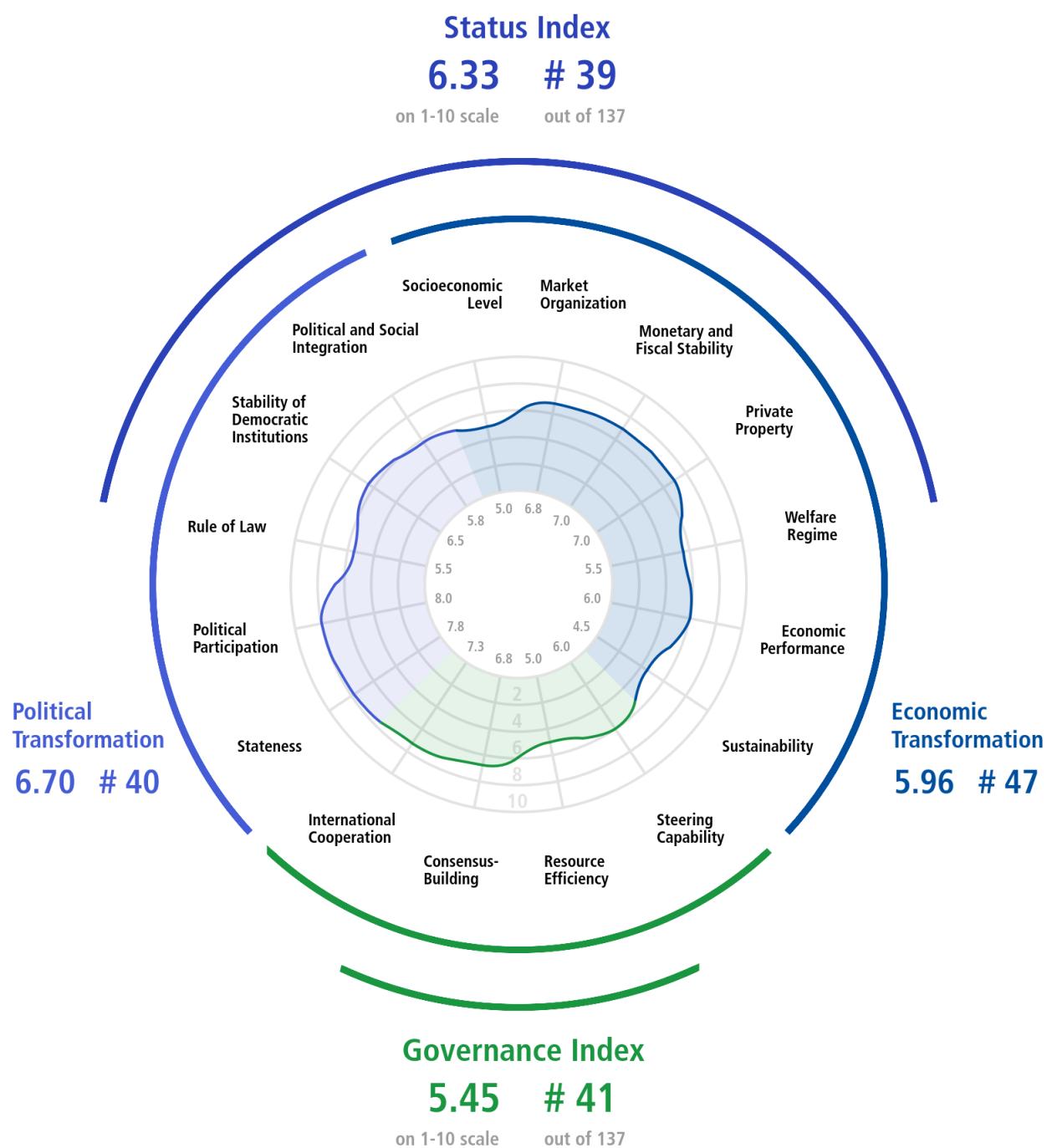


# BTI 2022 Country Report

## Kosovo



This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2022. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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### Key Indicators

Population	M	<b>1.8</b>	HDI	-	GDP p.c., PPP \$	<b>11368</b>
Pop. growth <sup>1</sup>	% p.a.	<b>-0.8</b>	HDI rank of 189	-	Gini Index	<b>29.0</b>
Life expectancy	years	<b>72.5</b>	UN Education Index	-	Poverty <sup>3</sup> %	<b>3.6</b>
Urban population	%	-	Gender inequality <sup>2</sup>	-	Aid per capita \$	<b>193.0</b>

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

Kosovo is a parliamentary republic recognized by more than 100 U.N. members and 23 out of 28 members of the EU. Early parliamentary elections were held in October 2019, won by the Self-Determination (VV) and the Democratic League of Kosovo (LDK) parties. The coalition government led by Albin Kurti (VV) was toppled on March 25, 2020, but voted again into office in March 2021 following a period of rule by the interim government of Avdullah Hoti (LDK). The no-confidence move proposed by LDK originated in Kurti's dismissal of Interior Minister Agim Veliu (LDK), a debate over the appropriate strategy to address the COVID-19 pandemic, a possible state of emergency supported by then-President, Hashim Thaçi (former president of the Democratic Party of Kosovo/PDK), and in Kurti's refusal to lift tariffs on imported goods. Kurti promised to combat corruption and organized crime. Thaçi and his party performed poorly in the 2019 elections as they were perceived to be part of a corrupt and criminal political elite. The 2019 elections brought about a fundamental change, reflecting the post-conflict generation's ability to shape politics in Kosovo. The VV and LDK parties promised a new standard for good governance and institutional accountability. The Serbian List party (Srpska Lista) increased its share of votes in the Kosovo-Serb majority municipalities compared to previous parliamentary elections.

Cooperation between Kosovo Serbs and the government have improved since Belgrade accepted Pristina's authority over majority Serb areas (North Kosovo) in exchange for increased autonomy for Kosovo Serbs in the EU-coordinated Brussels agreement of 2013. A successful reconciliation process is considered a precondition for Serbia and Kosovo's EU membership. A territorial swap of Albanian-populated areas in southern Serbia and the Serbian-populated North Kosovo proposed by Serbia's President Aleksandar Vučić in 2018 was supported by the Thaçi government but has been sharply rejected by Kurti.

Kosovo remains one of the poorest countries in Europe, with more than 40% of the population

living below the official poverty line. The country struggles with a high unemployment rate, an economy that relies heavily on remittances from the diaspora, and widespread corruption. Other problems burdening Kosovo in the review period include high levels of air pollution, a deficient education system, the absence of a visa liberalization agreement with the EU, the international community's waning recognition of Kosovo's stateness, deadlock in the EU-led dialogue with Serbia, and the impact of the COVID-19 pandemic, which entailed lockdowns and a significant economic contraction.

## History and Characteristics of Transformation

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

After the war, in June 1999, an international administration was established in Kosovo through U.N. Security Council Resolution 1244, administering the territory until early 2008. The U.N. Interim Administration Mission in Kosovo (UNMIK) was designated as the authority holding civilian responsibility over Kosovo, while NATO's presence in Kosovo (Kosovo Force/KFOR) was responsible for safeguarding security. The mission established an interim constitutional framework for provisional self-government in 2001 and organized Kosovo's first democratic elections on November 17, 2001. It also represented Kosovo on the international stage. Interethnic clashes in March 2004 between radical Kosovo Albanians and Kosovo Serbs raised concerns in the international community whether a delay of the final status of Kosovo would further deteriorate security and stability. The U.N. Secretary-General therefore appointed a special envoy, Martti Ahtisaari, who, after a period of unsuccessful negotiations with Belgrade and Pristina, in 2007 proposed an internationally supervised process of establishing a sovereign state. The Kosovo-Albanian political elite readily accepted the plan, while Serbia opposed it and continued to consider Kosovo an integral part of its territory.

On February 17, 2008, the Kosovo Assembly declared Kosovo an independent state, which was recognized by the United States and most EU member states (103 U.N. member states in June 2013), but not by Russia and China, and five EU member states, for the time being. After the recognition of Kosovo, major Western states formed an international steering group and

appointed an international civilian representative (ICR) to supervise the state-building process and the implementation of the Ahtisaari Plan. The ICR was simultaneously appointed as the EU special representative for Kosovo. To support the rule of law in Kosovo, the EU in 2008 deployed a legal police and judicial mission (EULEX). In April 2008, Kosovo's parliament adopted a new constitution based on the Ahtisaari Plan. Following Serbia's request, the International Court of Justice in July 2010 issued an advisory opinion that Kosovo's unilateral declaration of independence did not violate international law. Since 2008, Kosovo's governments have tried to adapt their state to international standards and alleviate worries in the region that the new state's example would foster separatist tendencies in the Balkans and destabilize the region. These efforts were often inhibited by political and social inertia and radical political tendencies.

Kosovo became a potential candidate for EU membership and signed a Stabilization Association Agreement with the EU in October 2015 (in force since April 2016). Kosovo Serbs' cooperation intensified as a result of the EU-coordinated Brussels agreement of 2013. That year EU and Kosovo began negotiating the EU association process in recognition of Kosovo's reform efforts, and Belgrade accepted Pristina's authority over majority Serb areas (North Kosovo) in exchange for increased autonomy for Kosovo Serbs, a move which promised to ease tensions. Belgrade for the first time officially encouraged Kosovo Serbs to participate in parliamentary elections in Kosovo. Serbian hardliners argued that Belgrade would have indirectly recognized a rogue state, while the Kosovar government would have accepted illegitimate Serbian influence on its internal affairs. A successful reconciliation process is considered a precondition for EU membership of Serbia and Kosovo.

In recent years, the younger generation's dissatisfaction with the political elite originating in the Kosovo conflict grew stronger and provoked protest. The self-determination movement, now a party (VV), profited the most from this development. In December 2017, after the third legislative elections since 2008, a "war wing" coalition (veterans of the 1998-99 conflict with Serbia) comprising President Hashim Thaçi (PDK) and Prime Minister Ramush Haradinaj (AAK) was formed. The nationalist left-wing VV under Albin Kurti won 26.6% of votes, roughly doubling its support from the previous election in 2014. VV had organized street protests and media campaigns against "selling out" Kosovar interests.

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

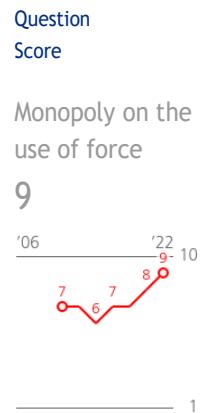
## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force is established and uncontested in most of the country. The status of the independent Republic of Kosovo and laws passed by the Kosovan government were only opposed in the mainly Serbian North Kosovo and in minority enclaves. After 1999, the United Nations Mission in Kosovo (UNMIK), the NATO-led Kosovo Force peacekeeping mission (KFOR), and the Kosovan government, were together the organizations internationally recognized as administering Kosovo. After the declaration of independence and the formulation of a new constitution in 2008, the role of UNMIK and KFOR gradually receded, although they retained their focus on promoting security, stability and respect for human rights. In 2008, UNMIK was assisted by the International Civilian Office (until September 2012) in the supervision of the implementation of the Ahtisaari Plan, and an EU Rule of Law Mission in Kosovo (EULEX). EULEX exercised executive powers with regard to investigating, prosecuting, adjudicating and enforcing cases of war crimes, terrorism, organized crime, corruption, interethnic and financial/economic crimes.

The 2008 constitution of Kosovo confirms that the state and its constitutional bodies have authority over security, justice and law enforcement, but are obliged to cooperate with international authorities and to act in accordance with Kosovo's international responsibilities. The state's monopoly on power used to be contested by parallel administrative structures in predominantly Serbian municipalities which, at times, resulted in clashes. For example, border controls conducted by the government in 2012 resulted in clashes with regional Kosovo Serb politicians, who considered the controls to be illegitimate. Kosovo Serbian enclaves were long hostile toward the Republic of Kosovo's institutions and cooperation. In order to improve the relationship between the Serbian minority and the Kosovan government and to protect the country's territorial integrity, Belgrade and Pristina signed the Brussels Agreement in 2013. Serbia assented to Kosovo's territorial integrity, ceding control over North Kosovo to the Association of Serbian



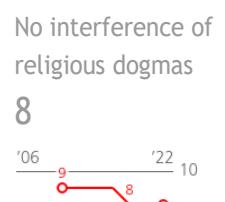
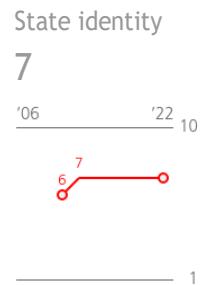
Municipalities (ASM), a supra-municipal structure of Kosovo Serbs. This provoked violent protests by the Serbian minority who believed that the agreement violated the Serbian constitution. Kosovo-Albanian nationalists opposed any cooperation with Belgrade and any privileges granted to the Serbian minority. The parallel police departments were integrated into the Kosovan system. For the Kosovo Serbian minority, the newly-elected governments in 2017 and 2019 represented a change in the political climate, an expression of Greater Albanian ambitions and anti-Serbian attitudes. This has the potential to lead to a decline in the Serbian minority's trust in the state's authority.

The vast majority of Kosovo's population is of Albanian ethnic origin. A Kosovan identity, distinct from Albanian, as the basis of the state's identity is disputed, because of dissenting political views on the country's future, either as an independent Balkan state, or one closely connected with neighboring Albania. Today the overwhelming majority of Kosovo Albanians do not question the legitimacy of the republic. Kosovo Serbs are the largest ethnic minority (less than 10% of the total population according to the 2000 census), forming a local majority in North Kosovo and enclave municipalities. Until the 2013 Brussels Agreement, most Kosovo Serbs had a negative attitude toward the state, demonstrated by the North Kosovo referendum in 2012, when voters near-unanimously refused to recognize Kosovo's institutions. This attitude has somewhat improved with the establishment of regional autonomy, but fragile gains were threatened by the 2017 and 2019 elections and the new governments that were formed.

Ashkali/Egyptian, Bosnian, Roma and other smaller minorities sometimes doubt the impartiality of the Kosovo-Albanian dominated state institutions, fearing marginalization, but they do not generally contest the state's legitimacy. The constitution and electoral laws guarantee ethnic minorities a minimum share of seats in the assembly and local self-government bodies. Citizenship is available without exception. The Serbian minority have long rejected Kosovan citizenship because it would imply recognition of Kosovo's independent status. The political goal of most North Kosovo Serbs after 2013 has evolved from challenging the republic's legitimacy to parallel autonomy within Kosovo.

The constitution defines Kosovo as a secular state. Freedom of belief, conscience and religion are guaranteed. (Sunni) Islam is the dominant religion among Kosovo Albanians (88% - 94% according to different estimates). Serbian Orthodoxy - with most adherents among Kosovo Serbs - is the second largest religious denomination after Islam, while about 1.3% Kosovo Albanians and Croats are Catholic.

Kosovan Islam is considered moderate and syncretic, with Christian elements of worship. The Kosovan political and social elite claims to be secular and neutral as a result of its historically superficial acceptance of Islam and close connections to Christian neighbors, including a Christian Albanian diaspora in southern Italy. The hijab was banned from public schools in 2010. Some observers claim that the



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influence of hard-line Islamist clerics and states with a fundamentalist interpretation of Islam has increased in recent years. In 2014, Foreign Minister Enver Hoxhaj warned of fundamentalist Islamic currents spreading in public life, emphasizing the government's pro-Western, secular attitude, which has been shared by governments formed since. A small radical party, Islamic Movement to Unite (LISBA), which gained no seats in the 2013 municipal elections, called the political elite Islamophobic, a critique immediately rejected by the Kosovar parties AAK and PDK. The former prime minister and AAK president, Ramush Haradinaj, expressed respect for all religions, but contempt toward young Islamist radicals. Attempts by Wahhabi organizations from Saudi Arabia to infiltrate the rather pluralistic Muslim landscape of Kosovo faced resistance from local believers and clerics. The Turkish religious authority has gained more influence recently. Among young Kosovo Albanians, in Kosovo and especially in the diaspora, mystic Sufism, radical Salafism or charismatic preachers often exert more attraction than traditional Kosovar Islam.

The Serbian Orthodox Church's political outlook varies from conservative to hard-line, but it has practically no political influence beyond the Serbian community. It supports the official Serbian Orthodox outlook on Islam and the Kosovo issue. Kosovo's independence is considered an example of "Western" indulgence toward radical Islam.

The basic administrative structures in Kosovo still require improvement. The quality of the rule of law and the judicial system, and therefore citizen access to justice remain low, especially in rural areas, which has an indirect impact on the business climate. The administrative procedures are lengthy and inhibit citizens from defending themselves against administrative decisions. Frequently, judicial structures do not adequately exercise control over the administration and contribute to a separation of powers. Kosovo's legal reform process, initiated in 2019, considers environment protection crucial for Kosovo's sustainable economic and social development. The collection of taxes and fees is deficient to such an extent that provision of gas and electricity has to be subsidized by the state. Water, sanitation, health and education services are satisfactory in the larger cities, but still deficient in rural areas. The COVID-19 pandemic caused prolonged disruption to infrastructure. Public transport (buses) is best in the Pristina region. Kosovo's railway network, formed from the former Yugoslav Railway lines, consists of two lines and is considered unreliable. Projects to improve, extend and even to connect it to the Albanian railway system remain unfinished. Generally, basic administration services remain poor, and public expectations are not high.



## 2 | Political Participation

The four parliamentary elections since Kosovo's declaration of independence in 2008 were generally deemed free and fair. In October 2019, Albin Kurti's Vetevendosje party (VV) won most the votes (26.3%), Vjosa Osmani's Democratic League of Kosovo (LDK) came second (24.5%), Kadri Veseli's Democratic Party of Kosovo (PDK) third (21.2%), and outgoing Prime Minister Ramush Haradinaj and his coalition (Alliance for the Future of Kosovo, AAK, and Social Democratic Party of Kosovo, PSD) fourth (11.5%). Electoral turnout (44.7%) was its highest since 2001. In 2019, 1.9 million citizens registered to vote and 844,121 ballots were cast, due partly to record numbers of diaspora Kosovans registered to vote. 4.5% of votes were declared invalid. Apart from blank protest votes, the majority of invalid votes was due to a lack of information provided to the electorate on how to vote correctly. The 2019 snap election had become necessary after Prime Minister Haradinaj had resigned after being summoned for questioning by the Kosovo Specialist Chambers & Specialist Prosecutor's Office (KSC) in The Hague. The EU Election Observation Mission (EU EOM) found the 2019 election process prior to election day "well-administered and transparent."

Free and fair  
elections

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Kosovo's long-term challenge is to avoid backsliding after elections through delays, uncompromising positions and behind-the-scenes manipulations. Previous elections were considered successful, primarily due to the high number of monitors who helped to prevent a repeat of the fraud observed in 2010, when the Central Election Commission had to organize multiple revotes. The four elections held so far have been generally deemed orderly by international observers such as the OSCE, the EU EOM and Civic Energy Center (CEC) in North Kosovo. At the ballot box, equality of opportunity is not questioned, but there is unequal funding for parties' campaigns, and they receive disproportionate exposure in the media.

Serbs in North Kosovo for a long time boycotted local and national elections but participated in increasing numbers elsewhere, as well as running for seats in the Kosovo Assembly. In the 2019 Kosovo assembly elections, the Belgrade-backed Serbian List party (Lista Srpska) won 6.7% of votes. But the party's success was said to be due to the intimidation of other Kosovo-Serb community parties, and financing by Serbia's government.

Before and after the declaration of independence in 2008 there was a general consensus over a common goal: rendering the government effective. The pressure from external, extra-parliamentary actors grew stronger after the post-independence enthusiasm waned and political shortcomings emerged. The effective power of the democratically elected representatives to govern was regionally undermined by political representatives of the Serbian minority and radical Albanian groups, which in 2004 staged countrywide riots. The predominantly Serbian North Kosovo refused to accept Pristina's rule for a long time. Following the EU-brokered 2013 Brussels Agreement, Belgrade agreed to the subordination of North Kosovo under the new republic's government. Radical Albanian political organizations and Kosovo Liberation Army (KLA) veterans' organizations continue to exert considerable pressure on the political decision-making process. They accused the political elite of ceding to demands from Belgrade and the international community. The nationalist Self-Determination movement (VV) organized demonstrations when suspected Kosovo-Albanian war criminals were to be extradited to the International Criminal Tribunal for the former Yugoslavia (ICTY) and demanded a revision of the 2013 Brussels Agreement regarding the border demarcations with Montenegro. VV, which doubled its support in the 2017 elections, was voted into government in 2019, mainly due to its uncompromising political position.

The 2008 constitution grants fundamental rights and freedoms, in accordance with the Ahtisaari Plan. It guarantees the freedom of association, including "the right of everyone to establish an organization without obtaining any permission, to be or not to be a member of any organization and to participate in the activities of an organization." In December 2017, a new draft law on freedom of association of NGOs was adopted by the Kosovo government, loosening restrictions on their activities and setting more favorable provisions for freedom of association compared to the previous law. It was welcomed as an important move in empowering civil society and democracy in Kosovo. The draft law came after almost two decades of efforts to improve the legal framework for civil society organizations. Freedom of assembly has generally been safeguarded by the government, EULEX and KFOR, but demonstrations have been restricted for reasons of security and public order. NGOs generally function freely, but according to the constitution, the courts can ban groups and organizations that "infringe on the constitutional order, violate human rights and freedoms or encourage racial, national, ethnic or religious hatred," a provision which has rarely been employed. The constitution protects the right to establish and join trade unions but workers face intimidation, and private sector unions, are nearly nonexistent.

In 2020, as a consequence of the coronavirus pandemic, the Kurti government restricted the right to freedom of movement, a decision considered to be unconstitutional by President Thaçi. He submitted the case to the Constitutional Court of Kosovo (CCK) which confirmed Thaçi's position. His submission of the case to the CCK came as a result of Thaçi's move in March 2020 to declare a state

Effective power to govern

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Association / assembly rights

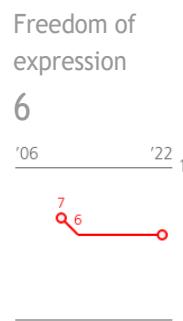
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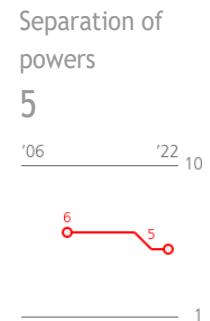
of emergency to deal with the pandemic. Prime Minister Kurti disagreed with the declaration because the number of infected individuals would not justify a state of emergency. Kurti alleged that the real motive of Thaçi's move was to consolidate power. In June 2020 CCK concluded that at state level, restrictions could be imposed to curb the pandemic, but strengthened the competence of local governments when fighting infectious diseases. Before the 2021 snap elections, the outgoing government was accused of exploiting concerns about COVID-19 to limit the number of diaspora members traveling to Kosovo to submit their vote. A heated debate on freedom of association in 2019 ultimately saw proposals to void NGO registrations based on vague provisions, as well as measures that would complicate the founding and registration of NGOs and their public benefit status withdrawn. In 2020, amid the pandemic, the freedom of peaceful assembly and association was generally respected by the government.

Freedom of expression is guaranteed by the constitution. It can only be limited by law in order “to prevent encouragement or provocation of violence and hostility based on race, nationality, ethnicity or religion.” Although Kosovan governments claim to have improved the legislative framework for media independence, enforcement remains weak. International observers registered threats on social media platforms. The Association of Journalists of Kosovo recorded several cases of threats and violence against journalists and media outlets in the review period. In 2019, the ruling PDK even called the online news outlet Gazeta Express fake news, and PDK leader Kadri Veseli reportedly put pressure on its editor-in-chief. The independence of public media is very fragile. The public broadcaster, Radio and Television of Kosovo (RTK) has struggled with financial problems, while journalists face political pressure and even physical attacks (e.g., the TV BESA reporter Gramos Zurnaxhio). Radical Muslim groups have sent death threats to journalists who reported on them. Media diversity increased through the expansion of cable operators. However, independent TV stations critical of the government have complained that cable operators were not transmitting the formers' signals. The state directly finances RTK, resulting in markedly pro-government coverage. Journalists were accused of defaming government officials. Previously, selective government advertising was used to influence newspaper coverage, but amendments to the law on public procurement outlawed this practice. Private media outlets lack stable and sufficient revenues from sales and advertisements, and therefore have to be cautious. New media formats have raised awareness of contentious political and social issues, such as LGBTQ+ rights and corruption.

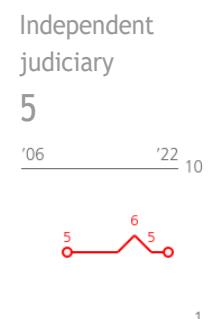


### 3 | Rule of Law

The constitution defines Kosovo as a democratic republic based on the principle of separation of powers and checks and balances, but these are weak and inefficient in practice. Legislative power is exercised by the Kosovo Assembly (120 deputies, including 20 minority representatives), the executive power by the government of Kosovo (prime minister and ministers), and the judicial power by the courts, including the Supreme Court and the Constitutional Court. The separation of powers has been violated when governments informally interfere in the work of the legislature and judiciary. The Kosovo Assembly has been criticized more than once for not exercising its constitutional mandate of overseeing the government. Parliamentary committees in the Kosovo Assembly have been ignored by the executive branch, in essence diminishing their parliamentary oversight role. The Venice Commission in its opinion on Kosovo's draft Law on the Government from December 2020 stressed that unlimited executive lawmaking power was not consistent with the rule of law. In March 2020, President Vjosa Osmani urged the Kosovo Assembly to declare a state of emergency without discussion. The Kosovar government introduced several short-termed emergency measures in response to the COVID-19 pandemic. Disputes with the Kosovo Assembly over how to manage the pandemic played a decisive part in the government's overthrow. The Constitutional Court has proven an independent institution by ruling more than once against the ruling parties' interests.



The independence of the judiciary is impaired by political authorities and high levels of corruption. EULEX and Kosovar institutions made some progress in terms of sustainability, accountability, freedom from political interference and ensuring inclusion in a multi-ethnic society, including compliance with European best practices and international standards. Laws such as those addressing the disciplinary liability of judges and prosecutors have been partially introduced, as have best practices regarding mediation and the introduction of an electronic case management system and a central criminal record registry. A recent review of the legal sector has provided Kosovar governments with the information necessary for reform and modernization of the judicial system. The country's slow and often understaffed court system was further impaired by the coronavirus pandemic. According to the criminal code, criminal trials must restart if not resumed after a certain period. Better trained staff is now prepared to achieve more progress in the fight against organized crime, with the North of Kosovo still posing a problem. Kosovo signed a working arrangement with Europol in July 2020.



Only a minority of Kosovo citizens considers the courts to be independent and most believe that political ties matter. The local judiciary is insufficiently prepared to manage complex and sensitive lawsuits. The appointment and promotion of judges according to professional criteria are still weak. The government determines court

budgets, even closed court cases were discussed in the Assembly. Other persistent problems include the discrimination against minorities by the judiciary, delays in the judicial process, and overburdened courts with a huge backlog of cases. Considerable progress was made in integrating the courts in North Kosovo into Kosovo's judicial system according to the Brussel's agreement, although the ethnic balance in terms of judicial and prosecutorial posts has not been achieved yet.

Office abuse, especially corruption, remains widespread despite political promises to fight it and an existing legal basis to do so. Enforcement remains deficient, strengthening the public impression that elected politicians and civil servants operate with impunity. Progress in the fight against corruption is particularly limited with regard to high-level cases and the confiscation of assets, and anti-corruption agencies lack the necessary staff. Special departments were created in order to treat cases of high-level corruption and organized crime. The revisions of the criminal procedure code are still pending, and the reform of political party financing legislation has been delayed. In important cases regarding corruption or abuse of duties that involved leading politicians, those found guilty were sentenced only to probation.

Conflicts of interest are linked to the high number of senior officials holding multiple publicly-funded positions. The Kosovo Assembly criminalized public officials' undeclared assets and false asset declarations, but the number of convictions remains low, and the sanctions are an insufficient deterrent. The limited number of publicized cases stands in contrast to the high level of corruption in official positions. The Kosovo Anti-Corruption Agency is ineffective against corruption involving members of the Kosovar political class. EULEX, which was not capable of convicting corrupt/criminal members of Kosovo's political elite, ended its mission in 2018, after having delivered 479 convictions for criminal cases, including corruption, organized crime, money-laundering, war crimes and human trafficking.

The constitution guarantees civil rights, and alongside the law against discrimination, it prohibits discrimination based on race, religion or sexual orientation. However, cases of domestic violence, discrimination and hate crimes against ethnic minorities are common but rarely prosecuted. Ethnic minorities complain about the bias of courts assessing crimes against their communities. The police force, though multiethnic in principle, is said not to behave properly toward Roma, Gorani or Kosovo Serbs. Civil society in Kosovo is still too weak to challenge the current state of affairs.

Since 2017, the relatively unstable governments have been an additional impediment to progress on human rights. A special court was established in order to investigate crimes committed during the Kosovo conflict. Kosovo has many internally displaced persons, most of whom are Serbs (76% of the total, 68,000) and Roma (about 15%, 10,000). The number of voluntary returns of displaced persons is

Prosecution of office abuse  
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'06 \_\_\_\_\_ '22 10



Civil rights  
7  
'06 \_\_\_\_\_ '22 10



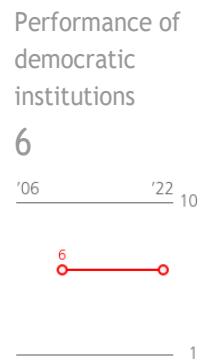
still very low, as are the number of successful cases of property reclamations by displaced persons. There are also more than 1,600 people who are classified as missing since the Kosovo conflict.

Domestic violence against women is widespread according to a 2018 OSCE report. However, police responses to this crime are described as inadequate, there are few prosecutions, and a failure of judges to issue restraining orders against abusive partners. Human and civil rights defenders who help women subjected to domestic violence and rape have even faced death threats. The protection of persons with mental disabilities remains relatively weak.

More than 150 hate crimes were committed in 2019, and death threats were directed against LGBTQ+ persons and organizations. Human rights NGOs who consider Kosovan society to be relatively homophobic observed that law enforcement officials often show limited knowledge and understanding of LGBTQ+ rights. A new criminal code passed in April 2019 strengthens the protection of LGBTQ+ persons, by defining a “hate act” as “a crime committed against a person, group of persons, property or affinity with persons on grounds including sexual orientation and gender identity.”

#### 4 | Stability of Democratic Institutions

The Kosovo Assembly is often criticized for not effectively supervising the government’s policies. Corruption and patronage are widespread in the public administration. Relations between the government coalition and the opposition have been difficult and polarized since the declaration of independence. Important debates in parliament – for example, on the approval of the budget and resolutions on dialogue and neighborly relations with Serbia – have been interrupted by violent protests from the nationalist opposition inside the Kosovo Assembly. The opposition has accused the pro-European governments of treason to the advantage of Serbia. Several factors seriously undermine the consolidation of Kosovo’s democracy, including the lack of accountability of the political class, which reduces their efficiency and responsiveness. Democratic institutions are perceived as opaque and unwilling to cooperate with each other. Voters criticize electoral promises that were often not implemented. This reduces the willingness of citizens to get involved and to participate in elections.



The relevant political actors, political parties, associations, and interest groups support the democratic institutions of independent Kosovo. Prime Minister Ramush Haradinaj, appointed in 2017, stressed that Europe and European democratic values were “Kosovo’s destiny.” Albin Kurti, the prime minister forced out following a vote of no-confidence in March 2020, promised to change old political ways due to his commitment to democratic values. An international letter of support signed by academics and intellectuals in favor of Kosovo’s legitimate government was published at the end of March 2020. The tough preventive measures imposed by the Kurti government to curb the COVID-19 pandemic were internationally deemed appropriate and efficient but criticized locally as selective and arbitrary. Some argued that the new measures would be misused politically in order to silence critics in politics and the media, while others saw it as a reasonable measure to limit the spread of disinformation.

Commitment to democratic institutions

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Ethnic Albanian parties in the Kosovo Assembly regularly show their pride in a democratic Kosovo. The declaration of independence in 2008 was considered a reward for the creation of an open and democratic society after the Serbian repression. But the Kosovo Liberation Army (KLA) veterans’ organization and the self-determination movement have both openly disputed the legitimacy of democratic institutions, calling the reconciliation process with Serbia, and the integration of Kosovo’s Serbian North, a sell-out of Kosovar interests. The ethnic Serbian parties, after long years of abstention after 2008, have finally started to participate, silently recognizing the democratic legitimacy of Kosovar democratic institutions. From time to time political, civic, and religious representatives of Kosovo’s minorities criticize the Albanian-dominated democratic institutions as a façade for an anti-democratic, ethnically-biased political process.

## 5 | Political and Social Integration

Prior to independence Kosovo’s political parties had been long focused on independence, with other political, social and economic issues secondary concerns. With independence achieved, the traditional parties’ deficiencies became increasingly apparent, leading to public dissatisfaction. The main traditional parties are the Democratic Party of Kosovo (PDK), the Alliance for the Future of Kosovo (AAK), and the Democratic League of Kosovo (LDK), whose former leader, Ibrahim Rugova, was Kosovo’s first president. The former extra-parliamentary movement, Self-Determination (VV), has exerted increasing pressure on the traditional parties and was voted into the Kosovo Assembly in 2011. It even formed a governing coalition with LDK in February 2020. Ethnic minority parties were torn between boycotting (resulting in alienation) or participation and implicit acceptance of the state of Kosovo. After signing the Brussels Agreement, Serbia recommended the Kosovo Serbs’ vote and stand as candidates.

Party system

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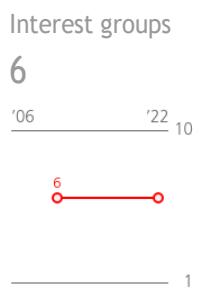
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The 2019 parliamentary elections changed party politics decisively. A post-conflict generation of young politicians, including several women, successfully challenged the “war factions” monopoly on political affairs. Long after independence, the party system continued to be dominated by Kosovo conflict veterans turned politicians. The party system was characterized by a hierarchical internal order, lack of party factions, indirect election of central party bodies, a weak role for functional groups like women and retired persons, and the absence of affiliated organizations. Electoral volatility was relatively low and the party system was stable because the reputation of parties was mainly based on the role their leading politicians had played in the Kosovo conflict. The governing parties relied extensively on clientelism by providing public sector jobs and resources for their supporters. Growing dissatisfaction with traditional parties’ inability to address urgent issues such as corruption, and opposition to a reconciliation with Serbia, deepened the polarization and social rifts within Kosovo’s society. This strengthened nationalist political forces such as the left-wing populist VV.

Theoretically, interest groups, NGOs and unions can associate and operate freely without government control. But the dominance of political parties and the division of Kosovo’s society along ethnic lines limit the success of interest groups. Political parties have tried to influence certain interest groups for their own benefit. Political and economic clientelism, with roots in the Kosovo conflict, inhibits socioeconomic progress and an open discourse about current problems.

Several thousand civil society organizations or NGOs exist in Kosovo but few of them are active. The most prominent NGOs deal primarily with municipal policy, anti-corruption, and environmental protection. Since the 1990s there has been a shift in the activities of interest groups. Initially focusing primarily on education, health care, women’s rights, and human rights, interests after 2008 shifted to the reconstruction of infrastructure, humanitarian aid, the legal system, community development, and good governance. NGOs generally have weak membership and membership-based groups are only beginning to emerge. The impact of NGOs on the political sphere might be limited, but they have been major agents of change and humanitarian aid since the 1990s. Some were international post-conflict creations in order to profit from international assistance, slow to include Kosovar minorities.

The complaints of ethnic minority associations are often ignored by the administration, for example leading most Kosovo Serbs to consider leaving the country in 2019. Despite official neglect and ethnic division in 2019, Kosovo’s Serb and Albanian NGOs joined forces to produce a joint report demanding better protection of human rights. Interest groups with religious affiliation (especially Islamic) receive ample financial aid from abroad, provoking opposition from local Muslim communities. The work of trade unions is inefficient and depends largely on the government’s goodwill. Despite a labor law and a law on trade unions (both adopted in 2011), the private sector remains unaffected by trade union activity. The



deficient economy, anti-union pressure from employers, and inefficient court protection, induce many workers to abstain from union membership or shy away from reporting rights violations. The large informal economy puts many workers out of the reach of trade union action.

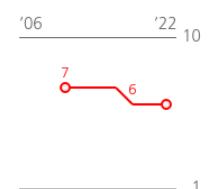
The attitude in Kosovo toward democracy was favorable until 2020. The COVID-19 pandemic accentuated pre-existing vulnerabilities concerning rule of law and democratic governance. Alongside other Western Balkan countries, Kosovo imposed curfews, lockdowns, closures of businesses and schools, and bans on public meetings in 2020. Pro-democracy attitudes suffered somewhat because the governments failed to communicate efficiently with the public and failed to counter the spread of disinformation. But Kosovo, together with Montenegro, was praised for its active parliament and opposition parties who played a major role in a broad range of policy areas during the pandemic.

The high approval of democracy has much to do with Kosovans' long and hard times in socialist Yugoslavia. The political elite and population welcomed the evolution of a free and democratic society after 1999. Ethnic minorities criticize the democratic structures for being monopolized by the Albanian majority. Surveys show that between 2010 and 2019 approximately 70% of people in Kosovo had a positive opinion of democracy. About 30% considered Kosovo a democracy, but one that needs improvements, while around 20% did not see Kosovo as a democracy, only delivering for a small group of individuals. Approval of democracy has suffered in the past due to socioeconomic changes, the government's reconciliation process with Serbia, and the 2015 street protests organized by the opposition. Before the 2019 elections, which brought a substantial loss for the established parties at the ballot box and a victory for the opposition, approval of democratic institutions had been low. Only a third of the population was satisfied with the government and parliament. The positive attitude of politicians toward democracy is not necessarily tantamount to identification with democratic values but can also express pragmatism as Kosovo wishes to be integrated into international structures.

In socialist Yugoslavia, the distrust of Kosovo Albanians toward the state ran so deep that their traditional family and community structures remained intact and helped them survive even the repressive Milosevic regime. Discrimination against Kosovo Albanians in the 1990s engendered a strong, vibrant, and multi-faceted social, cultural, and political underground network. The family is the nucleus of social solidarity and the place where social capital is built. This is supported by social organizations in villages and cities all over the country. The number of self-organized groups doing what the state cannot has risen steadily since the end of the Kosovo conflict. The internationally coordinated interethnic reconciliation process, with the Brussels agreement of 2013 as its centerpiece, did a lot to rebuild the social capital of Kosovo as a multiethnic society. This principle was enshrined in the

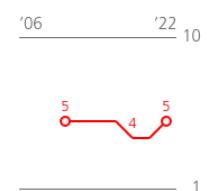
Approval of  
democracy

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Social capital

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international community's standards for Kosovo and the Kosovo constitution and is supported by most politicians. More than 7,000 social associations and organizations are registered in Kosovo, but only a few of them are active, mainly in the Pristina area. Interpersonal and social trust remains low by European standards but is close to the regional average (European Social Survey 2012). There are valuable social initiatives in the profit and non-profit sectors, while the tendency to establish associations for social support is quite limited.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Kosovo has low levels of income inequality compared to most of its neighboring countries (Gini index was 29% in 2017) and its economic growth in recent years outperformed neighboring countries. However, this was not sufficient to provide enough jobs, especially for women and young citizens, to drastically reduce the high rate of unemployment. The international community's efforts and considerable foreign spending since the turn of the century has not helped Kosovo's escape its status as one of the poorest countries in Europe. More than 40% of the population live below the official poverty line, and about 17% are extremely poor (living on less than \$3.20 a day). The youth unemployment rate was around 50% in 2019. Recent political tensions – particularly with Serbia, which tried to persuade countries to withdraw recognition of Kosovo – led to an imposition of 100% import duties on Bosnian and Serbian basic commodities such as dairy products and bread, which negatively affected poorer Kosovans. Unemployment encourages an informal economy and outward migration of the well-educated, which could rise further once visa liberalization with the EU is realized. The majority of Kosovans live in rural areas and farming is mostly inefficient, and at a near-subsistence level, as a result of small plots, limited mechanization, and lack of technical expertise.

With no considerable natural resources, but the youngest population in Europe, Kosovo lacks the structural, industrial and economic capacities to create the necessary jobs in order to reduce the risk of social strife and exclusion. Equal opportunities on the labor market are still out of reach for women. While former Prime Minister Haradinaj (AAK) promised 2019 to be the “year of the economy,” prestigious jobs seemed to be restricted to relatives and AAK loyalists which stoked public discontent. In the 2017 election campaign, the debate about job creation and social exclusion focused on foreign investment, support for local enterprises, the natural resources of the Trepca mine complex and the reinvigoration of the agricultural industry. As this debate did not prove fruitful, the 2019 election winner, Albin Kurti, promised a complete revision of outdated economic policies.



<b>Economic indicators</b>		2017	2018	2019	<b>2020</b>
GDP	\$ M	7245.7	7943.0	7953.2	<b>7611.4</b>
GDP growth	%	4.2	3.8	4.9	<b>-6.9</b>
Inflation (CPI)	%	1.5	1.1	2.7	<b>0.2</b>
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	4.0	4.0	3.6	-
Export growth	%	18.7	11.4	7.4	<b>-27.2</b>
Import growth	%	5.6	11.3	3.3	<b>-7.9</b>
Current account balance	\$ M	-378.0	-600.5	-447.2	<b>-551.3</b>
Public debt	% of GDP	16.2	17.0	17.6	<b>24.1</b>
External debt	\$ M	2504.2	2325.7	2428.2	<b>3108.5</b>
Total debt service	\$ M	195.9	272.2	256.9	<b>376.2</b>
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	13.4	14.0	14.4	<b>16.1</b>
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	-	-	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.8	0.8	0.8	<b>1.1</b>

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Kosovo is still not a fully functioning market economy. In 2019 economic growth continued, but the high unemployment rate, poor quality of education, and lack of economic diversification remained major problems. The large informal economy, slow and inefficient judiciary, corruption, and weak rule of law, all inhibit the development of the private sector. NGOs claimed that corruption makes many economic sectors almost impermeable for private businesses unless they have political connections. The economic outlook deteriorated when the COVID-19 pandemic measures disrupted remittances from the diaspora. Kosovo would not be in a position to cope with competitive pressure and market forces in the EU.

Market organization

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Business growth and the development of a free market is more adversely affected by institutional and cultural barriers than regulation or the disputed status of Kosovo. Procedures, costs and time necessary to start a business are low (three procedures, 1.4% of per capita GDP and 4.5 days) and Kosovo ranks among the top 50 in the World Bank's Ease of Doing Business Index. The tax system is simple and tax rates are low. Anti-competitive business practices are perpetuated through weak enforcement of rules and a general undervaluing of the private business sector in favor of the public sector by the political elite. The informal economy amounts to more than 30% of Kosovo's GDP, around €1.8 billion per year, almost identical to the state's annual budget. With tax evasion by businesses, elusive governmental oversight and exploitation of workers, the informal sector will persist until the political elite demonstrates the will to formalize the system. The construction sector, service industry (especially hotels and restaurants), and trade and transport face the greatest challenges from the informal economy.

The threat of monopolies is greatest in energy, pharmaceuticals, telecommunication, construction and other key economic sectors. There are anti-monopoly and competition laws to prevent excessive concentration and the abuse of dominant market positions and cartels. However, these laws and provisions remain inconsistent and are poorly enforced. A law on competition was passed in 2004 in order to ensure the sustainable development of the market economy. This was followed by a law to protect competition, passed in 2010. In 2013, the Kosovo Assembly adopted a law on state aid, and established a commission to monitor and approve state aid. The Kosovo Competition Authority was created to safeguard the enforcement of anti-monopoly and competition laws. Enforcement is currently inhibited by the lack of qualified staff. Public enterprises like energy, electricity, telecommunications, postal services, railways, and air traffic offer ample opportunities for corruption. There are administrative barriers for business entrants in these key sectors and a limited number of suppliers, keeping prices artificially high.

As a landlocked country relying heavily on regional and international trade, Kosovo has strived to open its market. The strained relationship and limited trade with Serbia should improve with the Brussels Agreement. However, in 2018 Kosovo imposed punishing customs tariffs on imports from Serbia (and Bosnia and Herzegovina) of 100% following Serbia's opposition to Kosovo's membership of Interpol. The punishing tariffs were lifted in April 2020 and in June 2020 all reciprocity measures were lifted. This permitted a restoration in trade with Serbia and Bosnia and Herzegovina and the resumption of the EU-facilitated Belgrade-Pristina dialogue.

Trade deficits are high (2018: €273.5 million; December 2020: €309.2 million). State institutions are aware that reversing the balance requires a comprehensive economic and political approach, and fundamental reforms to liberalize the

#### Competition policy

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#### Liberalization of foreign trade

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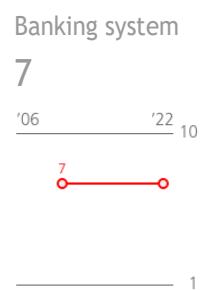
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operational environment and improve Kosovo's competitiveness in the global market. Successive governments have embraced a liberal trade regime as part of regional trade liberalization, by initiating, for instance, the Stability Pact for Southeast Europe. Although not an official member, Kosovo committed itself to respect the obligations in 2001. The memorandum provided for the elimination of tariffs on 90% of the volume of trade and 90% of tariff lines, the elimination of non-tariff barriers to trade for intra-regional trade, and the strengthening of trade in services. After acquiring full membership of the Central European Free Trade Agreement (CEFTA) in 2006, Kosovo tried to establish trade rules based on EU and WTO principles, thus making businesses competitive in the EU and global markets.

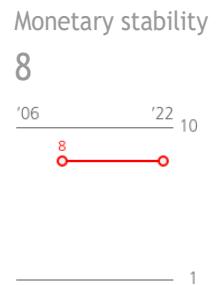
Kosovo's banking system comprises the Central Bank of Kosovo (CBK), commercial banks, saving and credit associations, financial institutions, and insurance companies. CBK is an independent legal entity reporting directly to the Kosovo Assembly. The system is considered to be fairly stable. Of the 11 banks licensed by the CBK, the Raiffeisen Bank Kosovo and ProCredit Bank are the largest in terms of assets and have healthy profits. Many of the banks focus on the mining sector in North Kosovo. The banks have not shown obvious signs of excessive risk-taking behavior but have been blamed for stifling business. The framework of banking supervision, risk assessment, and emergency liquidity assistance has improved to strengthen corporate governance and the management of credit risk. In 2020 the net profit of the country's banking sector fell to €79.9m, from €86.2m in 2019. The outstanding loan portfolio of banks totaled €3.25b at the end of 2020, an increase of 7.1% on 2019. Deposits increased by 11.5%, reaching €4.36b, and the total assets grew to €5.35b from €4.76b in 2019. Return on assets (ROA) fell to 1.6%, from 2.2%. The non-performing loans to the CBK were 2.7%, a very low level, even during the pandemic, as Governor Mehmeti of the central bank confirmed in February 2021.



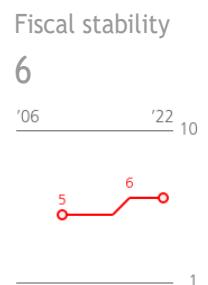
Kosovo has adopted the Basel regulations on banking supervision. CBK created the Local Capital Regulation to completely integrate the relevant Basel regulation. Major harmonization was achieved in 2012 when the new law on banking supervision was enforced. In March 2017, the CBK signed a memorandum of understanding with the European Banking Authority, establishing a framework for cooperation and information exchange and on the European Single Supervisory Mechanism. The memorandum is expected to further improve EU-Kosovo relations and help CBK to fulfill obligations from European integration by intensifying the exchange of knowledge, expertise, and technical advice via training and seminars. CBK has been criticized for not sufficiently protecting consumers and preventing unfair banking practices. Kosovo has been asked to establish an independent recovery and resolution authority. Banks complain about the country's weak rule of law, which gets in the way of reducing interest rates, as banks end up incurring costs involved with collecting non-performing loans.

## 8 | Monetary and fiscal stability

In 2002 under the UNMIK administration, the euro was unilaterally adopted as the only currency (Constitution Art. 11), while the Serbian dinar is (illegally) used in North Kosovo and in Serbian enclaves. Inflation has been volatile ever since. The average inflation rate ranged from 1.8-2.0% between 2003 and 2018 (all-time high 14.2% in May 2008 and record low of -4.4% in May 2009); in recent years, inflation has been moderately low (2.7% in 2019). Over the course of these 16 years, the total rise in prices amounted to 32.1%. The occasional drastic shifts in inflation were caused mainly by changes in food and international commodity prices and political turmoil. They were partly countered by investments in infrastructure. Because of dollarization, the country's central bank cannot conduct an independent monetary policy nor is it a lender of last resort. Its role is limited to that of a regulator, with its main responsibility in ensuring a stable financial system. To strengthen the stability of the banking sector, an Emergency Liquidity Fund and a Deposit Insurance Fund were established in 2012 and a new law on banking, microfinance, and the establishment of non-bank financial institutions was passed.



After two central bank presidents had defended the institution's independence against the influence of Kosovo's political elite, Bedri Hamza, appointed in 2013, was considered too close to Thaqi's PDK to be independent. The current governor, Fehmi Mehmeti, was appointed in March 2018 following a narrow vote in the Kosovo Assembly, after he had been serving on an interim basis for six months. Despite a clear majority, Mehmeti's selection process was criticized for a lack of transparency and failure to comply with a memorandum between the Kosovo Assembly and the British embassy. Candidates for high-level appointments must be vetted by an outsourced British company. Mehmeti claimed that the central bank was proactive in 2020 to maintain financial stability and support the economy, especially with regard to the COVID-19 crisis. The central bank introduced a range of measures to ensure that the financial system operates smoothly and to mitigate the impact of the crisis on the country's economy.

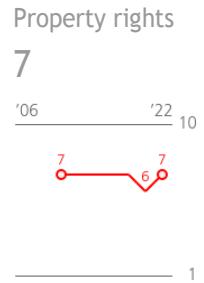


The PDK-AAK government adhered to fiscal rules in 2019, but the composition of public spending further deteriorated. Decreasing capital spending, rising pressures related to non-poverty-targeted social benefits, and increasing public wages pose risks to public finances and hinder private sector development. In March 2020, the new VV-LDK government approved the draft budget envisaging a deficit equivalent to 2.0% of GDP, built on projected GDP growth of 4.2% and inflation of 1.3% in 2020. Because of the coronavirus pandemic, Kosovo is expected to have the lowest public spending as a percentage of GDP, if international loans are not approved by the Kosovo Assembly, which would further accelerate the country's economic woes. Under the coronavirus pandemic's special provisions taken by the government, significant financial means were used for the partial recovery of businesses and the private sector. The emergency fiscal package focused on

mitigating the effect of the crisis, but after the rules for state aid to the private sector were nearly suspended, there were new risks for budget management. The big increase in subsidies could provide opportunities for the abuse of public funds. Generally, in Kosovo's relatively short history as an independent state, institutional safeguards for fiscal stability have been lacking. The government budget deficit averaged 0.12% of GDP between 2000 and 2017, reaching an all-time high of 7.17% of GDP in 2007 and a record low of -4.58% in 2004. National debt increased from €1.2 billion in 2017 and to €1.3 billion by the end of 2020 (19.6% of GDP). These are low figures in comparison with other Southeast European countries.

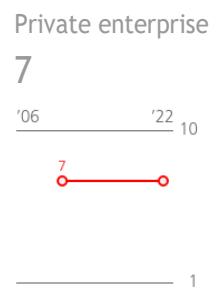
## 9 | Private Property

The right to property ownership is not always guaranteed, especially for women and ethnic minorities in Kosovo. Property rights are poorly defined, and an efficient property rights framework is still missing. Establishing clear property relations is marked by unresolved issues from the pre-conflict and immediate post-conflict era. Court procedures to adjudicate property claims and disputes need to be improved. Citizens in rural areas lack information on how to exercise their property rights; traditional social attitudes and behavior hamper property rights claims made by women. Only 17% of Kosovar women own real estate. With regard to the internal and external refugees, return, restitution and reparation remain vital issues. The Kosovo Property Agency (KPA) introduced legal mechanisms to address individual property rights. Complications arise from the unreliable cadastral records, with multiple claims of ownership and allegations that properties were sold several times. The KPA needs to improve its information policy and cooperation with the Serbian state so that internally displaced persons are informed of the restitution process. Serbian refugees can reacquire property, but they are often barred from using it. Municipalities failed to comply with expropriation procedures and failed to prevent the demolition of displaced persons' properties and the construction of illegal structures on their property. Before EULEX retired from Kosovo, this was an issue the mission failed to effectively deal with, while the Kosovo Police Service proved to be quite responsive to property crimes.



Cooperation between the EU, the Kosovo Ministry of Justice and USAID is focused on implementing the Property Rights Program (PRP). It is intended to improve the property rights regime in Kosovo, strengthen the rule of law, and increase economic growth and investment. The USAID's PRP ended in June 2019 and had been supporting the National Strategy on Property Rights in Kosovo. The program reduced the time for initiating civil (and property) cases by 29% and the time to schedule the first court appearance by 72%. A national behavior change campaign in combination with improved legislation achieved positive results. The percentage of women starting inheritance proceedings rose from 0.3% in 2015 to 14% by 2018. Electronic issuance of property rights certificates and property tax documents helped improve citizen access to municipal property services.

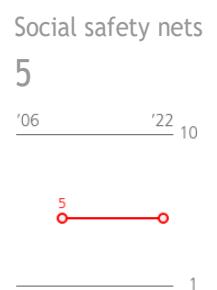
Private companies are the main driving force for economic growth in Kosovo (70% of GDP), but the privatization process is often nontransparent and impaired by political influence. The private sector's development is constrained by an informal economy, slow and inefficient judiciary, prevalence of corruption, and the overall weak rule of law. Officially all parties and governments have stressed their support for private enterprise. Despite persistent problems, a majority of Kosovar companies said that the business situation has been improving recently. The private enterprise sectors with the highest growth rates (in employment and output) were construction, manufacturing, the wholesale trade sector and information and communications technology. The main barriers businesses still face are a lack of capital, high interest rates, payment delays on the part of consumers, and a lack of qualified staff. New fiscal measures were implemented in January 2018 that should positively impact Kosovo's private sector and increase the state's competitiveness in the Western Balkan region.



The legal problems associated with privatizing large publicly owned enterprises are complex and politically charged. Ethnic minorities complain about discrimination concerning their ability to benefit from privatization. Frequently, privatization did not have the desired effect because it was conducted in an unstructured and hasty manner. For example, the privatization of the Electricity Distribution Company (KEDS) was fraught with irregularities and doubts over whether the economy, energy sector and customers would benefit from it. Civil society had no access to the documents in this bid, and as a result, the Civil Society Consortium for Sustainable Development (KOSID) filed an indictment against the Ministry of Economic Development.

## 10 | Welfare Regime

Kosovo's social safety net is very basic by European standards. The evolution of a social protection system was supported by UNMIK and international organizations. In 2003, the law on a social assistance scheme in Kosovo was enacted. In 2009, the responsibility was transferred to the Center for Social Work (CSW). The Kosovo Social Assistance Scheme consists of last-resort income support (LRIS), alleviating poverty, war veteran benefits and disability pensions. Persons above the age of 65 receive a basic old-age pension that is near the poverty threshold. The social safety system in Kosovo includes two categories of assistance; one covers poor households with no working member or where the only adult able to work is permanently taking care of a dependent person; the second covers households with unemployed adult family members and at least one child aged five or below, or an orphan up to age 15. After rates were raised in 2009, the gross standard rate of social assistance for a one-person household became €40 per month, and €55 for a two-person household. The household maximum is €80 per month.



In 2019, Kosovo's social protection expenditure increased but remained fairly low in comparison to European and regional levels. The largest share of social protection is spent on pensions for old-age citizens and veterans. The social safety system does not offer real unemployment benefits, maternity allowance, or child benefits. It offers social and disability pensions, especially for persons disabled in the Kosovo conflict and families whose members were killed. Kosovo officially spends a marginal 3% of GDP on health care and social safety, which does much to explain the high poverty rate. It is estimated that approximately 40% of health expenditure comes from private sources, especially from the diaspora, whose remittances increased by 10% between 2019 and 2020. When in spring 2020 COVID-19-related measures disrupted the economy, the government raised social assistance, pensions and assistance for people out of work due to the pandemic, totaling €4 million. Citizens living in poor social conditions, registered as unemployed or those who do not benefit from any other payment, were to receive special social assistance (worth a total of €3 million). In some regions, health care is almost nonexistent, and even in the larger cities it can be rudimentary at best. Patients who have the resources to seek medical care still face long waits, outdated technology and doctors who lack advanced education and training. Roma, Ashkali, Egyptians and other marginalized groups have limited access to the social safety system. Kosovo Serbs in the North and other areas were socially supported by Belgrade in the past, although they have been slowly integrated into the Kosovo social security system since 2013.

Kosovo remains a very traditional society. Equality issues may be discussed among urban liberal intellectuals and codified in law, but in practice, opportunities remain unequal for women and minorities. Provisions for equal opportunity for women and minorities can be found in the constitution. An anti-discrimination law exists, and projects are supported to help persons with disabilities. Kosovo has the most advanced gender equality law in the region, passed in 2004. It provides equal opportunities for participation in political, economic, social, cultural and other fields, but it is poorly enforced. Women's rights are guaranteed by law, and due to constitutional gender quotas, Kosovo has one of the highest numbers of women in its legislative and executive branches in the Western Balkans. The Kurti government in early 2020 included the largest number of women since independence, among them the first female speaker of the Kosovo Assembly, Vjosa Osmani. But traditional values generally reduce women's educational and career opportunities. Only 18% of women in Kosovo are part of the workforce. Journalist Dafina Halili argues that gender inequality and stereotypes are deeply embedded in general culture and economic relations, and strong political interventions would be required to change this. In the 2017 mayoral elections, 96% of candidates were men. Although Kosovo has achieved full gender parity in basic education, in higher education female enrollment remains low. According to the 2011 census, illiteracy was approximately 8% overall, but it is much higher among women, especially in

Equal opportunity

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rural areas (14%). The dramatically high youth unemployment (sometimes over 55%) disadvantages women in particular. Every year about 30,000 new job-seekers enter the labor market, while only 15,000 new jobs are created. Only 10% of the active youth population are given the opportunity to work, often leaving female applicants behind. The pervasive inequalities are also illustrated by educational attainment. The average length of schooling is 10 years, but the rural population lags behind the urban, women behind men, and non-Serb minorities behind Kosovo Albanians and Kosovo Serbs.

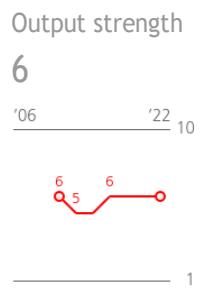
The constitution grants equal rights to ethnic minorities. However, since 2008, the number of Serbs leaving Kosovo for Serbia steadily increased, as they feel discriminated against and see no economic prospects in Kosovo. The labor market and the civil service is theoretically open to minority members, but they are often in effect barred due to prejudice. The 2013 Brussels Agreement has not brought about significant changes in that respect.

## 11 | Economic Performance

The Kosovan economy grew consistently more than the Western Balkan average in the post-global financial crisis period. GDP per capita increased from €898 in 2000 to €3,679 in 2019. Nevertheless, Kosovo remains the third-poorest country in Europe. Kosovo's GDP, which grew by 4.17% in 2019, was expected to shrink by 4.5% in 2020, according to the World Bank. Still, the country's economy is projected to rebound to achieve 5.2% growth in 2021. The inflation rate stood at 2.7% in 2019 (having averaged 2.0% between 2003 and 2018) and was 0.7% in early 2021. A prolongation of the COVID 19 containment measures could further slow Kosovo's economic growth. While other Western Balkan countries face stagnation or contraction due to falling exports and foreign investment, Kosovo was still able to count on remittances from Kosovans living abroad (15.3% of GDP in 2017) and diaspora investments in the real estate sector.

The fiscal deficit, which was 2.8% of GDP in 2019, reached 6.2% in 2020. Strong growth and higher tax collections helped to raise revenues by 7.5%. As import growth slowed, the account deficit fell from 7.6% of GDP in 2018 to 5.5% in 2019. At the same time remittance inflows increased by 7.9%. Kosovo's public debt has been rising in recent years (17.7% of GDP in 2019) but remains the lowest in the Western Balkans, offering the opportunity to borrow for productive investments with a high rate of return. Kosovo's account deficit accounted for 5.3% of nominal GDP in September 2020 (8.9% in the previous quarter). The account balance reached an all-time high of 11.6% in September 2017, up from a record low of -24.6% in Dec 2011.

Kosovo is plagued by a high rate of unemployment (25.7% in 2019, 24.6% end of 2020). The employment rate in Kosovo remains low: 40.5% of the working-age population in 2019. A large shadow economy employs most of the registered



unemployed. Economists estimate that Kosovo's economy would need to grow by 8% each year in order to absorb the young people entering the job market. The structural problems of Kosovo's economy are visible in the capital's industrial zone, dominated by trading firms or retailers importing food, clothing, and other essentials. Little is produced for domestic consumption or export.

## 12 | Sustainability

During winter 2019 - 2020 air pollution levels reached record levels in Kosovo. Its capital Pristina was again in the top 10 list of the world's most polluted cities. But the government appeared to be unconcerned and continued construction of a new power plant fueled with lignite, the dirtiest form of coal. The World Bank withdrew an offer of a loan guarantee for the plant, citing environmental concerns, but the government secured a €1 billion agreement with General Electric subsidiaries to build a 500-megawatt power plant. Environmental problems are widespread in Kosovo, but they have only received superficial political and public consideration and have been subordinated to growth efforts. A 2017 survey found that only 1.3% of respondents think that environmental pollution is the most pressing problem in Kosovo. At least 25% consider their local environment to be very polluted. The EU, the main international donor in environmental affairs, launched an environmental campaign in 2018.

Kosovo faces problems including contaminated soil, polluted rivers, illegal construction and logging, waste of water, and air pollution. In 2013, the Kosovo Assembly adopted a law on the inspectorate of environment, waters, nature, spatial planning and construction. However, the law was not properly implemented and supervised, like other environmental regulations. Kosovo has so far failed to adopt a coherent strategy on CO<sub>2</sub> emissions. It has still not signed the 2015 Paris Agreement on climate change, and therefore has not prepared an Intended Nationally Determined Contribution to the Agreement. The strategy on climate change has been finalized but remains to be adopted by the Kosovo government. Almost 50% of the air pollution in Kosovo is caused by cars. Around 75% of the water carried is lost due to the dilapidated pipe system. Another serious problem is deforestation, as over 40% of Kosovo's land mass (approximately 465,000 hectares) is covered by forests, with state property accounting for 60%. Kosovo has a long wood processing tradition, a sector that is considered one of Kosovo's most dynamic and promising industry sectors. Among Kosovo's other environmental problems are the use of uranium dating from the Kosovo conflict, mining-related pollution in the Mitrovica region, water pollution, and the destruction of the White River, the largest river in Kosovo, resulting in a water shortage. Poor waste management is another pressing problem that must be addressed. Spatial planning is rudimentary outside urban areas, which has resulted in construction on arable land, and in dispersed towns, often with septic tanks in place of more efficient provision for sewage.

Environmental policy  
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Under the former PDK-AAK-government (2019 - 2020), education policy did not receive adequate attention. The Kosovo Accreditation Agency (KAA) could no longer act autonomously and was excluded at EU level, which made it more difficult for young people in Kosovo to pursue their professional and academic careers abroad. The quality of diplomas from Kosovo is no longer disputed and they are recognized outside the country. Generally, the favorable demographic situation of Kosovo's population (38% of the population is under the age of 19) could positively contribute to social and economic development if the poor standards of the education system were improved. In the 1990s, the education system survived under the extremely difficult circumstances of the Milosevic regime. In the postwar period, the primary and secondary education sector was restructured, and the infrastructure of schools improved. However, the quality of education varies between municipalities. Kosovo has three public universities and 14 public research institutes. In order to boost participation in international research projects, Kosovo passed a scientific research law. But the main obstacles are the lack of scientifically qualified personnel, the low number of PhD students, poor laboratory equipment and insufficient technical knowledge, all of which work to isolate Kosovo from the international research community.

The education system in Kosovo was supposed to integrate all members of society, but it remains ethnically divided, mainly owing to ideologically fraught textbooks that offer the outlook of the dominant ethnicity. Education in primary schools is conducted in five languages (Albanian, Serbian, Bosnian, Turkish and Croatian). Higher education is offered primarily in the capital and in the Serbian-speaking Mitrovica. The last 10 years have seen a proliferation of private and public universities across the country, many of dubious quality. A further problem is the high number of university graduates, which is more than the labor market can accommodate. The value of diplomas is in constant decline, as there have been reports of students passing without attending exams. The practice of selling and buying both undergraduate and graduate diplomas has been criticized in the region and internationally. Universities remain affected by corruption, political collusion and poor levels of performance, and are ethnically separated. The 2013 Brussels Agreement, which tried to solve the education issue by mutual recognition of diplomas, failed at the implementation phase. This had negative consequences for job opportunities of young graduates, for Serbs living in Kosovo and Albanians living in Serbia. Although in every budget debate since 2008 governments have emphasized the great importance of education, Kosovo has spent less than 5% of GDP on education in recent years (between 3.3% and 4.4%). Three times more was spent on increasing teachers' wages. Kosovo lags behind OECD and EU-countries in per capita spending on education. Research and development spending in Kosovo amounted to only 0.05% of GDP in 2016, a problematic situation which did not improve in 2019 and 2020.

Education policy /  
R&D

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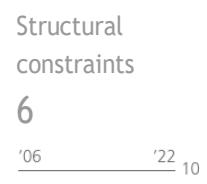
## Governance

### I. Level of Difficulty

There are several structural constraints inhibiting Kosovo's progress. As a landlocked country it is highly dependent on regional and international trade. Kosovo's economic development is hampered by a scarcity of natural resources, an underdeveloped industrial sector, aging equipment, insufficient investment and a labor supply exceeding demand. The economy relies heavily on international assistance, and on remittances from the diaspora.

The unemployment rate, especially among the young, is intensified by a deficient education system and a high percentage of low-skilled people in the labor force. Poverty is widespread in rural areas. Emigration is common, primarily the better educated, which in turn weakens the economic and social prospects of the country. Corruption is widespread and it is estimated that the informal sector accounts for between 30% and 35% of GDP. Infrastructure improved under UNMIK administration and in cooperation with neighboring countries (especially Albania) but remains deficient. To reduce unemployment, Kosovo urgently needs to invest in equipment. Electricity shortages, the weak rule of law, lack of access to finance and inadequate professional education inhibit the development of the private sector. Other significant structural constraints include the volatile political situation and the lack of adequate personnel in essential areas such as tax collection and enforcement. Tax evasion, among national and international firms, is a serious problem. The COVID-19 pandemic and its consequences, including limited mobility, shop closures, curfews and the fall in tax revenues and government expenditure, have all contributed to a further intensification of pre-existing constraints. Another problem is Kosovo's geopolitical position, the influence of external political actors like Russia and Serbia, which hinders the country in its attempts to join international organizations, thus putting extra constraint on good governance.

Civil society traditions were relatively weak for a long period but have recently grown stronger. The underground state of the 1990s profited from Kosovans' civic engagement but had to compete with a historic tendency to abstain from public involvement, a tendency criticized by officials in Tito's Yugoslavia. The often large family networks in Kosovo are still the primary form of social support, while membership in political parties and electoral turnout both remain low (under 50% for the latter). Kosovo's numerous NGOs (more than 5,000) have done much to foster civic engagement. Approximately one-third of registered NGOs are located in the municipality of Pristina, followed by Prizren and Mitrovica. Citizen engagement



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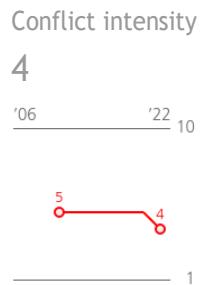


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in civil society organizations remains generally low, while in comparison to previous years there is a visible increase of citizens volunteering for them or of those who have benefited from their services. After 2015, when thousands of discontented Kosovans left the country, more Kosovan citizens than ever before participated in anti-government protests and were active in citizen movements. Their motivation was to end corruption in high government circles and to protest against projects like President Hashim Thaçi's border agreement with Serbia. Social trust, which had been low since the conflict, increased visibly, for example in the form of social initiatives in areas not directly supported by the government, and humanitarian and religious organizations.

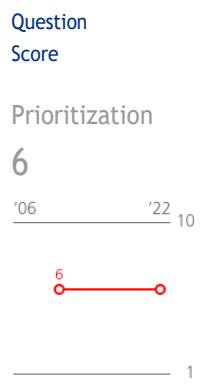
Kosovo remains at least partly split along ethnic lines. The predominantly Albanian society and the political elite derive most of their identity from confrontation with Serbia and, by extension, with Kosovo's Serb minority. The Serbian enclaves and North Kosovo were steadily integrated into the Kosovo state after the Brussels agreement in 2013, increasing democratic participation of the Serbian minority and thereby easing tensions. But Kosovo's ambition for international recognition and integration was recently inhibited by Belgrade's renewed confrontational stance. It remains to be seen whether the autonomy of Serbian enclaves and other problematic minority issues will be addressed in the near future. Kosovan Islam is widely believed to be peaceful and not prone to radicalization, but Islamist groups are reportedly active in Kosovo. Social tensions stem from low wages, high living costs, high unemployment, poverty, the poor social welfare system and discrimination against minorities. These tensions result in labor strikes, suicides, crime and emigration.



## II. Governance Performance

### 14 | Steering Capability

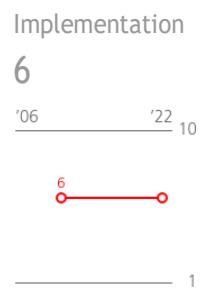
Until 2008 the aim of Kosovo's independence and related strategic priorities was clear and supported by the international missions. Since then, successive governments have set strategic priorities such as the reduction of the budget and trade deficits but tend to subordinate them to short-term political benefit. Public sector wages and KLA veterans' subsidies were increased at the expense of public investment projects. The recognition of Kosovo and its integration into international organizations were top priorities. But the necessary policy measures were not coherently pursued by the post-conflict parties in government (e.g., PDK and AAK). Issues like infrastructure, education, rule of law and corruption were prioritized according to the expectations of the international institutions, but not



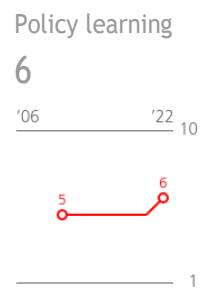
properly addressed. Kosovo joined the World Bank and IMF and has started the EU accession process. In 2012 the Thaçi government established a Steering Group for Strategic Planning, but the group met rarely and had limited influence on strategic prioritization and coordination between ministries.

The growing discontent with lagging reforms helped the VV opposition into government after they promised radical reforms targeting corruption and the deficient infrastructure. Kurti lost a vote of no-confidence in March 2020. The economic and political consequences of the COVID-19 pandemic limit the capability of the Kosovan government to efficiently pursue its reform projects. The successive governments of Haradinaj, Kurti and Hoti have failed to deliver on EU-related reforms. The Kosovo Assembly was made relatively more functional, and the customs conflict with Bosnia and Serbia was resolved, but key issues like state capture and democratic stagnation caused by political crises and ambitions of the old political elite to remain in power need to be addressed to avoid jeopardizing the progress made so far. After his re-election in February 2021, Kurti stressed that moving ahead with the Kosovo-Serbia dialogue, an EU priority, would not be a priority for his incoming government. In 2020 Kurti had scrapped several decisions of the Haradinaj government, such as the drastic increase of ministerial salaries, and announced reforms to improve the economy, reduce corruption, and strengthen the rule of law by introducing, for example, vetting processes in the judiciary. Kurti, among other reform projects, envisaged a development bank for entrepreneurs which would reduce interest rates and increase grace periods.

Political priorities such as the fight against corruption, law enforcement, and a consistent education policy were for a long time not consistently addressed. During the review period a coherent implementation of policies was difficult because of the fragility of the government coalition formed in 2017 (PDK, NISMA, AAK), contested by LDK, the New Alliance for Kosovo (AKR) and VV (Self-determination movement), and the abrupt change of government in 2020. Kurti's VV-LDK government began to implement reform policies, but these were delayed by the old political elite (which replaced his government in March 2020) and the COVID-19 pandemic. The Kurti government returned to power in early 2021. It promised reforms on the rule of law and adaptation of the European Green Deal, including the ecological transformation of Kosovo's outdated industries. Whether a steady implementation of reform policies takes place after the tumultuous last year remains to be seen.

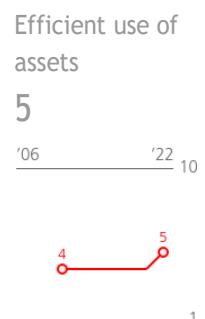


Kosovo's politicians and governments had to learn and adapt extensively since the end of the conflict. International military and civilian missions offered support, but KLA veterans-turned-politicians had to learn fast how to utilize this support. No institutional mechanisms existed, except for the templates for establishing civilian and judicial structures provided by the International Civilian Office, OSCE, the European Commission, and members of the Quint (United States, United Kingdom, Germany, France, and Italy). As a consequence of this fast learning process, implementation has diverged from legislation. Politicians and stakeholders lacked both commitment and capacity to follow the rules they had committed themselves to. For example, the EULEX mission had limited success, not only because of internal problems, but mainly due to the inertia of the political elite and administration in Kosovo. The government's willingness to learn and adapt foreign advice is present, but for several reasons is often not converted into practice. The younger generation's reform ideas had no chance of implementation until the opposition took office in October 2019. The Kurti government took early measures to tackle the spread of COVID-19, including through the declaration of a state of medical emergency. The government proved capable insofar as it avoided a full state of emergency.



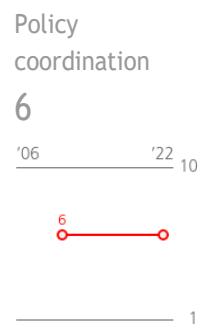
## 15 | Resource Efficiency

Kosovo desperately needs a more efficient public administration, especially in terms of adequate funding and staffing. Recruitment is still heavily politicized, with party loyalty of higher importance than professional qualifications. The percentage of ethnic minorities and women in public posts remains low. Kosovo has established independent and intra-governmental auditing institutions to monitor public spending, but the mechanisms of financial control are weak, and the Kosovo Assembly does not have the means to force the government to take countermeasures. The National Audit Office, which found many irregularities in public spending, is considered one of the most credible institutions in Kosovo.

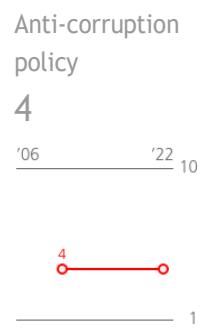


The budget deficit, which successive governments have pledged to reduce, rose from a record low of 5.5% in Dec 2011 to 16.2% of GDP by the end of 2017 and 17.1% by the end of 2018. The VV-LDK government set a target deficit of 6.5% under the revised 2020 budget which included a response to the effects of the COVID-19 pandemic. Reforms to public financial management enacted so far have been limited to individual sectors. Laws on the civil service and on salaries are yet to be fully implemented, which has repercussions for the state budget. The public sector is one of the major employers in Kosovo (approximately 70,000 civil servants), and governments have tended to increase rather than reduce the number of employees.

The shortcomings of former governments gave rise to opposition movements and parties who tried to force the governing elite to better coordinate political interests. The first evidence of its capability to coordinate policies in an efficient manner came in 2020 and the reaction of the new VV-LDK cabinet under Albin Kurti to the COVID-19 pandemic. The temporary government of Prime Minister Avdullah Hoti, whose nomination was declared invalid in Dec 2020 by the Constitutional Court, was too short-lived to see whether it could resolve its conflicting objectives. The preceding multiparty coalition government formed in 2017 had to work hard to coordinate conflicting objectives, just like the previous Isa Mustafa government. Unclear responsibilities and disagreements were significant under both previous governments. The differing objectives of the coalition governments made policy coordination indispensable, and informal meetings between the party leaders were used to attempt to resolve this. However, the allocation of ministries as quasi-fiefdoms to coalition parties inhibited meaningful coordination. In the coalition government formed in 2017, no party was strong enough to determine government objectives.



Corruption is a problem that has inhibited Kosovo since independence. The “war wing” that the Haradinaj government formed after the 2017 elections employed relatives and party loyalists in public institutions, which solidified the notion that political connections were more important than competence. Haradinaj also appointed over 80 deputy ministers – the largest number so far.



The Kurti government formed in 2019 promised to combat the corruption that has deprived Kosovo’s younger generations of their future. However, anti-corruption policy in Kosovo seldom moves beyond political rhetoric. The results of EULEX anti-corruption efforts were scant. High-ranking corruption cases were not even investigated, creating a widespread impression of impunity. Institutions and legal mechanisms to fight corruption are in place but are poorly coordinated and cases are not investigated thoroughly when political interests interfere. Kosovo has adopted laws on asset declaration to curb conflicts of interest in exercising public functions and on access to documents, but noncompliance is not effectively sanctioned. An auditing mechanism of state spending, and regulations for party and campaign financing have been established. The Kosovo Anti-Corruption Agency improved its cooperation with the criminal investigation authorities, but it lacks staff and analytical capacity.



Public procurement is supervised by three central bodies: the Public Procurement Agency, the Public Procurement Regulatory Commission, and the Procurement Review Body. Their responsibilities overlap, producing a complex and fragmented institutional arrangement prone to corruption. Kosovo’s Anti-Organized Crime Council consists of non-governmental actors and organizations. This body tries to coordinate the anti-corruption activities of independent civil society institutions. It also seeks to contribute to the government’s anti-corruption strategy, the implementation of anti-corruption laws and also proposes new laws itself.

## 16 | Consensus-Building

After the repression that Kosovo Albanians suffered from Serbia and the long denial of democratic rights as a nation, the vast majority of Kosovars and their political elite consider democracy to be the ideal form of government. However, the government of Hoti gambled away a lot of this trust. Likewise, a clear majority of Kosovars greeted the prospect of EU accession as an acknowledgment of Kosovo's success in transforming into a European liberal democracy. However, the recent deadlock in accession talks has tarnished this optimism.

No leading political party or influential social movement has questioned the basic principle of a market economy. The malfunctions, low wages, high unemployment rate, and the problematic results of the privatization process are criticized and reforms demanded. The VV under Albin Kurti opposes privatization and neoliberal economics for the benefit of a minority. The specific form or conception of the market economy differs among political party programs and priorities, but the principle is generally uncontested. Former governments have been criticized for not doing enough to liberate the economy from issues like corruption and clientelism.

Kosovo's democratization has been supported by international actors and the political elite since the end of the conflict but has also been contested up to the present moment. Kosovo Serbian opponents of independence and the parallel Serbian structures in Kosovo were considered anti-democratic. The Brussels Agreement and the ongoing reconciliation process between Pristina and Belgrade seeks to allay this problem. Liberal Kosovar intellectuals criticized the anti-democratic actions of the political "war faction" who transferred their close-knit networks into politics. The public's lack of confidence in the traditional post-conflict elite led to the victory of the VV opposition movement in October 2019. The VV leader Prime Minister Kurti was expected to boost democracy but was instead confronted with accusations of intraparty autocratic tendencies as he expelled members who opposed his political line. The democratic standards of Kosovo tend to be negatively affected by autocratic and corrupt structures within the political parties rather than by openly anti-democratic actors. The influence of Islamist groups and anti-democratic Kosovo-Albanian parties of the extreme right, whose origins date back to the 1940s, are both limited. However, the Ministry of Interior estimated in 2015 that approximately 300 young Kosovans had joined the Islamic State militia since the beginning of the conflict in Syria and Iraq. There were concerns that returnees from these wars would form radical groups in Kosovo.

Consensus on goals

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Anti-democratic actors

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For a long period, Kosovo's political leadership was neither willing nor required to depolarize structural conflicts. After the Kosovo conflict, interethnic tensions persisted because of earlier discrimination against the Kosovo Albanian population and the exploitation of ethnic strife by the Milosevic regime. A large-scale escalation was avoided due to the presence of KFOR and the EU-led police mission, with the exception of violent clashes in 2004 and 2011. Discrimination and violence against ethnic minorities were common in the past and have not been eradicated. In fact, they have seldom been condemned by the political elite. Poverty, persistent high unemployment, and the success of nationalist and populist parties and movements have done little to reduce the risk of renewed ethnic conflict. In January 2015, thousands of ethnic Albanians demanded the resignation of Aleksandar Jablanović, an ethnic Serb, as minister of communities and returns, because of the Serbian government's refusal to apologize for war crimes committed under Milosevic. In January 2018, hitherto unknown perpetrators assassinated Oliver Ivanović, a progressive Kosovo-Serb politician, who had formerly served as the state secretary of Serbia's Ministry for Kosovo and Metohija.

Electoral participation and acceptance of the state of Kosovo among ethnic Serbian and other minority enclaves has increased since the political elite were compelled to stand by civilian and democratic standards in order to pave the way to Kosovo's EU integration. The idea of an exclusively Albanian Kosovo still nurtured by Kosovar politicians and revived by new nationalist and populist forces contradicts the European idea of a multicultural and multi-ethnic continent to which the Kosovar elite has committed itself. The 2013 Brussels Agreement is expected to further integration of the Serbian minority and engender efforts at reconciliation.

The number of civil society organizations and NGOs was and is relatively high. According to estimates, among the 5,000 registered NGOs about 500 are active and influential. Successive Kosovar governments, informed and supported by the international community, seldom found reason to actively support NGOs or react to the critique of civil society organizations. The political elite permits their participation, appreciates their existence, but does not allow for large-scale participation in the policymaking process. Recently this has somewhat changed, with the retreat of international organizations and a growing political discontent among Kosovars, which resulted in the election of a civic protest movement into government. The COVID-19 pandemic saw the government respond with support and self-help organized by citizens and private organizations. Immediately after the Kosovo conflict, the improved legal and security situation increased the number and efficiency of NGOs focusing their activities on reconstruction and humanitarian aid. International NGOs cooperated with local Kosovar groups. With the declaration of independence, the NGO activities shifted to governance, nation-building and protection of minority and gender rights. The increasing number of NGOs led to a fall in the number of donors and funds. The influence of many NGOs is rather indirect. Their dependence on donations discourages them from open confrontation.

Cleavage /  
conflict  
management

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Civil society  
participation

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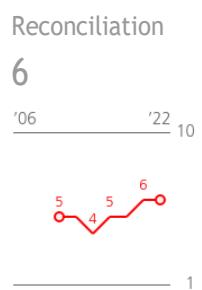
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Religious organizations sometimes complain about the lack of interest in their concerns, as Kosovar politicians tend to overemphasize their commitment to a secular society. There has been some progress on cooperation, and most NGOs who seek cooperation find ways to do so. There have been examples of successful intervention, for instance the anti-tobacco, pro-health movement, and the recording of human-rights violations in the conflict and their reporting to political representatives.

The 2013 Brussels agreement between Kosovo and Serbia is considered a major step toward reconciliation, recognition and cooperation. Though it has been negotiated and concluded, it is yet to be signed. Some scholars consider the agreement a violation of Serbia's constitution and an indirect recognition of an independent Kosovo. The agreement's suspension in 2019 came as a huge setback. While President Thaçi actively defended the agreement to establish an association of Serb-majority municipalities, Kosovo's Constitutional Court found the agreement would violate the constitution.

The main obstacle to reconciliation and normalization of relations is the legacy of the Kosovo conflict. In 2017, President Thaçi initiated the establishment of a Truth and Reconciliation Commission, meant to provide the basis for dialogue between Kosovo's divided communities. The argument was that if the historical legacy was not researched and discussed, Kosovo would remain trapped in the past. The commission was intended to be independent and reconcile "contradictory narratives" (Ardian Arifaj). Critique centered on the fact that the dominant narrative would still be that of a heroic fight for liberation, while other narratives, such as those about sexual violence in the conflict, would be silenced. The conclusion of this critique was that the reconciliation process would not have to be between communities in Kosovo, but between Kosovo and Serbia.

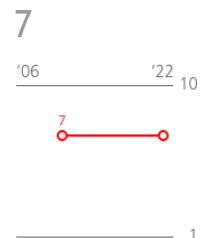
For a long time after the conflict, the Kosovo-Albanian political leadership avoided an open discussion of the conflict for fear of opening old wounds and attributing culpable conduct to members of its own community. Efforts to initiate a process of reconciliation, therefore, remained limited. In 2014, the Kosovo parliament approved the creation of a special court to adjudicate crimes committed by Kosovo-Albanians during and after the 1998 - 1999 Kosovo conflict. The court was to be presided over by international judges. In 2014, an EU task force investigating war crimes confirmed that senior KLA officials led a campaign of ethnic cleansing against Serbs and Roma after 1999. The KLA Veterans' Organization regularly protested the prosecution of KLA veterans suspected of crimes. The prosecution of war crimes continues to be constrained by the intimidation of witnesses who are insufficiently protected. Successive governments began to pay compensation to political prisoners, and a new law was introduced to compensate war veterans.



## 17 | International Cooperation

From post-conflict reconstruction to the road to independence and the post-2008 development of the new state, Kosovo has made ample use of international assistance. The negotiation process, the creation of democratic institutions and infrastructure, and, lately, the dialogue between Belgrade and Pristina would have been impossible without the financial, political and logistical support of the EU, UN and the United States. The EULEX legal mission was just the last in a long history of international assistance. Kosovo is the largest per capita recipient of EU financial aid in the world (2011: €116 per capita). Between 1999 and 2007, Kosovo received €3.5 billion from the EU; the EU assistance for the rule of law between 2007 and 2011 totaled €0.7 billion. Funding for the government's emergency COVID-19 package is expected to come from several sources, including budget savings, internal and external financing, and budgetary assistance.

Effective use of support



The efficiency of successive governments in using international assistance has been erratic. There is a definite need for better coordination of international funds and assistance. The effectiveness of EU assistance has been limited by local constraints such as high-level corruption and the inhibiting of longer-term strategies by the interests of local actors.

Credibility



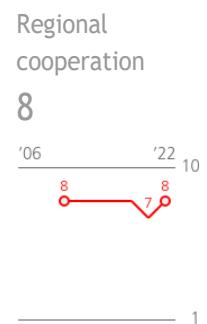
Kosovo is generally considered to be a reliable partner in international relations, though there are shortcomings caused by regional constraints, and a lack of staff and awareness, especially in regard to environmental issues. Kosovo is not yet a signatory to the UN Framework Convention on Climate Change and does not make contributions under the 2015 Paris Agreement. The implementation of the climate change strategy is at an early stage, primarily because Kosovo still relies heavily on coal. Concerning employment policy, the EU Employment and Social Welfare Strategy 2018 - 2022 has been adopted by Kosovo. According to commitments under the European Reform Agenda, there is an action plan to cope with youth unemployment, though the budget for active labor market measures remains insufficient. The International Labor Organization, active in Kosovo since August 1999, is a member of the UN Kosovo Team (UNKT), which contributed to the drafting of the UNKT Common Development Plan (CDP) 2016 - 2020, as well as performing regular monitoring, planning, and reporting on its implementation.

While Kosovo cannot become a party to international human rights conventions and mechanisms, eight UN and regional human rights instruments apply in Kosovo and supersede the country's legislation. In 2018, the Kosovo Assembly adopted the 2030 agenda on economic, social, and cultural rights in Kosovo. The EU rewarded Kosovo's reform efforts by approving the Stabilization and Association Agreement (SAA) in 2014, which took Kosovo an important step closer toward EU membership. Unfortunately, Kosovo often loses EU financial support because it

fails to implement certain facets of the SAA. The Brussels Agreement from April 2013, brokered by the EU, improved relations with Serbia, and was another important step in stabilizing Kosovo's international reputation. Kosovo was invited to join the Organization of Islamic Cooperation (OIC) and applied for membership in UN specialized agencies, the OSCE, the WTO, the Adriatic Charter, and the Council of Europe. Kosovo wishes to be a full UN and NATO member by 2022. By the end of 2020, 98 out of 193 UN states, 22 out of 27 EU states, 26 out of 30 NATO member states, and 31 out of 57 OIC member states had recognized Kosovo's independence.

Kosovo's cooperation with Serbia was supposed to improve after the 2013 Brussels agreement, which ended a long period of deadlock. The imposition of excessive customs tariffs on Bosnian and Serbian goods in 2019 had a negative impact on the cost of living in Kosovo and deepened the impression among citizens, both in Serbia and in Kosovo, that the EU-led dialogue was fruitless. The government under Prime Minister Kurti planned to gradually remove tariffs and the temporary Hoti government lifted them completely. In December 2020, the Kosovo and Serbia economic normalization agreements were signed by Kosovo Prime Minister Avdullah Hoti and Serbian President Aleksandar Vučić at the White House.

Kosovo's legislation respects the sovereignty of neighboring states and prevents Kosovans from fighting abroad. In March 2013, Kosovo became a full member of the Regional Cooperation Council, the main umbrella organization of regional cooperation in Southeastern Europe. There were some doubts over whether Kosovo would fulfill regional obligations after the Kosovo Assembly failed to ratify the demarcation agreement with Montenegro from 2015, but this was finally signed in 2018. The Brussels agreement between Serbia and Kosovo was contested after the 2017 election by the new nationalist government in Kosovo. However, the current reform-minded government formed in spring 2021 is expected to return to it. The successful dialogue between Belgrade and Pristina was considered a model for other strained relations in the region.



## Strategic Outlook

The review period saw two instructive events: the election of a VV-LDK government on a platform of reform in Oct 2019 as a reaction to high levels of perceived political corruption, and the fall of the same government driven by the pandemic and intrigues of the old political elite. Kosovo appears stuck regarding international recognition and its prospects of EU accession. Despite the Brussels Agreement, the EU-administered dialogue between Belgrade and Pristina since 2011, and recent efforts of the U.S. administration, Belgrade still refuses to recognize Kosovo's independence.

Most Kosovo Albanians oppose making concessions to Serbia in return for recognition, believing that Serbia is morally obliged to accept Kosovo's independence, due to Belgrade's atrocities committed during the conflict. EU politicians tried to entice Serbia with the prospect of EU membership but without significant success. As long as Serbia's position does not shift, Kosovo's prospects to develop politically and economically, and to integrate with the U.N., EU, or NATO remain low. Unification with neighboring Albania, which is occasionally used in electoral rhetoric, would consolidate Kosovo's separation from Serbia and enhance international access but is prohibited by the constitution. In late 2017, the Trump administration initiated secret talks between Aleksandar Vučić and Hashim Thaçi (leaders of Serbia and Kosovo respectively), focusing on a Serbian enclave in northern Kosovo and the prospect of EU accession for Serbia, in return for recognition of Kosovo. However, the idea of a land swap with Serbia was rejected by Kosovar voters and EU politicians alike.

In March 2020, the VV-LDK government – which entered office only in February 2020 – was voted out, raising hopes among the international community that a more compromising political partner would be installed in the next elections and the stalled dialogue between Belgrade and Pristina could be restarted. But with the land swap dismissed and no prospect of EU membership for Kosovo and Serbia in the foreseeable future, Serbia lacks any reason to recognize Kosovo; the chance for a quick solution to the issue had passed. Early in 2021, the VV won the election and Albin Kurti was poised to become prime minister again. The result was considered a victory over the old and corrupt political elite, offering a better future for Kosovo in terms of curtailing corruption and opening access to political power for a new generation.