)	10 908 w	10 908 w	10 905 w	10 905 w	10 905 w	10 905 w

National accounts	Note	2009	2016	2017	2018	2019	2020
Gross domestic product (GDP) (million euro)		3 610	6 037	6 357	6 672	7 056	6 772
GDP (euro per capita)		1 656 s	3 408 s	3 564 s	3 709 s	3 930 s	3 800 s
GDP per capita (in purchasing power standards (PPS))		:	:	:	:	:	:
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		:	:	:	:	:	:
Real GDP growth rate: change on previous year of GDP volume (%)		5.0	5.6	4.8	3.4	4.8	- 5.3
Employment growth (national accounts data), relative to the previous year (%)		:	c	c	c	c	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	c	c	c	c	:
Unit labour cost growth, relative to the previous year (%)		:	c	c	c	c	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		:	c	c	c	c	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		10.0	10.2	9.2	8.1	9.0	8.9
Industry (%)		24.9	24.3	24.1	24.2	23.4	24.1
Construction (%)		8.8	9.1	10.1	10.4	10.1	9.3
Services (%)		56.3 s	56.4 s	56.5 s	57.2 s	57.5 s	57.7 s
Final consumption expenditure, as a share of GDP (%)		106.7	93.8	91.1	91.9	92.6	98.8
Gross fixed capital formation, as a share of GDP (%)		30.7	28.0	30.0	31.7	31.0	29.7
Changes in inventories, as a share of GDP (%)		1.9	5.5	4.7	4.6	3.5	3.7
Exports of goods and services, relative to GDP (%)		19.2	23.8	27.3	29.1	29.3	21.7
Imports of goods and services, relative to GDP (%)		58.5	51.2	53.1	57.3	56.4	53.9

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

Business	Note	2009	2016	2017	2018	2019	2020
Industrial production volume index (2015 = 100)		:	:	:	:	:	:
Number of active enterprises (number)		:	33 274 w	34 355 w	31 028 pw	32 268 w	40 085 pw
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		:	9.2 w	8.7 w	4.8 pw	:	:
Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		:	7.3 w	4.2 w	3.7 pw	4.2 w	2.6 w
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	78.5 sw	78.8 sw	78.4 psw	78.9 sw	80.8 psw
Value added by SMEs (in the non-financial business economy) (EUR million)		:	:	:	:	:	:
Total value added (in the non-financial business economy) (EUR million)		:	:	:	:	:	:

Inflation rate and house prices	Note	2009	2016	2017	2018	2019	2020
Consumer price index (CPI), change relative to the previous year (%)		- 2.5 w	0.3 w	1.5 w	1.1 w	2.7 w	0.2 w
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

Balance of payments	Note	2009	2016	2017	2018	2019	2020
Balance of payments: current account total (million euro)		- 373.7	- 499.9	- 348.6	- 508.8	- 399.5	- 472.2
Balance of payments current account: trade balance (million euro)		- 1 646.3	- 2 290.7	- 2 464.2	- 2 737.7	- 2 840.2	- 2 573.2
Balance of payments current account: net services (million euro)		227.4	650.7	827.3	855.8	926.0	391.6
Balance of payments current account: net balance for primary income (million euro)		61.8	73.8	127.4	113.1	160.6	164.0
Balance of payments current account: net balance for secondary income (million euro)		983.4	1 066.3	1 161.0	1 260.0	1 354.1	1 545.4
Net balance for primary and secondary income: of which government transfers (million euro)		322.9	173.0	199.7	226.1	236.6	276.6
**3 year backward moving average of the current account balance relative to GDP (%)		:	- 7.5	- 7.6	- 7.1	- 6.3	- 6.8
**Five year change in share of world exports of goods and services (%)		:	6.6	28.4	37.8	37.3	15.3
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		276.9 w	177.2 w	212.0 w	225.8 w	188.4 w	286.6 w
Foreign direct investment (FDI) abroad (million euro)		10.5 w	42.7 w	43.4 w	46.3 w	66.2 w	59.1 w
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	13.2 w	14.1 w	13.0	6.1	16.5 w

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Foreign direct investment (FDI) in the reporting economy (million euro)		287.4 w	220.0 w	255.4 w	272.1 w	254.6 w	345.7 w
of which FDI of the EU-27 countries in the reporting economy (million euro)		:	16.4 w	86.1 w	58.7	158.6	152.1 w
**Net international investment position, relative to GDP (%)		11.9 w	- 1.3 w	- 1.8 w	- 6.1 w	- 5.8 w	- 12.3 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		16.2 sw	11.3 s	11.9 s	12.0 s	12.1 s	14.5 s

Public finance	Note	2009	2016	2017	2018	2019	2020
General government deficit / surplus, relative to GDP (%)		:	- 0.9 w	- 0.8 w	- 1.0 w	- 0.5 w	- 5.2 w
General government gross debt relative to GDP (%)		6.1 ew	14.6 ew	16.6 ew	17.1 ew	17.5 w	21.8 w
Total government revenues, as a percentage of GDP (%)		28.2 w	29.5 w	30.2 w	30.1 w	31.5 w	32.6 w
Total government expenditure, as a percentage of GDP (%)		30.3 w	29.2 w	28.9 w	29.6 w	30.5 w	34.4 w

Financial indicators	Note	2009	2016	2017	2018	2019	2020
Gross external debt of the whole economy, relative to GDP (%)		33.0 sw	33.4 sw	32.9 sw	30.5 sw	31.2 sw	37.2 sw
Gross external debt of the whole economy, relative to total exports (%)		171.6 w	140.1 w	120.2 w	105.0 w	106.4 w	171.2 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		:	:	:	:	:	:
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		:	:	:	:	:	:
Money supply: M3 (M2 plus marketable instruments, million euro)		:	:	:	:	:	:
Total credit by monetary financial institutions to residents (consolidated) (million euro)		1 289.0 w	2 338.9 w	2 629.5 w	2 939.2 w	:	:
**Annual change in financial sector liabilities (%)		:	:	:	:	:	:
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)		:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	2)	14.08 w	7.47 w	6.83 w	6.65 w	6.51 w	6.21 w
Deposit interest rate (one year), per annum (%)	2)	3.97 w	1.01 w	1.04 w	1.31 w	1.46 w	1.49 w
Euro exchange rates: average of period (1 euro = … national currency)		:	1 w	1 w	1 w	1 w	:
Trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		576.5 w	605.1 w	683.4 w	769.3 w	863.7 w	900.8 w

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External trade in goods	Note	2009	2016	2017	2018	2019	2020
Value of imports: all goods, all partners (million euro)		1 936	2 790	3 047	3 347	3 497	3 297
Value of exports: all goods, all partners (million euro)		165	310	378	368	384	475
Trade balance: all goods, all partners (million euro)		- 1 770	- 2 480	- 2 669	- 2 980	- 3 114	- 2 822
Terms of trade (export price index / import price index * 100) (number)		:	90.6 sw	93.0 sw	91.0 sw	94.2 sw	92.6 sw
Share of exports to EU-27 countries in value of total exports (%)		44.3 s	22.3 s	22.0 s	27.5 s	33.2 s	34.5 s
Share of imports from EU-27 countries in value of total imports (%)		41.3 s	42.4 s	42.3 s	42.7 s	49.1 s	45.8 s

Demography	Note	2009	2016	2017	2018	2019	2020
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		12.5	8.4 e	8.2 e	7.7	6.9	:
Infant mortality rate deaths of children under one year of age (per thousand live births)		9.9	8.5	9.7	10.6	8.7	:
Life expectancy at birth: male (years)		:	75.9 p	:	:	:	:
Life expectancy at birth: female (years)		:	81.6 p	:	:	:	:

Labour market	Note	2009	2016	2017	2018	2019	2020
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		:	44.0 w	49.0 w	46.6 w	45.2 w	42.9 w
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		:	32.3 w	34.4 w	33.2 w	34.2 w	32.3 w
Male employment rate for persons aged 20–64 (%)		:	49.9 w	54.0 w	52.6 w	53.0 w	48.8 w
Female employment rate for persons aged 20–64 (%)		:	14.6 w	14.6 w	14.1 w	15.6 w	16.0 w
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		27.9 w	29.6 w	32.7 w	31.5 w	32.2 w	30.9 w
Employment by main sectors							
Agriculture, forestry and fisheries (%)		6.2 w	4.2 w	4.4 w	3.5 w	5.2 w	4.8 w
Industry (%)		15.5 w	18.0 w	17.4 w	14.3 w	15.1 w	16.3 w
Construction (%)		7.9 w	11.5 w	12.9 w	11.9 w	12.6 w	11.1 w
Services (%)		70.5 w	66.3 w	65.3 w	70.3 w	67.1 w	67.9 w

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People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	30.8 w	28.4 w	30.8 w	27.6 w	28.7 w
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	69.2 w	71.6 w	69.2 w	72.4 w	71.3 w
Unemployment rate: proportion of the labour force that is unemployed (%)		45.4 w	27.5 w	30.3 w	29.4 w	25.5 w	25.8 w
Male unemployment rate (%)		40.7 w	26.2 w	28.5 w	28.3 w	22.4 w	23.4 w
Female unemployment rate (%)		56.4 w	31.7 w	36.4 w	33.3 w	34.4 w	32.2 w
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		73.0 w	52.4 w	52.7 w	55.4 w	49.4 w	49.1 w
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		16.8 w	18.0 w	21.7 w	17.2 w	16.2 w	18.4 w
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		:	29.6 w	32.5 w	35.8 w	28.3 w	30.2 w
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		:	15.6 w	23.4 w	16.8 w	18.0 w	17.0 w

Social cohesion	Note	2009	2016	2017	2018	2019	2020
Average nominal monthly wages and salaries (national currency)		:	422 w	431 w	453 w	477 w	466 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		:	:	:	:	:	:
GINI coefficient		:	:	:	44	46 w	:
Poverty gap		:	:	:	47.4	55.3 w	:
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		:	12.7 w	12.2 w	9.6 w	8.2 w	7.8 w

Standard of living	Note	2009	2016	2017	2018	2019	2020
Number of passenger cars relative to population size (number per thousand population)		77.0 sw	146.8 sw	153.6 sw	155.9 sw	162.2 sw	164.4 sw
Number of mobile phone subscriptions relative to population size (number per thousand population)		:	:	1 200.7 ew	1 281.1 ew	1 266.4 ew	1 095.0 ew
Mobile broadband penetration (per 100 inhabitants)		:	:	65.4 ew	73.9 ew	78.4 ew	84.5 ew
Fixed broadband penetration (per 100 inhabitants)		:	:	15 ew	18 ew	20 ew	21 ew

Infrastructure	Note	2009	2016	2017	2018	2019	2020

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Density of railway network (lines in operation per thousand km²)	1)	30.5 sw	30.5 sw	30.5 sw	30.5 sw	30.5 sw	30.5 sw
Length of motorways (kilometres)		:	98 w	108 w	119 w	137 w	137 w

Innovation and research	Note	2009	2016	2017	2018	2019	2020
Public expenditure on education relative to GDP (%)		:	4.6 sw	4.4 sw	4.5 sw	4.6 sw	4.6 sw
*Gross domestic expenditure on R&D relative to GDP (%)		:	:	:	:	:	:
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		:	:	:	:	:	:
Percentage of households who have internet access at home (%)		:	:	89.0	93.0	93.0	96.0

Environment	Note	2009	2016	2017	2018	2019	2020
*Index of greenhouse gas emissions, CO_2 equivalent (1990 = 100)		:	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		567.0	451.3	409.0	398.1	392.3	413.9
Electricity generated from renewable sources relative to gross electricity consumption (%)		1.1	4.0	3.6	4.2	5.2	5.3
Road share of inland freight transport (based on tonne-km) (%)		:	:	:	:	:	:

Energy	Note	2009	2016	2017	2018	2019	2020
Primary production of all energy products (thousand TOE)		1 845	2 016	1 793	1 822	1 849	1 901
Primary production of crude oil (thousand TOE)		0	0	0	0	0	0
Primary production of solid fuels (thousand TOE)		1 601	1 640	1 412	1 428	1 503	1 562
Primary production of gas (thousand TOE)		0	0	0	0	0	0
Net imports of all energy products (thousand TOE)		636 s	638 s	769 s	757 s	815 s	787 s
Gross inland energy consumption (thousand TOE)		2 459	2 704	2 569	2 585	2 669	2 665
Gross electricity generation (GWh)		4 976	5 982	5 918	5 915	6 351	6 711

Agriculture	Note	2009	2016	2017	2018	2019	2020
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		93.5 w	116.9 w	112.4 w	108.3 w	119.0 w	100.0 w
Utilised agricultural area (thousand hectares)		412.4	416.7	417.0	419.5	421.0	421.1
Livestock numbers: live bovine animals (thousand heads, end of period)		:	265.0	259.7	259.7	257.7	261.4

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Livestock numbers: live swine (thousand heads, end of period)		:	42.3	41.1	40.2	40.5	45.4
Livestock numbers: live sheep and live goats (thousand heads, end of period)		:	212.0 s	210.7 s	209.8 s	216.3 s	241.7 s
Raw milk available on farms (thousand tonnes)		:	:	365.1	334.3	:	:
Harvested crop production: cereals (including rice) (thousand tonnes)		411.2	562.9	477.9	441.8	459.4	529.1
Harvested crop production: sugar beet (thousand tonnes)		:	:	:	:	:	:
Harvested crop production: vegetables (thousand tonnes)		103.5	151.7	147.8	155.3	177.8	169.4

Source: Eurostat and the statistical authorities in Kosovo

: = not available

c = confidential value

e = estimated value

n = not significant value

p = provisional

s = Eurostat estimate

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

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

1) The change of the area between 2016 and 2017 reflects measurements made by the Kosovo Cadastral Agency.

2) Includes disbursement fee charged by banks.

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