



Brussels, 8.11.2023
SWD(2023) 692 final

COMMISSION STAFF WORKING DOCUMENT

Kosovo* 2023 Report

Accompanying the document

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

2023 Communication on EU Enlargement policy

{COM(2023) 690 final} - {SWD(2023) 690 final} - {SWD(2023) 691 final} -
{SWD(2023) 693 final} - {SWD(2023) 694 final} - {SWD(2023) 695 final} -
{SWD(2023) 696 final} - {SWD(2023) 697 final} - {SWD(2023) 698 final} -
{SWD(2023) 699 final}

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

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1. INTRODUCTION

1.1. CONTEXT

The EU-Kosovo Stabilisation and Association Agreement has been in force since April 2016. Kosovo adopted a revised 2023-2027 national programme for EU integration. Kosovo submitted an application for EU membership in December 2022. The authorities remain committed to Kosovo's European path.

The Commission's proposal to lift the visa requirements for Kosovo citizens was agreed by the Council and the European Parliament, with adoption of the relevant regulation taking place on 9 March 2023 in the Council and on 18 April 2023 in the European Parliament. Visa liberalisation for Kosovo citizens is scheduled to enter into force on 1 January 2024.

The EU-facilitated Dialogue on normalisation of relations between Kosovo and Serbia continued in the reporting period with regular meetings on the level of Chief Negotiators and Leaders. After months of intense negotiations and with the support of key partners, the Parties reached an Agreement on the Path to Normalisation in Brussels on 27 February 2023, and agreed on its Implementation Annex in Ohrid, North Macedonia, on 18 March 2023. Both Kosovo and Serbia are yet to start implementation of their respective obligations stemming from the Agreement, which are binding for the Parties and part of their European paths.

Kosovo has continued to condemn Russia's war of aggression against Ukraine and to support Ukraine's independence, sovereignty and territorial integrity. The government has continued to adopt packages of restrictive measures against Russia and Belarus, mirroring those imposed by the EU and the US.

1.2. SUMMARY OF THE REPORT¹

The government led by *Vetëvendosje* still holds a solid majority in the Assembly and continued to push ahead with its ambitious EU reform agenda.

However, the continued lack of cross-party cooperation and disagreements within the majority proved to be a challenge to reforms. Additionally, *Srpska Lista* members of the Assembly boycotted the Assembly's work. Nevertheless, the reporting period witnessed important legislative achievements, including electoral reform.

Overall, Kosovo has remained engaged in the EU-facilitated Dialogue on the **normalisation of relations with Serbia**, but it needs to demonstrate more serious commitment, invest more efforts and make compromises to take the process of normalisation of relations with Serbia forward. Kosovo needs to uphold its Dialogue commitments and commit to the full implementation of all past Dialogue agreements and the Agreement on the Path to Normalisation and its Implementation Annex. Kosovo and Serbia are expected to engage more constructively to enable negotiations on the comprehensive legally binding normalisation Agreement to start and show flexibility in order to make rapid and concrete progress. Normalisation of relations is an essential condition on the European path of both Parties and

¹ This report covers the period from June 2022 to June 2023. It is based on input from a variety of sources, including contributions from the government of Kosovo, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law. The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

both risk losing important opportunities in the absence of progress.

The situation in the north of Kosovo has been affected by several crises of varying intensity on a number of issues, with a violent attack against Kosovo Police on 24 September 2023, constituting the gravest escalation in recent years. Huge quantities of small arms and light weapons (SALW) were found in the context of this attack². The EU expects the perpetrators to be apprehended and swiftly brought to justice and Serbia to fully cooperate and take all the necessary steps in this regard. Other crises during the reporting period were triggered by issues over the freedom of movement, in particular licence plates, following the Kosovo government's decision on 29 June 2022 to enforce the re-registration of all vehicles with Kosovo-issued licence plates. This led to the tensions in July 2022 and continued through the erection of roadblocks and the collective resignation of Kosovo Serbs from Kosovo institutions in November 2022. Following the withdrawal of Kosovo Serbs from Kosovo institutions, local by-elections were organised in the four municipalities in the north of Kosovo. Scheduled initially for December 2022 and then postponed to 23 April 2023, the mayoral and municipal by-elections were held in line with the legal framework of Kosovo and efforts were made for them to take place in a smooth and orderly manner. However, despite the milestone Agreement on the path to normalisation reached in Brussels on 27 February and its Implementation Annex agreed in Ohrid, North Macedonia, on 18 March 2023, and despite Kosovo extending the deadline for the registration of candidatures for the local by-elections, not all parties and communities made use of their democratic right to participate and vote. The very low turnout (3.47% of voters), following the boycott by the Kosovo Serb community, showed that these elections do not offer a long-term political solution for these municipalities. It remains imperative to restore a situation where Kosovo Serbs participate actively in local governance, policing and the judiciary in the north of Kosovo. Early local elections need to be held as soon as possible in all four municipalities, organised in a fully inclusive manner, and with the unconditional participation of Kosovo Serbs.

Due to the lack of decisive steps to de-escalate, and in line with the 3 June statement, the EU is implementing a number of measures vis-à-vis Kosovo, which also impact financial support. These measures are temporary and fully reversible, depending on the steps taken to de-escalate the tensions in the north of Kosovo. Kosovo has taken steps in the right direction, but more remains to be done.

On **public administration reform**, as last year's recommendations have not been sufficiently implemented. New legislation on public officials and salaries was approved by the Assembly using fast-track procedures. The law on salaries is currently under review by the Constitutional Court. The amended Law on public officials risks creating and exacerbating existing gaps in administrative capacities.

Kosovo is still at an early stage in developing a well-functioning **judicial system**. There was limited progress during the reporting period. The need remains to strengthen existing tools safeguarding the integrity, accountability, independence and efficiency of the justice system. The Minister of Justice and the heads of the main justice system institutions signed a Joint Commitment Statement and Action Plan on justice reforms. Quick follow-up is needed to achieve tangible results.

Kosovo is in between an early stage and some level of preparation in the **fight against corruption**. Limited progress was made during the reporting period, and corruption remains an issue of concern. While last year the Assembly adopted significant anti-corruption

² The EU and Western Balkan partners agreed in May 2023 to prolong beyond 2024 the Roadmap for a comprehensive small arms and light weapons control in the Western Balkans.

legislation and the legal framework on criminal confiscation is advanced, a lot remains to be done to implement the anti-corruption legislation. Despite improvement in the performance of the Agency for Prevention of Corruption, the anti-corruption preventive tools laid down in the legislation are not yet fully used. Kosovo should step up efforts to have more proactive investigations, final court decisions and final confiscation of assets.

Kosovo is at an early stage in the fight against **organised crime**. Limited progress was made on the investigation and prosecution of organised crime cases. Kosovo adopted a new police organisational structure and upgraded intelligence and analysis capacities. Law enforcement operations against organised crime continued. Despite this, the powerful tools envisaged by the Criminal Code and the Law on extended powers of confiscation are yet to be fully utilised. Fighting organised crime in the north of Kosovo continues to be challenging.

Kosovo remained active in the fight against terrorism and the fight against and prevention of violent extremism. The legal framework on anti-terrorism is partly aligned with the EU *acquis* and international standards. The Law on combating money laundering and the financing of terrorism is yet to be amended. The authorities need to be more effective in their efforts to combat money laundering.

The legal framework broadly guarantees the protection of human and **fundamental rights** in line with European standards. While the capacity to monitor implementation of policies and legislation has improved, further efforts are required to effectively enforce fundamental rights. More human and financial resources should be allocated to relevant institutions. Efforts continued to improve gender equality but Kosovo needs to further strengthen implementation of legislation.

Kosovo has a well-established legal framework for the protection of non-majority community rights. However, further action is needed on long-standing issues such as lack of equal access to education and employment, lack of language compliance, and low representation in public institutions, including for the Roma and Ashkali communities³.

Kosovo has some level of preparation as regards **freedom of expression**. Limited progress was made in addressing the recommendations of the previous report. Concerns remain regarding physical attacks and threats, public smear campaigns and hate speech. The lack of freedom of expression in the north of Kosovo is particularly concerning.

The Kosovo authorities continued to make progress in managing **migration** and have engaged with the EU on the implementation of the EU Action Plan on Western Balkans presented in December 2022 by the Commission. Accommodation capacity was increased. Steps should be undertaken to further align legislation, including the Law on foreigners, with the EU *acquis* and international standards.

As regards the **economic criteria**, Kosovo has made some progress and is between an early stage and some level of preparation of developing a functioning market economy. Kosovo's economic rebound moderated significantly in 2022. This was mainly due to decreasing investment and slowing household consumption growth on the back of high inflation, especially after the start of Russia's war of aggression against Ukraine. Despite the resilience the economy has demonstrated during the recent crises, the private sector continues to be hindered by long-standing structural challenges such as a widespread informal economy, a high prevalence of corruption and the overall weak rule of law. High revenue growth due to rising prices and increasing numbers of people in formal work, and a significant under-execution of

³ In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

public capital spending led to an almost balanced budget in 2022, while the public debt ratio also fell. Inflation surged to double digits due to rising energy, food and transport prices, leading to an increase in the current account deficit. The financial sector remained well capitalised and stable and bank lending continued to expand.

Kosovo has made limited progress and is at an early stage in terms of its capacity to cope with competitive pressure and market forces in the EU. The education system does not sufficiently teach the necessary key skills and is not adequately aligned with labour market needs. Kosovo made efforts in improving road infrastructure and increasing investment in renewables, but the coal-based, outdated and unreliable energy supply remains a concern. Kosovo made some progress on the digitalisation of the economy.

Limited progress was made during the reporting period in the areas of public procurement and financial control. On statistics, there was some progress.

As regards **good neighbourly relations and regional cooperation**, Kosovo continued to participate in most regional forums. Kosovo maintained overall good relations with Albania, Montenegro and North Macedonia. There has been no change in Kosovo's formal relations with Bosnia and Herzegovina, as the country does not recognise Kosovo's independence. Georgia, Moldova and Ukraine have no formal relations with Kosovo, as they do not recognise Kosovo's independence.

On alignment with European standards, Kosovo made some progress in **cluster 2, internal market** with regards to free movement of goods, freedom to provide services, free movement of capitals and intellectual property law. It made limited progress in the area of freedom of movement for workers, company law, competition policy, financial services and consumer and health protection.

In **cluster 3, competitiveness and inclusive growth**, Kosovo made some progress in most areas (customs, taxation, social policy and employment, education and culture), except for digital transformation and media where progress was limited.

In policy areas related to **cluster 4, the Green Agenda and sustainable connectivity**, Kosovo made some progress in the energy sector (including by adopting an energy strategy for 2022-2031). On transport, environment and climate change, it made only limited progress.

In **cluster 5, resources and agriculture**, Kosovo made limited progress on agriculture and some progress on food safety, veterinary and phytosanitary policy. On fisheries, it made no progress.

Concerning **external relations**, limited progress was made during the reporting period. Kosovo made progress with implementing the Common Regional Market action plan, notably by ratifying the three 'Berlin process agreements' on free movement and mutual recognition of qualifications. However, the government continues to block decision-making mechanisms within CEFTA due to disagreements over Kosovo's representation. Kosovo has not yet ratified the CEFTA additional protocols on trade facilitation and trade in services. Additionally, by imposing a 'temporary operational security measure' in June 2023 blocking the entry into Kosovo of Serbian goods and postal parcels, Kosovo appears not to be in compliance with its commitments under CEFTA. The measure also goes against the spirit of the Stabilisation and Association Agreement.

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

2. THE FUNDAMENTALS OF THE ACCESSION PROCESS

2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

2.1.1 Democracy

The government led by *Vetëvendosje* continued to hold a solid majority in the Assembly and to push ahead with its ambitious EU reform agenda.

Kosovo's overall political stability provided the government with an opportunity to implement EU-related reforms and to adopt overdue legislation. However, the continued lack of cross-party cooperation and disagreements within the majority proved a challenge to reforms. Despite this, the reporting period witnessed important legislative achievements. The majority agreed with the opposition to establish two *ad hoc* committees in the Assembly, including on electoral reform. Some 104 pieces of legislation had been adopted as of June 2023; many of these advanced EU integration priorities.

Opposition parties supported key EU-related laws on some occasions. However, deep disagreements between majority and opposition remain. The Assembly often failed to vote on legislative proposals due to a lack of decision-making quorum, despite the government holding a majority in the Assembly. The Assembly's committee meetings, presidency sessions and plenaries continued to suffer from frequent boycotts and lack of quorum.

Female participation at all levels of local governance and decision-making in institutions and political parties has improved, yet remains low. Kosovo should further implement the Law on Gender Equality, which calls for gender parity in public life.

Elections

Kosovo made important progress with electoral reform, as it adopted the Law on financing of political parties and the Law on general elections. The new legal framework addresses long-standing recommendations of successive EU Election Observation Missions. A new law on the Independent Media Commission still needs to be adopted. The Central Election Commission (CEC) needs to implement the new legal framework well in advance of the next general election. The CEC needs more financial and human resources to be able to carry on the additional tasks deriving from new legal framework.

Following the withdrawal of Kosovo Serbs from Kosovo institutions in November 2022, local by-elections were organised in the four municipalities in the north of Kosovo. Scheduled initially for December 2022 and then postponed to 23 April 2023, these mayoral and municipal by-elections were held in line with the legal framework of Kosovo and efforts were made for them to take place in a smooth and orderly manner. However, due to the very low turnout (3.47% of voters), in particular by Kosovo Serb citizens, these elections do not offer a long-term political solution for these municipalities. Early local elections need to be held as soon as possible in all four municipalities, organised in a fully inclusive manner, and with the unconditional participation of Kosovo Serbs.

Kosovo made important progress on addressing long-standing recommendations of successive EU Election Observation Missions (EU EOMs). The Assembly's *ad hoc* committee on electoral reform was established on 1 July 2022 and successfully completed its work on 5 April 2023. The Committee, chaired by the biggest opposition party (PDK), in cooperation with the CEC and other stakeholders, addressed most of the EU EOMs' recommendations and managed to present a consensual Law on general elections. It provides an adequate basis for the conduct of democratic elections, in line with international and regional standards. It introduces important improvements in several parts of the process, including in relation to suffrage rights,

voters' lists, registration of political parties, independence of the CEC, campaign regulations, polling and counting, electoral dispute resolution system and provides additional budget for political parties that exceed the 30% of women quota.

In parallel, the CEC updated electoral rules. However, these will need to be aligned further with the new Law on general elections. In August 2022, the Assembly adopted the new Law on political party financing, which established a new Office for Registration, Certification and Financial Control of Political Entities. In December 2022, the CEC recruited its director within the legal timelines laid down in the new law.

Following the mass resignation of Kosovo Serbs from Kosovo institutions in November 2022, local by-elections were organised in the four municipalities in the north. On 10 November 2022, the President of Kosovo set 18 December as the date for extraordinary mayoral elections in North Mitrovica, Zvecan, Leposavic and Zubin Potok, and 25 December 2022 as the date for by-elections for the Municipal Assemblies of Zvecan and Leposavic. As in December, the security situation in the north of Kosovo deteriorated and groups of Kosovo Serbs blocked CEC staff from entering the two Municipal Election Committee offices. As a result, the President postponed the elections until 23 April 2023, a decision welcomed by the EU as it advanced efforts to promote a more secure situation in the north of Kosovo.

The elections were held on 23 April in line with the legal framework of Kosovo and efforts had been made for them to take place in a smooth and orderly manner. However, despite the agreement on the Implementation Annex of the Agreement on the Path to Normalisation reached in Ohrid on 18 March 2023, and Kosovo extending the deadline for the registration of candidatures for the local by-elections, not all parties and communities made use of their democratic right to participate and only 3.47% of voters cast their ballot. Kosovo Serb political parties did not participate and *Srpska Lista* called for voters not to turn up, with the result that the Kosovo Serb community largely boycotted the elections. Out of the 45 095 voters, only 1 567 cast their ballot. While Kosovo's legislation does not stipulate a threshold for voter participation, the very low turnout, in particular among Kosovo Serbs, clearly indicates that the elections do not offer a long-term political solution for these municipalities. Early local elections need to be held as soon as possible in all four municipalities, organised in a fully inclusive manner, and with the unconditional participation of Kosovo Serbs.

Parliament

During the reporting period, the Assembly's work continued to be hampered by the lack of a decision-making quorum and limited efforts to build cross-party consensus. The Assembly was not able to adopt laws and to make necessary appointments to public bodies for long periods of time. The boycott by *Srpska Lista* MPs made adopting laws in the category of vital legislation impossible. The lack of political consensus for some of the key reforms and legislative processes continued. The Assembly needs to introduce measures and/or penalties to ensure it can perform its role. To that end, it would also need to improve its internal management, adopt an annual work plan, and introduce an electronic voting system and electronic presence recording system. In addition to its legislative function, the Assembly needs to strengthen its oversight function. On 8 June 2023, the Assembly adopted the new Law on general elections. It also achieved cross-party consensus with the swift adoption of the three Berlin Process agreements on freedom of movement. The Assembly continued using fast-track/accelerated procedures for the adoption of key legislation. The number of women MPs remains the same, although for the first time women lead more than half of the Assembly committees.

Discussions between the ruling majority and opposition in the Assembly were polarised and at

times tense. Some MPs used inflammatory language against political opponents, including stereotyping and non-sensitive gender language.

The Assembly did not reach consensus on many issues, including on energy policy, salary increases in the public sector, strikes in the education sector, security strategy and economic policy. While the Assembly remains the main forum for political dialogue between political parties and non-majority representatives, limited efforts are made to build consensus on issues of general interest. The political debate should be directed towards substantial discussions that lead to consensual and sustainable results. The lack of decision-making quorum, despite the government having a majority in the Assembly, led to a backlog of items on the agenda and parliamentary sessions dragging on for months, causing delays in adopting EU-related reforms and in making appointments. Absenteeism, late arrival and early departure from plenary sessions and committee meetings have become common practice. The new Rules of Procedure lack measures to impose, financial (or other) penalties for unjustified absence from parliamentary proceedings.

On 7 November 2022, 10 *Srpska Lista* MPs resigned from the Assembly as part of the collective withdrawal of Kosovo Serbs from Kosovo institutions. On 17 November, candidates next in line took over their mandate. Nine new *Srpska Lista* MPs, one member of the Kosovo Serb opposition Civic Initiative ‘Freedom, Justice, Survival’ (SPO) and two Gorani and Roma MPs attended the plenary session of 6 April 2023 in order to secure the continuation of their mandates, only to continue their boycott of plenary sessions afterwards. The lack of discipline and a loose interpretation of parliamentary responsibilities have become a growing obstacle to the functioning of the Assembly and its bodies.

During the reporting period, the Assembly adopted 104 laws, out of which 25 ratifications of international agreements. Out of the 104 adopted laws, 21 were adopted using a fast-track procedure. This included essential laws such as the Law on the 2023 budget, the Law on public officials and the Law on salaries. There were no efforts to build consensus on key pieces of legislation, and opposition parties have referred a number of them to the Constitutional Court. On 23 February 2023, the Assembly promptly adopted three international agreements reached in the Berlin Process. These enable free movement with identity cards and recognition of higher education qualifications and professional qualifications in the Western Balkans.

The Assembly did not manage to make timely appointments in most of the key independent bodies. As a result, there are several vacant posts in various institutions, and the Assembly has continued to postpone voting on appointments.

The Assembly needs to strengthen its oversight function of the executive and of independent institutions. The new Rules of Procedure include advanced reporting procedures for handling annual reports of independent institutions, but this has not resulted in the timely review of these reports. Most of the 2021 annual reports of the independent institutions were reviewed in the first months of the 2023 spring session and often without substantial debate.

The Assembly made limited efforts to address the lack of qualified staff, in particular regarding specialised legal and gender issues. It remains dependent on external experts and international donor support.

Governance

Kosovo made progress in implementing EU-related reforms: Kosovo adopted the National Programme for EU integration and continued to implement the European Reform Agenda (ERA) II action plan. In December 2022, Kosovo submitted an application for EU membership. To pursue EU-related reforms in a more efficient and sustainable way, it is essential that the

government ensures cross-party support, increases coordination across departments, and decentralises decision-making to line ministries to implement policies under their responsibility.

On 31 March 2023, the government approved the revised 2023-2027 **National Programme for EU Integration**, further endorsed by the Assembly on 15 June 2023. Kosovo continued to implement the ERA II Action Plan.

Although the interinstitutional **coordination** structures for European integration are in place, weak administrative capacity affected the EU reform agenda and integration activities. The number of key positions in the public sector functioning with staff in an acting capacity is concerning. The other challenge is the lack of a permanent inter-ministerial coordination body at expert level. This results in limited political ownership of the EU agenda in line ministries and a lack of prioritisation and sequencing of reforms. More efforts are needed to increase trust and to strengthen coordination between the political and technical levels.

As regards **local government**, disparities remain between municipalities in their performance and service delivery. With the increase of the overall budget for 2023, the general grant for municipalities expanded by 15% (EUR 100 million). However, municipalities led by mayors from opposition parties have raised concerns that the line ministries' capital investment funds are not always allocated according to objective criteria. In July 2022, the Assembly adopted the Law on the Municipal Performance Management System, an important instrument to promote competitiveness among the municipalities in delivering quality services and to incentivise transparency. Effective oversight of municipal legislative bodies over the municipal executive bodies remains a challenge. Communication and cooperation between the government and the municipalities needs improvement. On audit practices, progress was made towards more effective oversight and transparent governance. Municipalities do not sufficiently use the existing inter-municipal cooperation mechanisms.

Women's representation in senior government positions increased but remains unequal. They remain under-represented in local decision-making bodies. Affirmative measures are needed to ensure equal representation of women and men in the local executive. Three political parties (*Vetëvendosje*, PDK and LDK) have undertaken measures to increase women's participation in their parties.

Civil society

In general, civil society operates in an enabling environment. Civil society continues to actively participate in public consultations and contributes to policy-making and monitoring processes. Efforts by public authorities to involve the public in decision-making processes are welcomed and should be further increased. The government should ensure that each public consultation process fulfills the minimum standards, principles and procedures set by the relevant regulation. Efforts to increase the transparency and accountability of public funding to civil society organisations should be sustained.

An empowered civil society is a key component of any democratic system and continues to be recognised as such by public institutions. Civil society remains an important partner in the framework of Kosovo's preparation for EU accession, as it contributes to the design, implementation and monitoring of EU-related reforms, and participates in the Stabilisation and Association policy dialogue platforms. Its role in promoting social change, building trust and promoting multistakeholder cooperation is widely recognised. Civil society also plays a critical role in advocating for the rights of persons with disabilities, gender equality, and the rights of persons belonging to non-majority communities.

The Council for Government-Civil Society Cooperation has not met since 2022 (when it endorsed its new Rules of Procedure). Besides some progress on the public consultation process, there were no significant developments on implementing the 2019-2023 strategy for cooperation with civil society.

The government has made some efforts to involve civil society in decision-making. In 2022, the online platform for public consultations was upgraded with features facilitating the participation of persons with disabilities. Most legislative acts approved by the government were submitted to public consultation. Civil society organisations (CSOs), interested parties and the public engaged almost four times more often in public consultations at the central level than in 2021. At the same time, the implementation of some standards, principles and procedures specified in the Minimum Standards for Public Consultation continued to lag behind. Public consultations are generally carried out at central level, in writing and electronically through the online platform. It is recommended to increase the use of other forms of public consultation. Local administrations do not use those mechanisms sufficiently.

The implementation of the Regulation on public funding for NGOs is gradually improving. Despite being included in the legislative agenda of 2022, the amendments to the Regulation were not initiated. The online platform was upgraded with data visualisation based on providers, beneficiaries and territory of implementation, and is now linked with the Platform of Donors' Support to Civil Society. Kosovo would benefit from increased transparency and accountability on public funding for NGOs. More efforts are needed to update the CSO registry and to ensure that Kosovo's electronic system of non-governmental organisations is fully reliable.

In 2022, the government initiated the sectoral terrorist financing risk assessment process on non-profit organisations, involving civil society. This work should feed into the review of the Law on the prevention of money laundering and terrorist financing. The aim is to remove unnecessary reporting burdens on CSOs, alleviate excessive control measures on low-risk CSOs, lift limitations on cash donations, and remove barriers to access banking or financial services. The tax regime for CSOs is considered to partially meet relevant standards according to the EU's Technical Assistance to Civil Society Organisations (TACSO) 2021 baseline assessment.

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

2.1.2 Public administration reform

Kosovo has **some level of preparation** and made **no progress** with regard to public administration reform during the reporting period. Oversight of the implementation of the legislative framework for public administration reform (PAR) across line ministries is still ineffective. This is despite the adoption of a new strategic framework for both PAR and public finance management. New legislation on public officials and salaries was approved by the Assembly using fast track procedures. Both laws were sent for review to the Constitutional Court which ruled some articles of the Law on Public Officials unconstitutional. The amended Law on Public Officials risks creating and exacerbating existing gaps in administrative capacities. Some progress was made with harmonising sectoral laws with the Law on general administrative procedures and in digitalising public services. However, the overall pace of public administration reforms remained insufficient to deliver tangible results in the reporting period.

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

- improve the functioning and accountability of the public administration, including through rationalising agencies and introducing performance management in agencies; to that end, strengthen administrative capacities, fill open vacancies regularly and in line with the principle of merit-based recruitments, and amend the new Law on public officials in line with the principles of a modern public administration;
- ensure efficient functioning of the new remuneration system by implementing the Law on organisation and functioning of the state administration and independent agencies and to finalise the processes of: (i) regulating the internal organisations of public bodies, (ii) job classification; and (iii) systematising positions at central level according to job descriptions;
- improve legal certainty, reduce the administrative burdens and increase the number of e-services in the public administration for businesses and the public.

Strategic framework for public administration reform

During the past year, Kosovo consolidated the strategic framework for PAR by adopting a new PAR strategy (2022-2027) and an action plan for its implementation. The Ministerial Council on PAR, which is the main oversight and coordination mechanism on public administration reform at political level, generally meets only once a year to approve the annual reports under the PAR strategic framework. This mechanism is ineffective in ensuring coordination among key bodies to steer the PAR process. The Ministry of Internal Affairs (MIA) leads reforms at the technical level. However, both the MIA and line ministries have limited capacities to effectively supervise, analyse data in an evidence-based manner, and manage the reform processes. The 2022 monitoring report on PAR implementation was adopted. The internet-based platform for monitoring PAR has been built and tested but is not yet functioning efficiently.

Policy development and coordination

On the **policy-making system**, the government adopted the national development strategy and -plan 2023-2029 (NDS/NDP), which sets both long-term and short-term priorities, covering activities on a three-year rolling basis. There are no clear links between the NDP/NDS and the sector strategies and their respective action plans, or with the medium-term expenditure framework. The Strategic Planning Office (SPO) is responsible for planning, monitoring, and reporting on the strategies as well as *ex ante* impact assessment. The SPO's capacities need to be further strengthened.

Kosovo has made limited progress on **gender-mainstreaming, as well as on inclusive and evidence-based policy development**. The government's Rules of Procedures are still under consultation. Procedures on regulatory impact assessments are in place; however, implementation remains weak. Public institutions should foster inclusive participation. Despite the fact that almost all primary draft laws and policy documents are regularly published on the government web portal, public consultations and public inclusion in reform agendas remains limited and should be improved. The involvement of civil society, stakeholders and the public in the government's policy and legislative development processes remains limited.

Public financial management

A new public finance management (PFM) strategy (2022-2026) was adopted in December 2022. The 2022 monitoring report on PFM was adopted in July 2023. The concept document of the new law on PFM and accountability has been approved and legislative preparatory work is ongoing. The new law should foresee a better linkage between the policy planning and budgeting process in the annual and medium-term. A first step was the integration of medium-

term policy priorities in the medium-term expenditure framework adopted in April 2023. In general, Kosovo's budget classification system for public finances remains consistent with international standards.

Fiscal risks contained in contingent liabilities, at both central and local levels, are still a weakness, and these risks are not identified in a systematic way. Kosovo needs to advance its planning and spending of capital expenditure by improving execution of multi-year **public investments through** a transparent appraisal of costs and benefits as a basis for investment decisions. Better linkage between the public investment programme and the Kosovo Financial Management Information System should be ensured, as well as further strengthening of the credibility and accuracy of medium-term budget revenue and expenditure plans. Budget systems should include objectives towards gender equality and gender-disaggregated data indicators with specific targets.

On **public procurement**, contract management and commitment controls remain weak. The government's electronic procurement platform is still not connected to the financial management information system in the Treasury. On **budget transparency**, citizen-friendly budgets and budget implementation reports are regularly published (*See chapters on public procurement, taxation, customs and financial control*).

The public service and human-resource management

The Law on public officials from 2020 provides for **merit-based recruitment, promotion and dismissal**, but has not been effectively implemented. In particular, a centralised system for merit-based recruitment for the professional category is lacking. In addition, the public sector has not managed to fill open vacancies effectively or in a timely manner, resulting in major weaknesses in administrative capacity. Extensive use of acting positions in the civil service, especially at senior managerial levels, as well as ineffective external recruitment procedures for senior management have instead undermined the quality of management in the institutions. The Law on public officials was amended at the end of 2022, introducing substantive systemic changes. The revised law was consequently suspended pending review by the Constitutional Court which found some of the provisions unconstitutional. There are other amendments, which, if implemented, would risk further weakening the administrative capacities of the civil service. Particularly the proposed introduction of fixed-term mandates at all managerial levels potentially puts the stability and professionalisation of the civil service at risk.

Women remain under-represented at senior level positions in the civil. Measures need to be adopted to increase the number of women in senior positions in line with the Law on gender equality.

The capacity of the MIA to manage the implementation of a **human-resources-management policy** throughout the public administration has not increased. The Department for the Management of Public Officials (DMPO), together with the human-resources-management units of institutions, should: (i) improve their coordination; (ii) provide regular training; (iii) promote the transfer knowledge; and (iv) disseminate/promote methodological tools. The data collection system through the internal human resource management (HRM) information system covers modules on civil servants categories, recruitment, remuneration, and promotion. However, this tool is not effectively used by the civil service to monitor HRM performance and the system needs further update and improvement. Transparency on HRM needs to be improved, although the public can have some information through a dedicated website for applications and appointments. Advancement in finalising the regulations on internal organisations for state institutions - including ministries- and alignment with the Law on

organisation and functioning of state administration and independent agencies (LOFSAIA) has been slow. This has further weakened human resource management and planning.

The Independent Oversight Board for the Civil Service is effectively exercising its mandate on ruling on appeals and monitoring the implementation of the legislation regarding the civil service. The planned amendments to the law governing the board curtail some of the Board's powers to review and decide on appeals and do not ensure compliance with all rules and principles governing the civil service.

A new Law on salaries helped to lay down a clearer and more transparent **remuneration framework** for all public employees. However, the Law is currently under review by the Constitutional Court. Some salary levels are not based on a thorough assessment of the job requirements due to delays in finalising the job classification and streamlining positions according to job categories. As a result, without the right conditions on human resource management, the new law, even if implemented, risks not to ensure a fair remuneration system.

There is no systematic approach to the **professional development** of civil servants. Training at both central and local levels largely depends on donor support. Despite practical guidelines for appraising the performance of civil servants and training delivered to DMPO and HRM units, the system for managing performance remains ineffective. A mandatory training programme stipulated by the Law on public officials for all civil servants was developed in 2022, but has still not been implemented.

Integrity in the public service remains a challenge. Some institutions still lack integrity plans, and the implementation of these plans is ineffective. The Law on conflict of interest and the Law on protection of whistle-blowers should be applied in a coherent and efficient manner throughout the public administration.

Accountability of the administration

Implementation of the LOFSAIA remains slow, with the MIA's capacity to lead and steer the implementation process still ineffective. There are no clear lines of managerial accountability and no clear delegation of powers between ministries and sub-ordinated bodies. As a result, there are many executive agencies subordinated to the Assembly or to line ministries but with no clear reporting procedures in place. The Law on rationalisation and establishment of accountability lines of independent agencies (first wave) and the Law on rationalisation and establishment of accountability lines of executive agencies (second wave) were adopted. In addition, the government has adopted a methodology for rationalising agencies, which should support the accountability and supervision of bodies subordinated to the executive. The system for managing the performance of agencies is not in place due to delayed finalisation of the organisational set-up of line ministries.

Recommendations from oversight mechanisms are still poorly implemented. The availability and provision of information and documents from public institutions remains a challenge. At present the system for gaining access to this information and these documents does not work well.

The legislative framework regulating access to administrative justice is being reviewed in line with international practices, and access to justice continued to be inefficient due to delays in processing cases by the basic court and the appeal court in Pristina. Fragmented legislation affects the liability of public authorities in cases of wrongdoing and **the right to seek compensation**.

Delivering services to businesses and the public

The programme to prevent and reduce administrative burden (2022-2027) is being implemented. A list of public services at central and local level has been drawn up together with analyses of how these services are to be digitalised. There has been some progress with the Assembly adopting an omnibus law covering the harmonisation of sector-specific laws with the Law on general administrative procedures. In addition, the government approved an action plan to further harmonise and align sector-specific laws with the Law on General Administrative Procedure.

The government's e-Kosovo portal further improved the online delivery of services to the public while including more services in the e-catalogue. However, data quality and reliability on this portal remains a challenge. The management of the technical structures for e-government is still dependent on donor support. In order to simplify and digitalise public services, efficient e-government processes and systems must be set up to ensure consistency in the design and maintenance of digital solutions, and to ensure the interoperability, safety and security of these solutions. The draft e-government strategy is not adopted yet. As the reforms in this area are general and touch on all areas of public administration, there is a need set up an inter-institutional coordination mechanism under the leadership of the Office of the Prime Minister.

2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS

2.2.1. Chapter 23: Judiciary and fundamental rights

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

Kosovo is **in between an early stage and some level of preparation** to apply the EU *acquis* and European standards on the judiciary and fundamental rights. **Limited progress** was made in this area. Some improvements were observed on the functioning of the judiciary, as well as on investigation and prosecution in organised crime and high-level corruption cases. Further efforts must be made to reinforce freedom of expression.

Functioning of the judiciary

Kosovo is **at an early stage** in developing a well-functioning judicial system. During the reporting period, Kosovo made **limited progress**, despite an increase in the ratio of productive court hearings, a faster pace in scheduling court hearings, and improvements in recruitment of judges and prosecutors. The human resources situation and the organisation of the administration across the judiciary remains affected by inefficiencies. The National Centralised Criminal Records System was established and has been accessible online since December 2022, enabling the public to obtain certificates of criminal records online. The government decision lowering the salaries of judges and prosecutors and the subsequent Law on salaries raised concerns with regards to the independence of the judiciary. In March 2023, the Minister of Justice and the heads of the main justice system institutions signed a joint commitment statement on justice reforms, reflecting the most important reform issues that need to be tackled. Swift follow-up is needed to achieve tangible results. In September 2022, the government handed over the file related to integrity checks of judges and prosecutors to the Assembly, which established an *ad hoc* committee to finalise the constitutional amendments and the relevant legislation towards integrity checks of senior positions within the justice system, in line with the Venice Commission Opinion of June 2022. Kosovo should ensure that the Venice Commission is re-consulted throughout the process of finalising the draft constitutional amendments and relevant legislation related to justice reform. It is crucial that

the justice reform focuses on strengthening the existing tools to safeguard the integrity, accountability, independence and efficiency of the justice system, in line with the recommendations of the Venice Commission Opinion and relevant European standards. Kosovo should ensure that the guidance of the Venice Commission on the amendments to the Law on the Kosovo Prosecutorial Council is duly incorporated in the new law. Efforts should continue to fully use the Case Information Management System, further promote the alternative dispute resolution tools, and ensure reliable statistical data. The Commission's recommendations from last year were only partially met and therefore remain valid. In the coming year, Kosovo should in particular:

- take immediate action to implement the obligations deriving from the joint commitment statement signed by the heads of justice system institutions, with specific focus on improving the integrity, accountability and efficiency of the judiciary;
- step up efforts to reduce the backlog of cases, based on a clear action plan with audits and internal control supported by a digitalisation strategy. To that end, Kosovo should reform the court and prosecution administration, and strengthen management functions in the judiciary and prosecution to ensure efficient use of resources;
- improve the capacity of judges and prosecutors to handle cases of gender-based violence in accordance with laws, the 2022-2026 strategy against domestic violence and violence against women and the new State Protocol for the treatment of sexual violence cases.

Strategic documents

The rule of law strategy and action plan continue to be implemented at a slow pace. Nevertheless, the April 2023 annual implementation report highlighted a number of positive developments, including: the establishment of the Commercial Court; an increase in the recruitment of judges and prosecutors; the advancement of the Case Management Information System in accordance with European Commission for the Efficiency of Justice (CEPEJ) requirements; the automatic assignment of cases to judges; and the strengthening of free legal aid. In terms of risks, the report mentions the lack of prioritisation of the implementation of activities, and a lack of capacities, budget and interinstitutional cooperation.

The Kosovo Prosecutorial Council (KPC) and Kosovo Judicial Council (KJC) regularly update their **strategic plans**, setting objectives for the judicial and prosecutorial systems respectively. Both Councils adopted annual action plans. During the previous reporting period, the KJC adopted a strategic plan for the efficient solving of cases of corruption and organised crime, a communication strategy for 2022-2024, and the strategic plan for access to justice for 2022-2025. It also established a committee aimed at overseeing implementation of its strategy on corruption cases. The KPC adopted the 2022-2024 strategic plan of the prosecutorial system. The prosecutorial system requires urgent reform of its administration and management structure. Kosovo should step up its efforts to ensure proper donor coordination regarding support for the judicial and prosecutorial systems.

In March 2023, a joint commitment statement and an action plan on justice reforms was signed by the Minister of Justice, the KJC, the KPC, the Supreme Court and the acting Chief State Prosecutor. The action plan provides for a series of assessments and legislative revisions to improve the systems of performance evaluation, disciplinary sanctions, recruitments and appointments, integrity checks, status, professional development, and asset declarations. Working groups have been established to cover each of these areas.

Management bodies

The KJC and KPC are the main bodies responsible for ensuring the independence and impartiality

of the judiciary and for managing the judicial system and careers of judges and prosecutors. Their composition and appointment procedures are broadly in line with European standards.

On 23 June 2022, the Assembly adopted amendments to the Law on the Kosovo Prosecutorial Council, aiming to reduce corporatism by, for example, changing the composition of the Council itself. The Venice Commission issued two opinions on the drafts, which the Assembly addressed before adopting the amendments to the draft. A number of MPs submitted the adopted amendments to the Constitutional Court for review in July 2022. On 24 March 2023, the Constitutional Court announced a judgment declaring the amending law invalid in its entirety. The Court found that the law infringed the KPC's constitutional independence on several accounts, as well as the principles of separation of powers and control and balance among constitutional bodies. Following the judgment, the law is under revision. Kosovo should ensure that the guidance of the Venice Commission on the amendments to the KPC Law is duly incorporated.

The appointment of the Chief State Prosecutor has been pending since April 2022 and is overdue. The EU and other international actors, as well as civil society, publicly expressed disappointment over the lack of fairness, transparency and merit principles in the selection process. The lengthy proceedings have caused a state of uncertainty, which detracts from the functioning of the institutions. The Assembly must increase efforts to ensure timely appointment of Council members, as there are persistent delays. The Councils should make use of available statistics for policy analysis and development.

The mass resignations of Kosovo Serb officials from public institutions in November 2022 included the resignations of Kosovo Serb judges, prosecutors and administrative staff working in the north of Kosovo. The KJC and KPC decided to postpone any decision on such resignations, pending other developments. At the same time, both Councils arranged to ensure that cases are processed, especially those requiring urgent action. Kosovo must consistently ensure that judicial proceedings are accessible in all official languages, as required in the Constitution. Additional court translators have been recruited, and the KJC is in the process of developing a platform to centralise translations in courts. However, more efforts are necessary to address the shortage of qualified translators, also with an aim to reducing the backlog of cases. Access to judgments and decisions rendered by the Serbian courts in Kosovo between 1999 and up until the integration of Serbian judges in October 2017 remains challenging.

Independence and impartiality

The Constitution and the applicable legal framework outline the principles of **independence and impartiality**. Consistent efforts are necessary to ensure respect of these principles in practice, and to effectively shield the judicial system from undue pressure and interference. The Councils should ensure prompt reaction in all cases of alleged undue interference. The government decision of November 2022 reducing the salaries of judges and prosecutors and the Law on salaries, with a similar effect, raised concerns about the judiciary's independence.

The regulatory framework provides for the **random allocation of most cases** through a case management information system, except for the cases of the newly established Commercial Court, which are not yet included. In practice, improvement has been noted. However, a number of cases remain manually assigned, creating concerns. This happens especially when a judge is unavailable or when there is a change of court jurisdiction. Court presidents need to follow the rule that any deviation from the random allocation of cases needs to be explicitly justified and transparently documented. The timely handling of several high-profile and sensitive cases remains a challenge. This is due to recourse to long adjournments, inadequate mechanisms to avoid excessive duration of cases, lack of effective remedy when trials' duration goes beyond a reasonable time, and insufficient management of cases.

During the reporting period, three prosecutors and one judge requested close protection from the police. Following the risk assessment, only one prosecutor was granted protection.

Accountability

While **codes of ethics** for judges, prosecutors and attorneys are in place, authorities must continuously ensure their effective implementation. Professional ethics is part of the initial training programme for judges, prosecutors and support staff.

The KJC established an Advisory Committee on Judicial Ethics and adopted a regulation on disciplinary proceedings against KJC Members. Both Councils continue to conduct **disciplinary procedures** against judges and prosecutors. The Councils should ensure strict and efficient proceedings in full compliance with the applicable legislation and the necessary procedural safeguards. While efforts are being undertaken, more is needed to ensure consistent and effective application of disciplinary proceedings against judges and prosecutors. For example, the KPC and KJC's communication strategy on proceedings should be further improved, training should be reinforced and the Law on disciplinary liabilities should be amended, to enable further specialisation of the investigation bodies. During the reporting period, the KJC established an electronic database to register all complaints and requests for initiation of disciplinary investigations as required by law.

By law, judges and prosecutors are obliged to **declare their assets** and gifts received, and to report any possible **conflict of interest** to the Agency for Prevention of Corruption. In 2022, all judges and prosecutors submitted the annual asset declarations on time (*see fight against corruption*).

Following the Venice Commission's June 2022 Opinion on the Concept Document on Development of the vetting process within the justice system of Kosovo, in September 2022 the government handed over to the Assembly responsibility for leading the process and the related file. The file contains, among others, draft constitutional amendments and a draft law on integrity checks. In December 2022, the Assembly established an ad hoc committee which finalised the constitutional amendments. Representatives of *Srpska Lista* do not take part in this committee, as they continue to boycott the Assembly's work. In March, the Speaker of the Assembly submitted the constitutional amendments to the Constitutional Court for review. Kosovo should fully align with the Venice Commission recommendations, including on the need to explore further alternative measures instead of a large-scale vetting. These should include, through legislative changes, the establishment of 'verification units' within the Councils, making more active use of judges' and prosecutors' asset declarations, ensuring that proper checks are made and that irregularities in asset declarations eventually trigger meaningful disciplinary actions. Integrity checks for high-level judicial institutions (in particular the Councils) could also be established. These are examples of possible measures that could effectively strengthen independence and accountability of the judicial system through targeted legislative changes. Kosovo should continue the dialogue on the next stages of the envisaged justice reform, both with the Venice Commission (including re-consulting on any constitutional and legislative changes regarding integrity checks), and with the European Commission. Consultations with all relevant internal stakeholders should also continue. Finally, any reform aimed at improving the quality and independence of the system should include mitigating measures to prevent any deterioration of efficiency across the judicial system.

Professionalism and competence

The Councils independently organise **recruitment procedures for judges and prosecutors**, based on merit-based criteria. Successful candidates are appointed by the President of the Republic for an initial three-year term, based on the proposals of the Councils. During the reporting period, the KJC initiated the recruitment process for 84 judges, including 12 positions for the Kosovo Serb

community. The President decreed 77 judges, out of which 3 are Kosovo Serb and 2 are Bosnian. Out of the reserved positions for the Serbian community, 5 positions remain unfilled. In June 2023, the President appointed the President of the Supreme Court. The KJC recruited a significant number of legal associates to support the work in the Basic Courts and certified 1 401 judicial experts. Any initiative in this regard should be properly coordinated among the relevant institutions. During the reporting period, the KPC initiated 2 recruitment processes for new prosecutors, which resulted in 29 candidates being appointed by the President. The general process of appointment and reappointment of judges and prosecutors after their initial term of office should fully respect the constitutional principles of the independent functioning of the judiciary and prosecution system.

The Councils are required to carry out **performance evaluations** of prosecutors and judges with a permanent mandate every 3 years. Both Councils have made efforts to regulate the performance evaluation process over the years. Despite this, issues remain, including the need to improve the regulatory framework's implementation and to increase managerial accountability. Further actions are needed to address poor performance by judges and prosecutors. Both Councils must ensure rightful and objective performance evaluations based on clear criteria.

A number of cases of femicide raised questions about the role of judges and prosecutors in the handling of cases of **domestic violence and gender-based violence**. As accusations of failing to protect victims and of justice actors' lack of accountability were widespread, the Ministry of Justice proposed changes to the Criminal Code and Criminal Procedure Code. These changes, however, need to ensure proper safeguards for those suspected or convicted of committing domestic violence and gender-based violence offences. The handling, prosecution and adjudication of cases is still inappropriate. Specialised prosecutors and judges have been appointed, but human resource shortages slow prioritisation. The duration of cases from when they are committed to when a verdict is reached is still long. In addition, victims are often not represented. Judges and prosecutors need further training to understand their role and assume responsibilities. In a landmark decision, in March 2023 the Constitutional Court confirmed the failure of state institutions to protect a victim of domestic violence.

Quality of justice

The Academy of Justice is responsible for delivering initial and in-service **training** for all legal professionals. The Academy's budget is insufficient, which affects the quality of human resources management and the quality of training. The total budget allocated to training initiatives at the Academy in 2022 amounted to EUR 687 156 (the budget per inhabitant was EUR 0.39, increasing from EUR 0.30 in 2020). The law on the Academy was amended in 2022, addressing the issue of independence and supervision of the Academy. Further in-service training is needed on ethics and integrity and professional skills, in particular in management, ICT/administration and the analysis of jurisprudence/case-law. Oversight and reporting lines of the Academy should be strengthened in line with European best practices.

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

On **jurisprudence**, Kosovo made further progress on the legal obligation for all courts to publish their judgments on an accessible and searchable web portal within 60 days. While there have been improvements in the publication of judgments, timely and consistent publication will need improved audit and internal control. In addition, although the Albanian-language versions are published, not all courts respect the requirement of the Law on languages to publish them in both official languages. The KJC has approved the publication of decisions of court presidents regarding complaints against judges by members of the public, as well as publication of the regular

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

In 2022, Kosovo had 443 full-time judge positions (155 women and 288 men), 24.4 per 100 000 inhabitants and 198 full-time prosecutor positions (82 women and 116 men), 10.9 per 100 000 inhabitants. According to the European Commission for the Efficiency of Justice (CEPEJ), the European averages are 22.2 judges and 11.8 prosecutors per 100 000 inhabitants. Kosovo still has a low percentage of **female** judges and prosecutors in comparison with most other European countries. The Commercial Court, functional as of August 2022, has now 18 appointed judges, as planned in total. In July 2022, 6 754 cases were transferred to the chambers of first instance of the Commercial Court and 1 342 cases to the chamber of second instance.

The number of **professional associates** in all Kosovo courts increased significantly in 2022, including a high number of female associates. The number of legal and administrative staff directly assisting judges and prosecutors remains a challenge in terms of efficiency and quality of staff and of human resources management. Human resources planning and management need to focus on the quality of legal and administrative staff rather than sheer numbers. A number of vacancies remain unfulfilled, as the Assembly did not approve the full request of the judiciary's budget for 2023.

The **budget approved for the judiciary** for 2022 was about EUR 48.9 million (an increase of 15.6% from 2021), equivalent to EUR 27 per inhabitant. An additional EUR 17.9 million were allocated to the probation and correctional services.

For **e-justice tools**, the Court Management Information System (CMIS) is implemented in almost all courts, including the Supreme Court, resulting in improved efficiency, accountability and transparency. In the recently established Commercial Court it is not yet in place⁴. Some courts still apply a manual registry of cases, although only for internal purposes and not as a parallel case registration system. Manual registration books are no longer allocated and will eventually be eliminated. The CMIS is planned to remain in a transition phase until May 2025, the ultimate aim being to ensure the system's optimal usage in all courts and prosecution offices. The KJC is in the process of developing an electronic file system for judges.

For the prosecution, implementing the CMIS remains a challenge. While formally all Basic Prosecution Offices are using the system, certain cases are still handled manually. Based on a decision of March 2023, the KPC introduced a new ICT/administration methodology to eliminate the manual handling of cases. Consistent use of the system should be encouraged by the management to ensure that the system is applied systematically and that the data entered is accurate. This is of particular importance in ensuring the reliability of the statistical data obtained automatically on the performance of the judiciary and prosecution (in line with CEPEJ recommendations and methodology). Administrative staff need further training to ensure consistent use and accuracy of data.

As a positive step, the National Centralised Criminal Records System (NCCR) was established and is accessible online since December 2022, enabling the public to apply and obtain certificates of criminal records online. However, the KJC and the courts need to ensure the system's sustainability, including the verification of data entered into the CMIS, so that only verified and

⁴ The CMIS is in use in the three tiers of the court system (Basic Court, Appellate Court and Supreme Court). One of the system's main features is the automatic assignment of cases to judges, based on predefined criteria approved by the Kosovo Judicial Council on 29 January 2020. The KJC amended criteria and introduced new ones, which have applied since 15 February 2023.

complete data about convictions is transferred to the NCCR. Once data quality is improved, the two IT systems will become interoperable. While the Law on NCCR is still with the Assembly, NCCR operates based on a regulation deriving from the Law on the Kosovo Judicial Council. There is a tracking mechanism for high-level corruption and organised crime cases, which currently includes 88 cases. (*See section on the fight against corruption*)

The **mediation system** is implemented by the KJC and KPC and has been operational since 2008. There is still a need for a monitoring and evaluation system to assess the overall impact of mediation services, the allocation and acceptance procedures, and the impact on the reduction of pending and backlog of cases. Both Councils have adopted internal regulations and protocols to support the mediation system, but they struggle with proper budget allocation. In 2022, the Basic Courts referred 5 887 cases to mediation and solved 2 426 cases, slightly lower than in 2021 (3 119 cases referred to mediation and 2 472 cases solved).

In 2022, the State Prosecutor and the prosecution offices solved 1 769 cases using alternative procedures, a decrease compared to 2021 (2 153). The number of licensed mediators remained the same, at 190 (67 women, 123 men), of whom 14 were from the Serb-majority municipalities. The mediation system needs strengthening; this can be achieved through full implementation of the Law on mediation and through the allocation of a sufficient budget. The Ministry of Justice has adopted two administrative instructions to improve the liberal professions system and increase the overall efficiency of the judicial system. The KJC published a protocol for referring appropriate civil cases to mediation.

Efficiency

The efficiency of the judicial system slightly improved. In 2022, the courts of first instance for civil/commercial, administrative and criminal cases received 63 229 new cases and the clearance rate was 76.06% (up from 70% in 2021). During 2022, the Supreme Court received 1 425 new cases, while the court solved 1 630 cases or 114% (99% in 2021). During 2022, the Court of Appeals received 13 075 new cases and solved 11 588 cases or 88% (71% in 2021). Out of 220 cases filed at the Constitutional Court in 2022 and 145 cases carried over from the last 2 years, the Court ruled in 184 cases. More challenging are the number of old cases (pending for over three years). At the beginning of 2022, there were 49 110 such cases, while at the end of 2022 the number stood at 58 240. As for the number of civil, commercial, administrative and other pending cases (first instance), during 2022, 144 014 cases, or 8 cases per 100 inhabitants, remained unresolved (up from 7 per 100 inhabitants in 2021). For the number of civil, commercial, administrative and other pending cases in appeal per 100 inhabitants, there were 15 050 cases during 2022, or 0.8 cases per 100 inhabitants (similar as in 2021).

In April 2023, the KJC approved a regulation for the work standards of judges, with the aim of increasing efficiency. The capacity of the judiciary and prosecution to handle cases in a timely manner remains limited, particularly in high-level corruption cases, with numerous defendants and complex evidence. Court adjournments could be avoided if the trial panels were more assertive in using the tools to sanction defendants and other parties for unjustified absences from hearings. There is, however, a continued increase in the percentage of productive court hearings (hearings held as scheduled and where progress is made towards adjudication) and an increased pace in the scheduling of court hearings.

The time taken for judgments (i.e. the average time from filing a court case to receiving a judgment) remains a cause for concern as this overall takes far too long. In 2022, the disposition time was 1 396 days for civil cases in first/second instance, and 953 days for administrative cases in first/second instance (in 2021 the figures were 1 339 and 426 days respectively). The average time for solving criminal cases in the General Department was 673 days, while for the Penal Crime

Department the average time was 740 days. For the Special Department the figure was 1 037 days.

These delays in proceedings, in combination with a preference for detention over alternative measures, have led again to cases of overly **long pre-trial detention**. During the reporting period, the Ombudsperson continued to receive complaints against courts and prosecutors over allegations of unjustifiable delays in judicial proceedings. The authorities need to consider introducing an effective judicial legal remedy to address such delays, including compensation. The authorities also need to ensure proper managerial follow-up on the deadlines, including reacting to delays with proper and timely managerial action.

To further improve the quality and efficiency of the judicial system, judges, prosecutors and support staff should make full use of the CMIS and related training. In addition, monitoring and evaluation of courts' activities and giving judicial systems adequate funding and qualified human resources need to be a priority. The revised Criminal Procedure Code, which entered into force in February 2023, addresses shortcomings in criminal proceedings that detracted from the functioning of the justice system. The Code allows online court hearings under exceptional/objective circumstances (epidemics and natural disasters) and codifies the practice allowing parties to agree on considering previous testimonies as read in the records. The **sentencing policy** on organised crime and corruption continued to be erratic. Courts are still not systematically implementing the Supreme Court's 2018 sentencing guidelines, even though the Court established a committee to monitor its implementation.

The KJC designed and developed advanced statistical reports using the CMIS. These reports include CEPEJ indicators for measuring and evaluating judges and court performance. They provide a wide range of data, including the number of pending cases, age of pending cases, number of resolved cases, length of procedures and number of sessions held per solved cases. Continuous efforts are needed to produce and analyse reliable **statistical systems** and to use the findings for management and policy-making purposes.

Domestic handling of war crime cases

The government has put forward measures to strengthen domestic institutional mechanisms dealing with war crimes. The amendments to the new Criminal Procedure Code on the applicable procedure of trial *in absentia* for war crimes are in line with Venice Commission recommendations.

Kosovo continued to implement its war crime strategy, although with limited results given the lack of resources and lack of effective international and regional cooperation. In 2022, the Kosovo Police arrested 5 individuals suspected of war crimes and initiated 19 new investigations. The number of war crime-related cases adjudicated during 2022 was 15. Out of these cases, most judgments were later either sent back for retrial or significantly modified in appeal. Significant obstacles remain in the proper adjudication of war crime cases. More broadly, concerns remain about the willingness to hold former Kosovo Liberation Army members accountable in war crimes cases.

During the reporting period, the Kosovo Police arrested five individuals suspected of war crimes. The relevant court issued a decision ordering detention on remand for all five suspects. The Special Prosecution Office of Kosovo (SPRK) started investigations against 62 people, expanded investigations against 39 and re-started investigations against 71. Seven cases were solved. Also, the SPRK indicted four individuals on war crime charges, while three were convicted based on indictments filed before 2022.

Despite the increase in assigned prosecutors (from three to four), the War Crimes Department of the Special Prosecution Office continues to struggle in processing the workload. There are over

1 000 war crimes cases pending, mainly inherited from the European Union Rule of Law Mission in Kosovo (EULEX) in 2018. There is a need for continuous training and support staff, in particular on cooperation between police and the prosecution. Mutual legal assistance between Kosovo and Serbia in war crimes cases remains difficult. Cooperation with the UN International Residual Mechanism for Criminal Tribunals in The Hague is good.

The Kosovo Specialist Chambers and Specialist Prosecutor's Office continued to investigate and prosecute violations of international law. During the reporting period, pre-trial preparations in two cases were completed and trial proceedings started, including the case against the then President of Kosovo and another case involving a former Kosovo Liberation Army member. In one other case, the Chambers found a former member guilty of torture, arbitrary detention and murder and sentenced him to 26 years of imprisonment. The verdict was appealed. It is essential that Kosovo institutions provide full cooperation with the Specialist Prosecutor's Office and Specialist Chambers, enabling them to fulfil their mandate in full independence, without any outside interference. Kosovo has put in place a fund that dispenses legal aid to the accused at the Kosovo Specialist Chambers, as well as financial support to their families, without any proof of financial needs. However, no financial support has so far been made available for victims who have been found by the Kosovo Specialist Chambers to have suffered as a result of war crimes and crimes against humanity. The Kosovo Specialist Chambers has issued a first reparation order to victims. It is therefore not clear how the victims will be compensated in the absence of funds from the accused or a fund by Kosovo for this purpose. It is key that Kosovo addresses this inequality of treatment.

The Government Commission on Recognition and Verification of the Status of Survivors of Sexual Violence during the Conflict continued its work. Since the beginning of the process in February 2018, this Commission has received 1 939 applications. Of these, 1 473 applicants had their status recognised (1 402 women and 71 men), while 283 requests were rejected (247 women and 36 men). During the reporting period, the Commission received 249 applications: 356 applicants had their status recognised (332 women and 24 men) while 50 applications were rejected (43 women and seven men). As of February 2023, the Commission could not accept new applications due to the deadline set by the law. Although the government approved the request to extend the deadline and the respective draft, as of March 2023 this is still pending approval by the Assembly. The draft law approved by the Kosovo government makes provision for extending the Commission's mandate by another 3 years despite appeals by civil society calling for an indefinite mandate. The law's timeframe still excludes those who suffered conflict-related sexual violence after 20 June 1999. The government assigned 14 April as a memorial day for survivors of sexual violence during the war as an acknowledgment of their pain and suffering.

The unresolved fate of **missing persons** who disappeared during the conflicts of the 1990s remains a key issue to be solved in the Western Balkans. The Kosovo authorities conducted 16 exhumations and officially identified 6 people in 2022. As of April 2023, there were still 1 621 missing persons as a result of the conflict.

The adoption of the **transitional justice strategy** is still pending. The Assembly adopted the law to establish an Institute for crimes committed during the war in Kosovo. This initiative has replaced the initiative on a truth and reconciliation commission. The Government Commission on Missing Persons within the Office of the Prime Minister took over the leading role in the working group to amend the Law on missing persons. Civil society remains actively engaged in truth-seeking, reconciliation and memorialisation initiatives.

In the context of the EU-facilitated Dialogue, the Parties agreed on and endorsed a joint Declaration on Missing Persons at a High-level Dialogue meeting in Brussels on 2 May 2023, committing to improving Kosovo and Serbia's joint efforts towards resolving the outstanding cases

of missing persons from the Kosovo conflict. Work is ongoing to establish the Joint Commission that will monitor the implementation of this Declaration. During the reporting period, a number of **field operations and exhumations** were carried out in Kosovo. Four of them included the participation of forensic experts from Serbia, which is a positive development. There has been no session of the ICRC-led Belgrade-Pristina Working Group on Missing Persons since April 2021, as the Kosovo delegation refuses to hold meetings until the Serbia delegation changed its head. Nonetheless, lower levels of the mechanism (sub-working group on forensic issues analytical team and one meeting on unidentified bodies) have continued to work on specific cases and sites. Both the Kosovo and Serbia delegations have shown interest in resuming excavations at the Stavalj mine complex in summer 2023. From June 2022 until March 2023, the combined efforts of EULEX and local forensic experts resulted in 34 field operations and 12 exhumations. Some 12 sets of remains were recovered, representing a minimum of 12 individuals. Eight individuals were identified, of which three were on the list of missing persons. A total of 21 individuals were handed over to the families and 74 DNA samples were sent for analysis.

Fight against corruption

Kosovo is **in between an early stage and some level of preparation** in fighting against corruption. During the reporting period, Kosovo made **limited progress**. Kosovo adopted a new regulatory framework on auditing political parties and campaign financing. A lot remains to be done to implement the recently adopted anti-corruption legislation, including the Law on the Agency for Prevention of Corruption, the Law on asset declaration and legislation on political parties and campaign financing. The legal framework on criminal confiscation is fairly advanced, including the Law on extended powers of confiscation. However, the law remains largely unimplemented and the value of finally confiscated assets remains low. The Law on the State Bureau for Verification and Confiscation of Unjustified Assets, which aims to introduce a system of non-conviction-based confiscation, is pending before the Constitutional Court. Sustained efforts are needed to have more proactive investigations, final court decisions and final confiscation of assets. Accessory punishments prohibiting the exercise of public functions or other professions, in particular for those convicted of corruption-related offences, are not sufficiently enforced. Despite improvement in the performance of the Agency for Prevention of Corruption, the anti-corruption preventive tools laid down in the legislation are not yet fully implemented, in particular the adoption of integrity plans in public institutions, legislation ‘proofing’, risk assessments, and the practical use of whistle-blower procedures in the public and private sectors. Overall, corruption remains an issue of serious concern. There is a need for a robust criminal justice response to high-level corruption cases. In this regard, the removal of the Head of the Kosovo Police Special Investigative Unit is a cause for concern, sending a negative signal about Kosovo’s commitment to fight corruption. The Commission’s recommendations from last year were only partially met, and therefore remain valid. In the coming year, Kosovo should in particular:

- further strengthen the capacity of the Agency for the Prevention of Corruption in terms of staff and expertise, to ensure it can effectively carry out its mandate; relevant institutions should adopt and implement integrity plans and whistle-blower internal procedures (including in the private sector);
- further strengthen the efficiency of the criminal confiscation regime; promote systematic use of extended and ‘regular’ confiscation by criminal prosecution and police; increase the level of specialisation/expertise in seizure and confiscation of assets; establish a confiscation fund;
- further strengthen law enforcement and prosecution as well as multidisciplinary cooperation and a target-based approach to ensure proactive investigations, and effectively

combat high-level corruption cases; systematically conduct financial investigations during the criminal investigations; ensure the security of judges and prosecutors.

Track record

Kosovo continued to make efforts on its track record of **investigations, prosecutions and convictions** in the fight against corruption. However, more political will and resources are necessary, in particular to tackle high-level corruption. These efforts should continue, and the Commission will continue to monitor development. By the end of the reporting period, the track record mechanism for visa liberalisation, established in 2015 to monitor and coordinate **high-level corruption and organised crime cases**, included 88 cases in total. By that time, there had been 75 indictments: 33 organised crime cases (involving 320 individuals) and 42 corruption cases (involving 310 individuals). Of these, 22 cases ended in convictions/partial acquittals, leading to the conviction of 22 individuals for corruption-related offences and 66 for organised crime-related offences. At present, the track record mechanism includes only the cases selected in the context of visa liberalisation benchmarks. However, in the future it is expected that the track record will cover all high-level cases relating to organised crime and corruption.

During 2022, the Agency for Prevention of Corruption handled some 619 cases under preliminary investigation for suspicion of corruption-related offences. Of these, 267 reports were submitted to prosecution and police to initiate criminal proceedings, including 4 cases delegated to other institutions (Police Inspectorate, Medical Inspectorate and Education Inspectorate). In addition, 6 cases were transferred to competent administrative bodies with a request to initiate disciplinary proceedings. 267 cases were terminated, and 65 cases are ongoing.

In 2022, 4 687 of the 4 748 officials (98.72%) obliged to submit regular annual **declarations of assets** did so on time, while 61 (or 1.28%) officials did not meet the deadline (51 officials declared after the deadline, and 11 did not declare at all). The Agency for Prevention of Corruption performed a full assets control procedure for 973 officials. The checks were mainly done through random selection, but for 41 officials based on the Agency's own information or reports by members of the public. As a result of the full control of assets, around 180 officials are being investigated for having made a false declaration or for failure to declare assets. 178 cases were referred to prosecution and police for further investigation. There were 38 court decisions in 2022, of which 37 convictions and a single acquittal. Shortcomings persist in the system for declaring and assessing the origin of property belonging to senior public officials. The Agency's staffing, IT resources and training capacities should be increased. An electronic declaration system came into operation, simplifying the declaration and submission process and increasing transparency and accuracy in monitoring and verification. Cooperation and exchange of data should be strengthened with the police, the Tax administration, the Financial Intelligence Unit, the cadastral registry and municipal authorities.

In 2022, the Agency handled 233 cases of suspicion of **conflicts of interest**. The number of requests of institutions submitted to the Agency for advice and opinion on conflicts of interest doubled from the previous year. The Agency provided advice and opinions in 129 cases. Conflict of interest was avoided in 49 cases, while 34 cases resulted in non-existence of conflict, a single case was forwarded to the competent court, and 4 cases were referred for preliminary investigation.

In 2022, the Agency handled 218 cases related to the monitoring and prevention of corruption in public procurement activities. These resulted in 211 opinions being issued, out of which 162 opinions were respected and 49 were not. Some 33 cases were submitted for preliminary

investigation, and 7 cases terminated.

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

In 2022, the value of assets frozen, sequestered and confiscated amounted to about EUR 21.4 million (EUR 14 million in 2021) while the value of final confiscated property was around EUR 670 000 (EUR 770 000 in 2021). The Agency for the Management of Sequestered and Confiscated Assets (handling more than EUR 1.5 million in various assets in 2022) continues to struggle to manage the assets in its portfolio. This is partially due to the courts not allowing the anticipated sale of assets pending proceedings and partially due to the Agency's set-up. The value of assets sold in 2022 was about EUR 36 000, which is less than in 2021 (about EUR 52 000). The government approved the concept document on the establishment of a confiscation fund, which would allocate confiscated funds in part to law enforcement, prosecution and courts, and in part to social projects.

Kosovo adopted a new regulatory framework on **auditing political parties and campaign financing**. The aim of the framework is to ensure complete reporting, timely disclosure, meaningful oversight and accountability for irregularities. The power to conduct the auditing was shifted from the Assembly to the newly established Office for Registration, Certification and Financial Control of Political Entities under the Central Election Commission (CEC). This Office has operational independence in performing monitoring and financial control of political entities. It has powers to receive financial annual reports and campaign funding reports, to hire external auditors to conduct the auditing, and to issue annual reports which form the basis for Parliament's allocation of public funds to political entities. During the reporting period, the Chairman of the CEC appointed the Director of the Office. In recent years, the Assembly has not regularly conducted audits, and the CEC applied selective sanctions, which resulted in incomplete oversight of campaign finance. There is limited awareness and compliance with campaign finance rules. Most political entities did not establish internal financial control rules, and numerous sources of income and expenditures remain unreported.

Institutional framework

Interinstitutional coordination and cooperation between preventive anti-corruption institutions and law enforcement entities are key to implementing anti-corruption legislation.

Prevention measures

The competences of the **Agency for Prevention of Corruption** include the verification and control of asset declarations and gifts, dealing with whistle-blowing and the prevention of conflicts of interest. A law reorganising the competences of the former Anti-Corruption Agency was adopted in July 2022 with a view to strengthening its mandate. Specifically, the Agency has powers to implement tools such as corruption proofing, corruption risk assessment and integrity plans in public institutions, which should be adopted without delay. The Agency also has powers to initiate administrative investigations and impose sanctions. Its performance overall reflected progress as it became more operational and conducted an increased number of inspections. The Agency also launched an awareness-raising campaign on its mandate and competences. However, it is essential to strengthen its staffing capacity and expertise, and to increase its budget in order to fully and effectively fulfil its mandate and fulfil its new powers,

including checking asset declarations and implementing the new anti-corruption prevention tools.

There is a continuous need to promote the drafting and adoption of **integrity plans in the public service** as a tool for preventing corruption and ensuring discipline, including at municipal level. Under the new law on the Agency, central administration bodies, independent agencies and municipal authorities are required to adopt integrity plans and appoint the official responsible for managing the integrity plan's preparation and implementation. This should be implemented without delay.

Law enforcement

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

There are concerns that the accessory punishment of prohibition from exercising public functions or other professions (as provided for in the Criminal Code and the Law on execution of criminal sanctions) is not being applied, in particular for those convicted of corruption-related offences. There are inconsistencies and a lack of standardised practice in enforcement, and staff (administrative staff, judges or prosecutors) lack willingness or understanding of the concept of accessory punishments and of their responsibilities when applying such punishments.

The Kosovo Police's Special Investigation Unit, the successor of the Special Anti-Corruption Task Force abolished in 2020, continued to operate with the same chain of command and under a temporary legal mandate. The government needs to ensure its sound legal and organisational structure and that it cooperates effectively with the Prosecution Service. The ongoing reform of the police's organisational structure should ensure that the Special Investigation Unit maintains sufficient investigation capacity to efficiently fulfil its functions. The Head of the Unit was removed from this position in order to be appointed to another post this year. This change is a cause for concern. It is essential that the integrity of ongoing investigations is preserved and that the Kosovo Police's investigative capacities on anti-corruption are independent and impartial.

Following the restructuring of the Special Prosecution Office in 2020, its capacity increased with the recruitment of prosecutors, professional associates and translators. It is essential to increase the level of specialisation and expertise on prosecuting high-level corruption and financial crimes. In 2022, the total number of indictments was 236 (147 in 2021), while the total number of sentencing decisions was 29 (122 in 2021). A new law on the Special Prosecution Office is pending before Parliament. The law clarifies the scope of jurisdiction between the Special Prosecution and the Basic Prosecution on the adjudication of the investigations and prosecution.

The special departments in the Basic Court of Pristina and the Court of Appeals, which handle all cases of the Special Prosecution Office, solved 85 cases in 2022 (42 cases by the Basic Court

and 43 by the Court of Appeals) and an additional 45 cases in 2023 (25 cases by the Basic Court and 20 cases by the Court of Appeals).

Legal framework

Owing to status-related issues, Kosovo is not party to international anti-corruption conventions such as the UN Convention against Corruption and the Council of Europe's Criminal Law Convention on Corruption. Nevertheless, Kosovo's legislation is generally aligned with these instruments and in line with relevant European standards.

In July 2022, Kosovo adopted new **anti-corruption legislation**: the new Criminal Procedure Code, the Law on the Agency for Prevention of Corruption and the Law on asset declaration. The new law on the Criminal Procedure Code aims at strengthening criminal proceedings. The anti-corruption legal framework introduces, among other novelties, the suspension of officials from duty as a preventive measure in case of obstruction of proceedings. The new Law on the Agency for Prevention of Corruption strengthens the Agency's mandate on the prevention of corruption and in the implementation of the Asset Declaration Law, the Protection of Whistle-blowers Law and the Prevention of Conflicts of Interest Law. The Agency has been given new tools to prevent corruption; these include corruption proofing, corruption risk assessments and monitoring of integrity plans in the institutions. The new Law on asset declaration adds new categories of public officials obliged to declare assets. It also includes more complete asset information and data to be declared by officials, increases the number of officials under the Agency's full control and introduces an online system for asset declarations. Effective implementation remains largely pending.

The legal framework on criminal **confiscation** remains fairly advanced. The Law on the State Bureau for Verification and Confiscation of Unjustified Assets, which aims to introduce a system of non-conviction-based confiscation, is pending before the Constitutional Court. Such an advanced system requires clear safeguards against possible misuse and abuse and should respect the principles enshrined in the Constitution and fundamental rights. Moreover, such a system should not replace or undermine the application of the existing legal framework on criminal confiscation, including the Law on extended powers of confiscation.

The legal framework on **money laundering** is still not sufficiently implemented. Although the law does not require proof of a predicate offence to retain a conviction, many prosecutors and judges continue to consider a predicate offence an essential part of money laundering offences. As a result, many stand-alone money laundering cases are dismissed either by the prosecution or by the court. The legislation on prevention of money laundering and combating terrorist financing needs to be fully harmonised with the 4th and 5th EU Directives and recommendations of the Financial Action Task Force (*See also Chapter 4 on the free movement of capital and the section on organised crime*).

The legal framework on the prevention of **conflicts of interest** is in place since 2018 but still needs to be fully implemented. The Agency for the Prevention of Corruption continues to try to identify officials holding multiple positions in breach of the law. Kosovo has no specific legislation on lobbying.

The Law on the **protection of whistle-blowers** aims to align the national framework with the EU legislation. Implementing legislation determining the procedure for receiving and handling whistle-blowing cases is in place. Strengthened whistle-blowing mechanisms and protection requirements still need to be implemented in the public and private sectors.

The Assembly adopted amendments to the **legal framework on political parties and election campaign financing** in line with the Venice Commission Opinion. These need to be

implemented promptly to ensure more accountable, transparent and enforceable party and campaign financing. One remaining element missing in the law is the requirement for interim reporting of the income and expenditure of contestants during the campaign period.

Strategic framework

The rule of law strategy and action plan include specific measures to improve the institutional framework against corruption, as well as the assets declaration system and regulations on accepting gifts. Since 2018, Kosovo has no anti-corruption strategy in force. The government established a working group to draft a strategy and action plan against corruption. The Judicial Council adopted a 2022-2025 strategic plan for the efficient resolution of cases of corruption and organised crime.

Fundamental rights

In general, the legal framework guarantees the protection of fundamental rights and is in line with European standards. During the reporting period, Kosovo adopted the Law on the Kosovo Property Comparison Verification Agency and set up a protocol for the treatment of sexual violence cases. The capacity of the authorities to monitor implementation of fundamental rights policies and legislation has improved and the rate of implementation of the Ombudsperson's recommendations increased. The Parliament adopted the Law on prevention and protection from domestic violence, violence against women and gender-based violence. Despite these positive developments, additional efforts are needed to enforce fundamental rights effectively. The government's capacity to streamline and oversee fundamental rights issues requires further improvements, including in coordinating mechanisms to protect human rights, gender equality and non-majority communities, at both central and local levels. Fundamental rights issues need to feature higher on the political agenda and consequently more human and financial resources should be allocated to relevant institutions. Kosovo must continue its efforts to ensure equal access of persons with disabilities to institutions, quality services, employment and education. More efforts should be made to implement the process of verification of university diplomas from the University in Mitrovica North and extend this process to high school diplomas, to ensure language compliance in both official languages and to ensure that the representation quota for all non-majority communities is respected in public institutions. There was no progress on implementing the Constitutional Court decision on the Dečani Monastery.

The Commission's recommendations from last year were only partially met and therefore remain valid. In the coming year, Kosovo should in particular:

- reinforce the protection of women's civil and fundamental rights by adopting the Civil Code, by implementing the Law on prevention and protection from domestic violence, and by strengthening the implementation of the Law on gender equality and the strategy on gender-based violence;
- strengthen the protection of the rights of the child by adopting all the sub-legal acts of the Law on child protection as a matter of urgency and reinforcing capacities to implement the law;
- improve implementation of legislation on the rights of non-majority communities, adopt the strategy for protection and promotion of the rights of communities, adopt the law on cultural heritage and the law on religious freedom, re-establish relations with the Serbian Orthodox Church and implement the Constitutional Court decision on the Dečani Monastery.

International human rights instruments form an integral part of Kosovo's legal framework and are directly applicable, as provided for in the Constitution. Kosovo continued to align its

legislation with these instruments and maintained its practice of ad hoc reporting. Implementing human rights legislation and overseeing and coordinating existing human rights mechanisms remain a challenge. In general, human rights issues still do not feature high enough on the government's political agenda.

The 2021-2025 programme for the protection and promotion of human rights and fundamental freedoms and its action plan are the main human rights instruments. The two main mechanisms responsible for monitoring the implementation of the programme are: (i) the Inter-Institutional Coordination Group on Human Rights led by the Deputy Prime Minister for Minority Issues and Human Rights; and (ii) the Office for Good Governance within the Office of the Prime Minister (OGG/OPM). In March 2023, the OGG/OPM issued several monitoring reports, including on the implementation of the human rights programme. Some progress in implementation was noted, with activities without progress predominantly relating to health, well-being and environmental protection. Furthermore, a human rights indicators framework was developed for the first time for each mandatory right laid down in the Constitution and in legally binding international acts.

The government's Inter-institutional Coordination Group on Human Rights held its constitutive meeting in June 2022 but met only once more in June 2023. The aims of the DPM for Minority Issues and Human Rights, the Assembly's Committee on Human Rights and the Council for Democracy and Human Rights under the Presidency, are to effectively implement and streamline human rights policies and legislation. In practice, there seems to be insufficient synergy between them. The OGG/OPM was active in trying to fulfil its broad mandate, but continuously lacks appropriate human, financial and administrative resources, while its performance remains reliant on donor support. The Assembly needs to take a more proactive role in overseeing the implementation of human rights legislation.

The Ombudsperson Institution continues to play a significant role in the **promotion and protection of human rights**. During the reporting period, an electronic system for monitoring implementation of its recommendations was established, as well as a joint team for their coordination and monitoring. The latter includes the OGG/OPM, the Ombudsperson Institution and the Gender Equality Agency. After a lengthy delay, the process to select the fifth deputy Ombudsperson from the non-majority communities was finalised in June. The Parliament also finally approved the Ombudsperson's 2021 annual report in January 2023. More systematic tabling of review of the annual reports and selection of deputies in the Assembly are needed to avoid such delays. Although the institution has progressively expanded its responsibilities, it was not provided with matching financial and human resources. Nevertheless, the Ombudsperson still enjoys broad public trust. In 2022, the Ombudsperson received 1 595 complaints, of which 672 were opened for investigation, a level comparable to the previous year. The institution issued 646 recommendations. The total rate of implementation stands at 23%, while 46% of recommendations issued in 2021 had been implemented as of the end of 2022. This denotes increased responsiveness on the part of Kosovo's institutions, which needs to be further strengthened. The institution has taken a proactive approach to addressing complaints from residents of the north of Kosovo regarding the expropriation of privately owned land.

The Kosovo authorities continue to show commitment to preventing **torture and ill-treatment**. The National Preventive Mechanism (NPM) operates under the umbrella of the Ombudsperson Institution. In 2022, the National Preventive Mechanism conducted 62 unannounced visits in places of detention, including psychiatric and social care institutions (the same number as in 2021) and published 8 reports. Overall, it addressed 38 recommendations to the authorities (against 11 in 2021); 10 were already fully or partially implemented. The

NPM enjoyed very good cooperation with the institutions visited but reported one case where it was denied access. No case of torture or mistreatment of prisoners was reported during the reporting period. There were reports of alleged ill-treatment during the arrest of four Kosovo Serbs in relation to their alleged involvement in the violent events of 29 May in Zvečan/Zvečan. The Police Inspectorate registered 14 cases of suspected ill-treatment by police officers (11 the previous year); all cases were referred to the prosecution. One police officer was arrested and suspended. The Ombudsperson received 6 complaints against officers of the Kosovo Police over excessive use of force; which led to the opening of 3 investigations.

While the **prison system** broadly complies with the UN Standard Minimum Rules for the Treatment of Prisoners and with the European Prison Rules, some challenges remain. Further efforts are needed to safeguard the rights of prisoners, especially among women and girls and non-majority groups. The Law on the Correctional Service and the Law on the execution of criminal sanctions were adopted in July 2022. Under the latter, the official for prisoners' rights within the Ministry of Justice's Office for Human Rights is tasked with monitoring their protection. A number of regulations are yet to be adopted to ensure implementation of these laws. The Institute for the Treatment of Persons (prisoners) with Special Needs was established on the premises of the Dubravë/Dubrava correctional centre. Several management posts in the Correction Service remained vacant or with an acting manager, hampering the functioning of this service. A total of 3 163 alternative measures to detention were imposed during the reporting period, about half of which for juveniles. No overcrowding of existing facilities was reported by the NPM. Efforts to improve drug treatment programmes and prison medical facilities are ongoing. The agreement for transferring prisoners from Denmark to Kosovo is pending ratification by the Assembly of Kosovo.

On **personal data protection**, the laws in force are broadly in line with the EU General Data Protection Regulation and the Law Enforcement Directive. The Information and Privacy Agency oversees the implementation of the Law on personal data protection and the Law on access to public documents. The Agency has shown itself to be independent and continued to improve its capacity. It further strengthened the legal framework by adopting regulations and guidelines on the organisation, systematisation and operational procedure for controllers and inspections. Although restrained by limited budget and human resources, the Agency is processing complaints on access to public documents and on data protection in an independent and efficient manner. During the reporting period, the Agency conducted 44 inspections on its own initiative and 51 inspections based on complaints, and issued 66 decisions on violations of the Law on personal data protection, maintaining similar standards as the previous year. It issued 8 fines. Challenges remain concerning the implementation of the Agency's decisions by public and private institutions. On **access to information**, legislation is broadly in line with EU standards. The Agency needs to step up its capacity to monitor transparency levels among public institutions. In 2022, the Agency reported that public institutions received a total of 4 481 requests for access to public documents (7 561 in 2021). Among them, 154 were rejected (95 in 2021).

On **freedom of thought, conscience and religion**, there are legal provisions, mainly in the Constitution and the Law on freedom of religion, intended to promote religious tolerance and provide for the separation of religious communities from public authorities. A new draft law on religious freedom underwent consultation and was reviewed by the Venice Commission. It is expected to address one important gap by enabling registration of religious communities as legal entities. However, while the government adopted the draft law in January 2023, it remains pending before Parliament. Relations between the government and the Serbian Orthodox Church remained poor. This year marked the seventh anniversary of the Constitutional Court

decision confirming the ownership rights of the Visoki Dečani Monastery of the Serbian Orthodox Church over a portion of land surrounding the monastery. The decision has still not been implemented and this should be done without further delay.

The Kosovo Assembly approved a working definition of antisemitism as defined by the International Holocaust Remembrance Alliance. The Jewish community does not have a synagogue. However, the construction of a Jewish Cultural Centre in Prizren began in 2022 with the support of the government. Efforts need to be made to promote Holocaust remembrance, education and research.

Freedom of expression

The media environment in Kosovo remains lively and pluralistic, and the legal framework is mostly in line with European standards. In this area, Kosovo has **some level of preparation**. **Limited progress** was made in addressing the recommendations of the previous report. Concerns remain regarding physical attacks and threats, public smear campaigns and hate speech directed against journalists. Not all threats against journalists and media are reported to the authorities, although 2022 noted a slight increase in number of reported cases. Particularly concerning is freedom of expression in the north of Kosovo, including with regard to self-censorship and the security of journalists and media professionals. There was no progress on amending the Law on the radio and television of Kosovo or on amending the Law on the Independent Media Commission to align it with the EU's Audiovisual Media Services Directive. This process needs to be transparent and inclusive, with involvement of media actors and civil society. The lack of financial self-sustainability leaves the media vulnerable to political and business interests. This is further amplified by the lack of information and data on the final beneficiary of media ownership – provisions on this are still not enshrined in law. The decision to withdraw the business licence of a major private broadcaster has raised serious concerns. The Commission's recommendations from last year were not met and therefore remain valid. In the coming year, Kosovo should in particular:

- improve the institutional cooperation and response of key institutions to attacks against journalists and other forms of undue pressure, including by enhancing the prosecutorial, judicial and law enforcement authorities' capacity to handle cases concerning the right to freedom of expression and information;
- review the Law on radio and television to ensure sustainable funding preserving its independence; review the Law on the Independent Media Commission to update its powers, including regarding audiovisual media, in line with the Audiovisual Media Services Directive;
- increase the availability of data on the audiovisual market, especially on media ownership.

Intimidation of journalists

In 2022, the Association of Journalists in Kosovo (AJK) reported 33 cases of intimidation, threats and attacks against journalists and other media professionals, an increase on the 29 cases reported in 2021. Out of these, 19 cases were classified as threats and harassment against physical persons (journalists), eight were physical attacks, and six were attacks against media, media organisations and/or journalist associations. More than half of the cases of attacks against journalists targeted women journalists. During the reporting period, the Directorate for the Investigation of Serious Crimes registered 32 cases of physical attacks against journalists, qualifying 12 cases as intimidation, seven cases as assault, one as bodily injury, and one as

arson. The Kosovo Prosecutorial Council's statistics show that 14 cases of incitement of attacks and threats against journalists are ongoing, with nine cases solved. In several instances, public officials, including high-level officials, made derogatory statements and smears and used intimidating language against journalists.

With the setting up of roadblocks and increased political tension in the north of Kosovo, a series of attacks targeting Albanian-language media professionals and journalists occurred. The AJK and journalist associations condemned the attacks and called on the Kosovo Police, KFOR and EULEX to provide security for journalists and media professionals. They also called for swift and thorough investigations. During May and June 2023, an unprecedented number of attacks against journalists and media professionals were recorded. The AJK recorded over 30 attacks, including physical assault, damage to equipment and vehicles.

During the reporting period, AJK reported one case of strategic litigation against public participation lawsuits (SLAPP) filed by a public figure against journalists. Handling of cases remains slow, and lenient sentences have been handed down in cases adjudicated. The AJK advocates for the crime case database to include reference to the profession of victims so that cases against journalists can be identified. Kosovo prosecutorial and judicial authorities undertook measures to address crimes against journalists by appointing specialised prosecutors and judges. They have set the collection of statistics and the prioritisation of these cases as an objective in the 2022-2024 strategic plan for the prosecutorial system.

Legislative environment

Kosovo's legal framework guarantees freedom of the media and freedom of expression. In general, relevant laws are in line with international standards. Kosovo ranked 61st in the 2022 World Press Freedom Index, 17 places higher than in the previous year.

No steps were taken towards adopting the draft law on the public broadcaster/ Radio Television of Kosovo (RTK) proposed in 2018. Similarly, the draft law on the Independent Media Commission, harmonised with the 2018 EU Audiovisual and Media Services Directive, is still pending before the Assembly. The Law on protection of journalists' sources is yet to be aligned with European standards. The Law on the protection of whistle-blowers aims to align with EU *acquis*, but whistle-blowing mechanisms and protection requirements still need to be strengthened and effectively implemented.

Despite improvements in the implementation of laws relevant to access to public documents, journalists still encounter some obstacles, in particular due to delays or denials of access by public institutions, including the government. Lack of language compliance by public institutions in their communication with the local media continues to be concerning, mainly for Serbian-language media. Some local media occasionally report that certain political parties and public institutions engage in discriminatory selection when inviting media to their official events. Public institutions do not consistently provide relevant and complete information in official languages. Violations of the law on official languages were noted in several other instances, such as a public media outlet's failure to air the press conference of government members in the Serbian language. The Assembly has continued to fail to provide translation into Serbian during plenary sessions.

Implementation of legislation/institutions

Implementation of existing legislation remains insufficient. During the reporting period, the Independent Media Commission (IMC) was largely dysfunctional due to the lack of quorum, including in the Media Appeals Board. The IMC Board has not been functional since March 2021, as the mandate of one of the members expired and the Assembly failed to appoint a new

member until May 2023. The Press Council is effective in implementing the Press Code for online media.

Public service broadcaster

The Radio Television of Kosovo (RTK) Board is not involved in the legislative revision process for the draft law on RTK. The RTK's budget allocation remained below the legally specified amount in the Law on budget appropriations, prompting RTK to assess possibilities for participatory financing and a reorganisation of its internal structure. Civil society and opposition political parties criticised the appointment of the RTK Director of Albanian-language channels due to alleged ties with the ruling party. Additionally, the artistic community and civil society saw the signing of a contract between RTK and the Ministry of Culture, Youth and Sport as unfavourable to RTK's editorial independence.

Economic factors

The media sector in Kosovo suffers from a lack of transparency in ownership and financing and a lack of financial self-sustainability, making it vulnerable to political influence and financial pressure. The public broadcaster is financed through the public budget, while private media rely on advertising as their primary means of revenue. Government advertising on private media is no longer permitted. Media registered as NGOs continued to receive support from donors. The non-majority media in Kosovo rely on short-term projects and donor support. Lack of data on the advertising market and media ownership structures, especially for online media, remains a concern. There is lack of transparency on media market share, with some mainstream media publishing individual viewership surveys with significant discrepancies in the respective results. In June, the Kosovo Business Registration Agency suspended the business licence of Klan Kosovo, one of the main private media outlets. Such action may have a negative impact on the state of freedom of the media in Kosovo.

Internet

There is no restrictive legislation on the functioning of the media online or on freedom of expression online, and no restriction was noted during the reporting period. Kosovo should consider developing a strategy for a better internet for children, including facilitating the detection of and response to online child sexual abuse. Slight progress is noted with the approval of the Administrative Instruction that lays down measures to protect children from pornographic content and other inappropriate content. Online threats and sexual harassment against women and girls are widespread, with no prevention or redress mechanisms.

Professional organisations and working conditions

Journalists in private media continue to work on short-term contracts, or without contracts, unlike public service media journalists, who enjoy longer contracts. The lack of professional security and the relatively uncertain employment and economic situation of journalists creates conditions for abuse and restrictions. According to the AJK, although there is no indication of discriminatory contracts or salaries against women, those working in the private sector still face obstacles to enjoying their rights, including to maternity leave. Further, fewer women have access to managerial positions than men. There is no trade union representative body for journalists in the private sector, while the public broadcaster is the only media that has a trade union.

The AJK is a non-governmental organisation with the mission of promoting, encouraging and improving quality and open journalism in Kosovo, as well as improving the position of journalists in general in Kosovo society. The association contributed to the Journalists-in-Residence in Kosovo programme, under which Kosovo offered a safe space for 20 Ukrainian

journalists, most of them women. In December 2022, the programme was expanded following the government-approved decision to also host journalists from Afghanistan. Currently Kosovo is hosting 14 Ukrainian and six Afghani journalists.

Freedom of artistic expression

The freedom of artistic creativity is guaranteed by the Constitution. No limitation on any form of artistic expression was reported during the reporting period.

(See also Chapter 10 on digital transformation and media)

Freedom of assembly and association is guaranteed by the Constitution and generally respected. During the reporting period, the Law on public gathering entered into force, aiming to guarantee the right to organise and participate in public events. No case of inadequate use of force has been reported by the Police Inspectorate. Police officers received training on policing during gatherings and use of force. The LGBTIQ Pride Parade was held in June 2022 in Pristina with no recorded incidents.

Issues of **labour and trade union rights** are further covered in *Chapter 19 on social rights and employment*.

On **property rights**, in December 2022 the Assembly adopted amendments to the Law on the Kosovo Property Comparison and Verification Agency. The authorities should ensure swift implementation. Due to some shortcomings in the Kosovo property sector, including ambiguity in legislation and the inconsistent enforcement of rights, the implementation of judicial decisions (including by the Constitutional Court) remains an issue. This is the case in particular in conflict-related property cases. Prolonged court proceedings in civil cases, especially property related, remain an issue of concern.

Ownership of property by women increased. The affirmative measure that assists implementation of property legislation favouring women was extended by another year; this measure has led to an increase in the registration of women as property owners, from 1 505 registered properties in 2021 to 6 951 in 2022. Only 19.2% of properties are registered in the name of two spouses.

In 2022, institutions continued to take measures to protect the property rights of communities in vulnerable situations, displaced persons and women. The Property Comparison and Verification Agency performed 25 evictions, out of a total of 27 eviction requests. The legal remedy to demolish illegal structures was not used as there were no requests from interested parties. Out of 33 cases in mediation during 2022, 10 were completed successfully in the first quarter of 2023. In June 2023, the Agency's Director and Deputy Director were appointed by the Kosovo Assembly. Concerns remain about fraudulent property transactions and illegal transfers of ownership of properties, mainly belonging to displaced persons.

There was limited progress on the issue of more than 350 052 buildings constructed without a permit. The regularisation of large-scale informal settlements whose residents mainly belong to marginalised vulnerable communities continues to be hampered by lack of political will to address the issue. The government approved six expropriation decisions in Kosovo's northern municipalities. Kosovo Serbs raised concerns about how the expropriation procedures were conducted and their compliance with the requirements of the applicable Law on expropriation of immovable property. It is essential that the government make efforts to ensure that expropriation activities comply with the law, that due process is followed, and that the property rights of concerned owners and interest holders are fully respected.

The Law on **protection from discrimination** is broadly in line with European and international standards but its implementation remains limited, including due to a lack of institutional capacity. This affected rights related to employment, education, access to social services and freedom of movement, among others. The uneven application of legislation on official languages continues to result in unequal access to public services, justice and employment. The Ombudsperson Institution is the equality body responsible for promoting, monitoring and supporting equal treatment without discrimination. During the reporting period, it received 164 individual complaints of alleged discrimination; 101 cases were referred for investigation. In February 2023, the Office of Legal Affairs, together with the Office of Good Governance, initiated an *ex post* evaluation of the Law on protection from discrimination. The aim is to identify institutional, legal and functional gaps related to its implementation. Additionally, the Office of Legal Affairs launched the National Platform for Protection against Discrimination for the Roma, Ashkali and Egyptian Communities, aiming to facilitate the reporting of discrimination cases. In its first year 23 cases were reported.

The collection of judicial statistics on discrimination cases is a challenge due to inappropriate identification and categorisation. During the reporting period, courts reached a verdict in several discrimination cases, including cases of discrimination based on gender and on disability. It is essential to further build legal professionals' capacities to litigate and adjudicate cases of discrimination. Implementation of the policy against sexual harassment in public administration is facing challenges due to lack of awareness among officials and the absence of complaint mechanisms. On hate crime, while the Kosovo Prosecutorial Council maintains a tracking mechanism, data collection remains insufficient. Hate speech against those in vulnerable situations, including the LGBTIQ and non-majority communities, persists, especially on social media.

With regard to cases of discrimination, hate crime or hate speech targeting persons belonging to non-majority communities, the Kosovo Police reported 12 potential inter-ethnic cases falling within the reporting period. In October 2022, a former government minister was sentenced to one year in prison for inciting ethnic hatred, discord or intolerance.

Legislation and institutional mechanisms on **gender equality** are broadly in line with international and European standards. Despite efforts to strengthen the application of these mechanisms, women continue to face discrimination in the public administration (*see public administration section*), the labour market (*see functioning of the economy*), access to finance, ownership of property (*see property section*) and treatment by the justice system (*see justice/rule of law section*).

Kosovo institutions made some efforts to place gender equality higher on their political agenda. The President organised the first Women Peace and Security Forum and set up a gender equality working group under the Council for Democracy and Human Rights to analyse the harmonisation of laws with the Law on gender equality. The government measures to improve women's economic empowerment have increased the number of women who have opened bank accounts to receive child allowances.

The Agency for Gender Equality continues to play a central role in advancing gender equality. It published the first monitoring report for the 2020-2021 action plan on gender equality with a long delay. Coordination with gender equality officers in the ministries and municipalities has improved, although their roles and responsibilities are yet to be harmonised. Capacity building on gender equality should be extended to ensure that all civil servants fulfil their responsibilities in this regard, specifically those in managerial positions. Civil society continued to play a critical role in advancing gender equality. It contributes to the improvement of legislation, monitors policy implementation, provides services, assists victims of violence

and raises awareness, reflecting the need for the authorities to further step up their engagement in these areas.

Domestic violence continues to be the most prominent form of gender-based violence in Kosovo. A police directorate for the prevention and investigation of domestic violence was established. Implementation remains insufficient despite institutional efforts, and despite the legal and institutional framework in this area being largely in line with European and international standards. Kosovo needs to prioritise implementing the Law on prevention and protection from domestic violence, violence against women and gender-based violence, including by adopting the relevant bylaws. There was limited progress on preventing and combating domestic violence, protecting and reintegrating victims and the rehabilitation of perpetrators. Reporting of domestic violence has increased, although cases are still not handled adequately (*see judiciary*). The total number of reported cases during the reporting period continued increasing (2 710 in 2022, against 2 456 in 2021). Prominent cases of rape and femicides caused public outrage.

Other forms of violence against women continued. Women in public life, including MPs, continue to be judged and stereotyped. Sexual harassment, body shaming and other verbal attacks continue, but reactions from public officials, institutions, civil society and women rights' organisations continue contributing to making sexism less acceptable. Implementation of the government's December 2020 policy against sexual harassment in public administration remains a challenge, with limited knowledge of the policy within the institutions.

The Ministry of Justice continued its efforts to give visibility to the phenomenon and to tackle institutional and legal shortcomings. The latest government action includes the proposal to amend the criminal legislation to protect victims and increase penalties for perpetrators. The position of Coordinator for Domestic Violence remains vacant since September 2022. This appointment is essential for overseeing and monitoring the 2022 strategy and action plan against domestic violence and violence against women. In December 2022, the Ministry of Justice adopted the State Protocol for handling cases of gender-based violence, which defines responsibilities for each institution. This should be swiftly implemented.

In 2023, the government increased the funds allocated to shelters for victims of domestic violence and trafficking in human beings and delivered the funds on time. Nevertheless, financial support is still inadequate. A multi-annual budget line under the Kosovo budget and funding commitments by municipalities are needed. The functioning of the municipal coordination mechanisms for domestic violence is still uneven.

On the **rights of the child**, Kosovo's legal framework is largely in line with international standards, but implementation remains limited. The Inter-ministerial Committee for Children's Rights provides advice and coordinates state policies to guarantee the rights and protection of children in all areas. The implementation of the Law on child protection is delayed. Out of the 17 pieces of implementing legislation planned, only 6 were published in the Official Gazette. As per the administrative instructions deriving from the law, the Council for Children's Rights was established, making it the highest professional mechanism at central level coordinating work on implementing the law. Child rights teams have been established in 14 municipalities. The systematic collection of reliable and comparable data disaggregated by age and sex will contribute to the development of evidence-based policy priorities and ensure effective protection of children.

The Ombudsperson Institution continued to strengthen its child protection department; to that end it finalised a programme on reporting, protecting and monitoring children's rights. During the reporting period, the Ombudsperson received 80 complaints, out of which 20 were assessed

as inadmissible and 60 complaints were referred for investigation. The following legislation should be adopted: (i) the Civil Code, which includes among its aims the regulation of legal concepts and the clarification of provisions on the treatment of children in highly vulnerable situations; and (ii) the draft law on local government finances, which has a specific grant for social services that will allow for better implementation of the Law on child protection.

Children with disabilities lack proper access to education. In a significant effort to address this challenge, 100 assistants for children with special needs in regular schools and three sign language interpreters were hired during the reporting period. Eighty directors of vocational secondary schools, 25 teachers of vocational schools, and 18 teachers of primary and lower secondary schools were trained on inclusive education. Authorities should also make more efforts to reach out to children with disabilities that remain outside the education system and scale up community-based social and health services for children with disabilities, including by increasing financial support.

No steps were taken to adopt the Civil Code, which would enable support to persons in foster care up to 26 years of age, instead of 18. There remains a lack of quality services and dedicated programmes for the prevention and reintegration of children with drug problems. Official data is incomplete. Services for treatment of children using drugs in the public health system are non-existent. The new Law on early childhood education remains pending. Over the years, the authorities have failed to address problems related to street children, including child begging. Child, early and forced marriages remain an issue, particularly among Roma and Ashkali communities. While the Law on child protection aims to prevent physical violence against children, it remains a concern in society. Furthermore, there are no foster families established to provide care for children in conflict with the law, despite legal provisions in place to address this. A comprehensive strategy for child protection is necessary to accelerate de-institutionalisation and the transition towards quality, family- and community-based care services, including with an adequate focus on preparing children to leave care. While the Law on child protection aims to prevent physical violence against children, this remains a concern in society.

Persons with disabilities lack access to healthcare, rehabilitation, social services, education and assistive equipment and physical infrastructure. There remains a clear gap in harmonising legislation and policies with the relevant UN Conventions and the EU *acquis* on the rights of persons with disabilities. The Administrative Instruction for access by persons with disabilities is in force but not being applied. Direct discrimination against persons with disabilities was confirmed through a court judgment. Five persons with disabilities filed lawsuits against various institutions in Kosovo based on the Law on protection from discrimination. In 2022, the Pristina Basic Court decision confirmed discrimination in one case. Overall, health services for persons with disabilities need to improve, including for women and girls with disabilities. The employment of persons with disabilities remains a great challenge. Implementation of the Law on the status and rights of persons with disabilities is a challenge, while the new draft law remains pending. Civil society has expressed concerns about the medical evaluation commission for the status and rights of paraplegic and tetraplegic persons. The government declared 2022 as the year of persons with disabilities. In this context, it launched several initiatives to increase accessibility to central and local institutions and to legal and administrative documents. The government also issued a report on the progress of the action plan for the rights of persons with disabilities. In December 2022, the government asked the Assembly to incorporate the Convention on the Rights of Persons with Disabilities into the directly applicable human rights instrument of the Constitution.

On the **rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ)** persons,

the Constitution protects against discrimination based on sexual orientation or gender. No significant change can be reported regarding public awareness and acceptance of LGBTIQ persons. The draft Civil Code, which includes provisions for civil partnerships for same-sex partners, has still not been approved by the Assembly. There remain concerns that discussions surrounding same-sex unions instigate homophobic language by public figures, political figures and media outlets. The 2019-May 2022 working plan of the Advisory and Coordinating Group for Community Rights LGBTI has expired. Civil society reports a lack of improvement in attitudes towards LGBTIQ persons. Dedicated social services are exclusively offered by NGOs, which report an increased suicide rate among LGBTIQ persons and an increase in domestic violence cases. There was no progress on the planned building of a shelter for LGBTIQ victims of domestic violence or family rejection in the municipality of Pristina. As for legal gender recognition, the process of amending the Law on civil status remains pending. Further training for law enforcement agents is needed, especially on transgender rights, qualification of hate crimes and secondary victimisation.

The **procedural rights** of persons suspected of crime and rights of victims of crime are stipulated in the Constitution and the law. Amendments to the Criminal Procedure Code entered into force in February 2023, addressing shortcomings in criminal procedure. The reforms include a stricter test for the Court of Appeals in returning cases for retrial; permission for trials *in absentia* in relation to all types of criminal offences; and expansion of the *ex officio* appointment system. The effect of these reforms will depend on their interpretation and implementation. Some of the remaining issues of concern are delayed and excessively prolonged court proceedings jeopardising the right to a fair trial, including for cases of domestic and gender-based violence; lack of professional interpreters/translators and low-quality standards of interpretation; excessive use of pre-trial detention and insufficient consideration of other measures for securing the presence of defendants. On victims' rights, there remains insufficient provision of legal information to victims of crimes on their rights and on professional assistance and representation during criminal proceedings. Despite the extension of free legal aid to all women victims of gender-based violence, very few are represented in court proceedings. The level of legal aid (for both victims and suspects/accused), although improved, remains inadequate due to conflicting legislation, lack of public awareness and different systems for providing free legal aid. The budget allocated for legal aid in 2022 was EUR 1 877 134, up 9.4% on the previous year. However, the budget implemented in 2022 was EUR 1 692 393, similar to 2021 (EUR 1 686 056). The lack of a system of quality assurance of free legal aid remains an issue. Out of 1 595 complaints received by the Ombudsperson in 2022, 472 concerned the right to a fair trial within a reasonable time. Protection and assistance officers need to provide a better-quality service to victims. The number of requests for a compensation programme for victims of crime was the same as in 2021. In 2022, the total number of requests for compensation was 53, with one carried over from 2021. The Committee for Crime Victims Compensation approved 27 of these requests, for a total value of EUR 99 106. A positive development to be highlighted is the increase of the 2023 budget to EUR 148 000, up from EUR 78 000 in 2022.

Kosovo has a well-established legal framework for the protection of **non-majority community rights** at the central and local level. The Communities Consultative Council in the President's Office, the Office of the Language Commissioner and the Adviser on Communities to the Prime Minister continued their work to address their most urgent concerns. These include equal access to education, employment, lack of language compliance, their representation in local and central level institutions, the promotion of cultural identity and access to social welfare. As of November 2022, the Communities Consultative Council has new members appointed for the next two-year term: the government appointed three members to the Council,

which is a positive step. During the reporting period, representatives from the central institutions conducted a series of visits to non-majority communities, focusing on outreach to civil society and the business sector. At the same time, challenges remain over institutional coordination between different levels of government and the lasting underfunding of mechanisms to protect the rights of communities. Initiatives aimed at addressing concrete problems lack political commitment and are mostly donor-driven. Furthermore, security concerns, unequal access to education, employment and social welfare, access to illegally occupied property and non-compliance with the Law on languages remain widely unaddressed. Further efforts are needed to ensure inclusiveness for all communities residing in Kosovo.

The 2023-2027 strategy for the protection and promotion of the rights of communities and their members is pending. Furthermore, the appointment of a new Kosovo Serb Minister for Communities and Return on 1 December 2022 raised questions regarding its compliance with the Constitution. If the appointee is not an elected member of the Assembly, the Constitution requires formal endorsement by a majority of Kosovo Serb MPs.

Steps have been taken to appoint a new director of the Office for Community Affairs within the Office of the Prime Minister; despite this, the post has been vacant since February 2021. For the first time since 2019, in May the government reconvened the Technical Working Group for the implementation of the recommendations of the Council of Europe's Framework Convention on National Minorities.

Kosovo institutions still lack the capacity to ensure adequate implementation of the Law on the use of languages. The lack of translation of official websites of central and local level institutions in both official languages hinders equal access to information. Inconsistency between Albanian and Serbian translations of legislation and the limited number of translators, including in courts, limits equal access to justice for members of non-majority communities. The working group, composed of representatives of the Office of the Prime Minister as well as international partners, was put in place to lead the preparatory work to set up a unit for translation, harmonisation and linguistic control. As of the end of May 2023, the working group had held three meetings.

The Balkan Studies programme of the Philology Faculty of the University of Pristina is the only educational programme offered by the Kosovo educational system in both official languages. The programme lacks concrete support and promotion from the Kosovo institutions to address its rather low enrolment rates (below 15 students).

Discontinuation in 2021 of the work of the Commission verifying university diplomas obtained from the (Serbia-run) University in Mitrovica North continued to affect graduates from this university and hinder their access to employment. Additionally, the lack of recognition of high school diplomas obtained from the Serbia-run educational system, combined with limited access to employment and a poor economic situation, exacerbates the migration of young people from non-majority communities out of Kosovo. In February 2023, the government of Kosovo issued a decision to re-establish the Commission, which by mid-May held eight procedural meetings. By 21 June, the Ministry of Education, Science, Technology and Innovation had received 44 applications, out of which none had been verified yet.

Inter-ethnic and potentially ethnically motivated security incidents continue to negatively impact the perception of security and safety among non-majority communities. Although the number of potentially ethnically motivated incidents affecting non-majority communities in 2022 continued its long-term downward trend, the perception of security among some non-majority communities has deteriorated, especially in the Kosovo Serb community.

Overall, relations between the government and the **Kosovo Serb community** have deteriorated

significantly. Following a series of crises, Kosovo Serbs resigned from their positions in Kosovo institutions in November 2022 and subsequently many of them signed employment contracts with the Serbian government. Kosovo and Serbia should prioritise enabling the expedient return of Kosovo Serbs to institutions in Kosovo. Furthermore Kosovo should engage additional efforts to build trust with this community. Expropriations of privately-owned land in the north of Kosovo and the increased presence of special police units in the north have created widespread discontent among the local Kosovo Serb population, negatively affected the confidence of the Kosovo Serb population in Kosovo institutions and negatively affected the Dialogue.

In 2022, the voluntary return and reintegration of **refugees and displaced persons** continued to witness a decreasing trend. According to the United Nations High Commissioner for Refugees, 204 individuals returned, compared to 368 in 2021. Some progress was achieved, with the Ministry for Communities and Return finalising and putting into operation a returns case management system consisting of a returns database and an appeals commission.

In 2022, Kosovo adopted the 2022-2026 strategy for the advancement of the rights of the **Roma and Ashkali** communities and the 2022-2024 action plan. The Municipal Assembly in Prizren unanimously voted in favour of granting the Romani language the status of language in official use at municipal level, meaning that Romani is a language in official use at municipal level in two municipalities in Kosovo. Furthermore, the Office for Good Governance within the Office of the Prime Minister, in cooperation with the Social Justice for Roma, Ashkali and Egyptian project, launched the National Platform for Protection against Discrimination for the Roma, Ashkali and Egyptian Communities, which members of this community can use to denounce acts of discrimination. However, the Anti-discrimination law remains largely ineffective in combating anti-gypsyism. The housing situation remains a challenge due to poor living conditions and lack of property documents. Municipalities in Kosovo have made progress in including settlements whose residents mainly belong to marginalised communities in their urban development plans. However, more political will is required to increase the level of investment and infrastructure building in these settlements. Further efforts are needed to transform undeclared work among Roma to implement the Poznan Declaration's objective on employment. The government created an inter-institutional team to promote the employment of Roma, Ashkali and Egyptians, led by the Office of Good Governance.

On **cultural rights**, there have been no developments concerning the adoption of the new Law on cultural heritage. Relations between the government and the Serbian Orthodox Church witnessed a further souring following the incident on 26 December 2022 when the Patriarch was denied entry to Kosovo. The mutual distrust and compounding factors due to political tensions between Kosovo and Serbia have not provided an enabling environment for the Implementation and Monitoring Council to resume its work, which has been suspended since November 2021. Furthermore, there has been no implementation of the 'arrangement' previously agreed in order to find a solution to the roadworks in the special protective zone of the Visoki Dečani Monastery. Efforts towards reconvening the Implementation and Monitoring Council should be taken as a matter of priority. Kosovo should complete legislation in the field of cultural heritage by finalising and adopting the relevant Law on cultural heritage.

2.2.2 Chapter 24: Justice, freedom and security

Kosovo is **in between an early stage and some level of preparation** in this area. **Limited progress** was made. Previous improvements in the legislation on the fight against organised crime have not yet delivered tangible results. Sustained efforts are needed to ensure more proactive investigations, final court decisions and the final confiscation of assets. Kosovo

advanced in the area of counter-terrorism and prevention of violent extremism with progress in the implementation of the bilateral arrangement on counter terrorism with the European Commission. Progress was also made on migration management as accommodation capacity for migrants increased. Kosovo has spare capacity to accommodate a migration influx of up to 2 000 people. With regards to its asylum policy, Kosovo should ensure that refugees are included in social protection schemes. Kosovo should roll out an information campaign on rights and obligations linked to the visa free travel status, to prevent possible misuse. In the area of drugs, Kosovo is yet to adopt a new drug strategy and action plan, to take the necessary steps to ensure the operational capacity of its National drug observatory and to establish an early warning system. As last year's recommendations are only partly implemented, they remain valid. In the coming year, Kosovo should in particular:

- continue to reinforce the capacity of the Special Prosecution Office and further improve the investigation and prosecution of high-profile organised crime cases;
- establish a National Centre for Countering Terrorism and Violent Extremism, or reinforce the Office of the National Coordinator for CT/CVE with adequate financial and human resources and ensure the regular practice of conducting joint threat assessments;
- implement the EU Action Plan on the Western Balkans by: further improving migration governance, coordination and monitoring of policies; reinforcing capacities for data collection and analysis; further strengthening the asylum system; amending the Law on foreigners in line with EU standards.

Fight against organised crime

Kosovo is at **an early stage** in the fight against organised crime, and made **limited progress** in investigating and prosecuting organised crime cases. Kosovo should make better use of the existing powerful tools envisaged by the Criminal Code and the Law on extended powers of confiscation. Law enforcement operations against organised crime continued; nevertheless, efforts to map and target organised criminal structures should be further intensified. Sustained efforts are needed to ensure proactive investigations, final court decisions and the final confiscation of assets. The operational independence of law enforcement agencies must be ensured. Fighting organised crime in the north of Kosovo continues to be challenging, including because of the resignation of Kosovo Serb officials from public institutions in 2022. In addressing this, the authorities must continue to strictly uphold all relevant rule of law standards.

Kosovo has partly implemented the 2022 recommendations, mostly regarding training and awareness raising on new legislation. It adopted a new police organisational structure and upgraded intelligence and analysis capacity. Cooperation with Europol and Eurojust further advanced. The new Law on implementation of targeted international financial sanctions should be an effective tool in combating organised crime. In addition to recommendations on confiscation of criminal assets (see section on fight against corruption), in the coming year, Kosovo should:

- effectively implement the new police organisational structure, and continue implementing intelligence-led and community policing approaches as core police business models;
- proactively and jointly target and map organised criminal groups and continue to systematically conduct financial investigations at all stages of the criminal investigations into all serious, organised crime and corruption cases and initiate stand-alone investigations for money laundering;
- enhance efforts to prevent and combat criminal networks involved in migrant smuggling and trafficking in human beings, as well as on the identification and referral of victims to

assistance services; ensure financial sustainability of shelters and assistance for victims of trafficking.

Institutional set-up and legal alignment

The Kosovo Police has 437 police officers per 100 000 inhabitants, compared with an EU average of 335.3 per 100 000 inhabitants (Eurostat, 2019-2021); 85% of officers are men and 15% are women. A total of 446 cadets, including 53 women, graduated from the Kosovo Academy for Public Safety. During the reporting period, 578 Kosovo Serb officers from the north of Kosovo resigned from the Kosovo Police following the decision of Kosovo Serb political representatives to abandon Kosovo institutions in four northern municipalities. This created a security vacuum and conditions favourable for organised crime in the north of Kosovo. To address the situation, the Kosovo Police temporarily relocated Kosovo Albanian officers from South Mitrovica to occupy vacant positions. In addition, the Kosovo Police launched two separate calls to recruit non-majority officers at the North Mitrovica Regional Police Directorate. In the first recruitment process, out of 145 (116 males and 29 females) received applications, 73 (57 male and 16 female) non-majority candidates were enrolled, including 43 Kosovo Serbs (36 male and 7 female). In the second recruitment process, which closed on 30 May 2023, out of 205 applications received (167 males and 38 females), 87 (69 males and 18 females) were from Kosovo Serbs. The police's composition needs to reflect the four municipalities' ethnic composition. The resignation of several newly deployed police cadets from non-majority communities following intimidation is of concern.

The Special Prosecution Office, the Special Department of the Basic Court and the Court of Appeals in Pristina are the key institutions involved in the fight against organised crime. Some 15 additional support staff were hired in the Special Prosecution Office in 2022. The increase in staff has thus far not had a significant impact on the investigation and prosecution of high-profile organised crime cases.

In March 2023, the Prime Minister appointed the new General Director of the Kosovo Police, following a transparent and competitive recruitment process. In the same month, the Minister for Internal Affairs and the General Director of the Kosovo Police approved a new organisational structure for the police and established a working group to oversee implementation of the new structure. In order to appoint qualified officers, the process needs to be transparent, impartial and meritocratic, and requires commitment from the police's management. The new police structure is organised around three main pillars: operations, investigations and border police, and promotes two key concepts: community policing and intelligence-led policing. The police's Investigation Department, responsible for preventing, detecting and investigating organised crime and corruption-related offences, has also been restructured. The Intelligence and Analysis Directorate has become a stand-alone department, with separate offices. In addition, the Crime Investigation Division includes directorates for cybercrime and war crimes.

Working groups continued monitoring the implementation of police strategic documents, including the 2021-2025 strategic development plan, the integrated intelligence-led policing approach, the community policing strategy and the action plan 2021-2025. In July 2023, the second Strategic Level Tasking and Coordination Group drafted new priorities based on an annual strategic crime assessment report. The Ministry of Internal Affairs should take into account the findings of the police risk assessment analysis of the government buildings and accordingly refrain from utilising police officers for tasks that are not core police service tasks.

The Kosovo Border Police, Kosovo Customs administration, Financial Intelligence Unit and Tax administration remain responsible for monitoring and controlling the internal and cross-border/boundary flow of goods, materials and capital that might be involved in any form of

organised crime. The Kosovo Customs administration and the Financial Intelligence Unit continued to perform well. The Asset Recovery Office (the 'Unit for Asset Investigations' under the new police organisational structure), which remains operational, continued to receive limited requests for asset recovery. The authorities should support and accelerate the transfer of the Asset Recovery Office to the State Prosecution Office, and assign dedicated staff from the Prosecution Service, the police, the Financial Intelligence Unit and the Customs and Tax administrations. The Police Information System is advanced and linked to other law enforcement databases. Implementing legislation regulates access levels to the Police Information System and ensures full harmonisation between the various databases.

The process of internal reorganisation of the Civil Registration Agency continued to stall during the reporting period. There were delays in the revision of the Law of the Civil Registration Agency, which remains pending. The Agency functions without a strategic plan to guide its vision for development and modernisation, or to align with the public administration reform process. For over 2 years now, an acting General Director leads the Civil Registration Agency. The National Audit Office found that the Civil Registration Agency has still not put in place an IT governance risk and compliance framework to ensure continuity in the operation of its information systems. Current systems do not sufficiently guarantee data confidentiality, integrity and availability. Due to supply chain issues, for over 4 months in the second half of 2022 personal documents/passports could be issued only in emergency cases. Urgent steps need to be taken to ensure continuous provision of essential services to citizens.

The **main strategic framework**, the rule of law sector strategy, consists of the Kosovo Judicial Council's strategic plan for the efficient solving of cases of corruption and organised crime, and other relevant strategies on arms control, the informal economy, money laundering and terrorist financing, counterterrorism, trafficking in human beings, and cybersecurity. All relevant institutions must cooperate to implement these strategic documents effectively. The 2018-2022 strategies and action plans against narcotics and organised crime in Kosovo have expired. The authorities should assess the implementation of the previous expired strategies and adopt strategic documents and their respective action plans for the following period. In addition to the annual strategic crime assessment report, Kosovo police prepares a serious and organised crime assessment report every 3 years.

The **legal framework** on the fight against organised crime is broadly aligned with the EU *acquis*. For status-related reasons, Kosovo is not party to international conventions on the fight against organised crime, such as the UN Convention on Transnational and Organised Crime (the Palermo convention), but still applies these international principles in its **criminal legislation**.

The Law on **money laundering and terrorism financing** should be amended to bring it fully in line with the 4th and 5th EU Directives on anti-money laundering and countering financing of terrorism and with evolving international standards. The government should review the legislation to ensure its full compliance with these directives and the Financial Action Task Force (FATF) recommendations. The Assembly adopted the Law on implementation of targeted international financial sanctions. Kosovo made progress in strengthening its asset recovery regime, having adopted a concept document on establishing a confiscation fund. In 2022, the Assembly adopted the Law on the State Bureau for Verification and Confiscation of Unjustified Assets, introducing the concept of illicit enrichment into the domestic legal system and providing the basis for establishing the Bureau for Verification and Confiscation of Assets. The opposition Democratic Party of Kosovo (PDK) filed an action for Constitutional Court constitutional review of the law. To increase the transparency of legal persons and arrangements, the government adopted a concept document on the beneficial ownership register, addressing shortcomings identified by the 2018 Council of Europe anti-money laundering and countering the financing of terrorism

(AML/CFT) assessment and paving the way for legislative changes.

On the implementation of the Law on interception of electronic communications, upgraded interception capacities and the procurement of technical equipment resulted in the decentralisation of monitoring centres to other regional police directorates. Legislation on **cybercrime** is generally in line with the EU *acquis*. The Kosovo Police upgraded its cybercrime unit to a cybercrime directorate and will allow to increase the number of cybercrime investigators in accordance with its newly adopted organisational structure. Legislation on **trafficking in human beings** is broadly aligned with the relevant EU *acquis*, but implementation remains limited. In May 2023, the Ministry of Internal Affairs adopted the Administrative Instruction on the Database for Victims of Human Trafficking. The new Criminal Procedure Code, which entered into force in February 2023, further aligned Kosovo legislation with the relevant EU *acquis* on the procedural aspects of trafficking offences. The 2022-2026 strategy and action plan against trafficking in human beings is being smoothly implemented. In November 2022, the Ministry of Justice adopted the State Protocol for handling cases of **sexual violence**, setting out the responsibilities of each relevant institution.

Implementation and enforcement capacity

The Kosovo authorities continue to report on the total number of indictments and convictions for the charge of ‘organised crime’ as defined in the UN Convention on Transnational and Organised Crime. During 2022, 25 new cases were initiated (19 cases in 2021), and 16 individuals were convicted.

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

As for **organised crime-related cases and serious crime cases** currently not included in the aforementioned track record, during 2022, 50 cases were initiated regarding trafficking in human beings involving 70 persons (70 in 2021), and prosecution presented indictments against 42 individuals (45 indictments were presented in 2021). In 2022, 14 people were convicted (3 in 2021). In addition, in 2021, 3 people were indicted (23 in 2020) for illicit trafficking of firearms; there were no court decisions (3 people convicted in 2021). For money laundering, 2 people were indicted in 2022 (9 in 2021) and 3 were convicted (1 in 2021). Police and prosecution should continue to actively use all powers at their disposal to target criminal networks and their economic support base. Sentencing policy remains erratic (see the section on the judiciary). The low number of confiscated criminal assets is still a key concern (see the section on the fight against corruption). The institutions involved in the fight against organised crime need to set up and use multidisciplinary joint investigation teams, wherever possible.

The Kosovo Police has basic capacity and capability to combat organised crime. However, organised crime investigations remain vulnerable to corruption and undue interference. This issue should be tackled with more corruption prevention measures such as robust integrity and ethics training, as well as disciplinary and criminal investigations. The changes in the organisational structure of the Kosovo Police aim to enforce the police’s integrity plans by introducing a new Integrity Section under the new Deputy Director General. The Ministry of Internal Affairs, as envisaged by the Law on the Police Inspectorate, should adopt a plan to implement Police Inspectorate recommendations. So far this has still not been done. During 2022, the Police Inspectorate investigated 257 officers which resulted in the suspension of 164 police officers; the filling of the resulting vacancies is slow. The trend of successful **police operations targeting organised crime** continued during the reporting period, also involving international and cross-border cooperation. In 2022, the police dismantled 34 organised crime groups (49 in 2021), a decrease of 30% on 2021. The main reasons for the decrease are twofold: increased operational

reassignment of police in the north, especially during the second part of 2022, and the focus of investigations on more complex cases. Operations against organised crime groups resulted in a number of arrests and the preliminary confiscation of assets, which need to be followed up by prosecution and the judiciary. The fight against organised criminal structures should be intensified. Investigations should be more proactive and criminal groups should be adequately mapped. The police should target criminal groups and structures as opposed to single types of crime. The new police organisational structure is an improvement in this regard.

The Kosovo Police Special Investigation Unit continued to play an essential role in the investigation of high-profile corruption cases. In 2022, the Special Investigation Unit handled 98 corruption cases, 46 of which were high-profile. Prosecution received 6 criminal reports. Four indictments were filed, and 13 cases were closed. The government should ensure that the police's Special Investigation Unit, the successor of the abolished Anti-Corruption Task Force, has a sound legal and organisational structure (see section on the fight against corruption).

Kosovo made some steps to improve implementation of the **intelligence-led policing and community policing** approaches. In the new organisational structure, the Kosovo Police has strengthened its intelligence structures, both at central and regional levels. To that end, it upgraded the Intelligence and Analysis Directorate into a stand-alone police department and added a new division for community policing. During 2022, the Directorate for Intelligence and Analysis received 11 250 information reports (37.55% increase on 2021) and distributed 3 965 intelligence reports (27.16% increase on 2021). Dedicated community officers within sectors have been integrated into the organisational structure. Outreach activities are planned to build trust with communities. During 2022, the police carried out a pilot project entitled 'Get to know your police', which will be implemented throughout Kosovo. However, the implementation of intelligence-led policing remains overall weak as structures and systems are not yet fully in place. Under the new police organisational structure, the police should take the following actions: further establish intelligence structures at regional and central levels; continue the recruitment and training of dedicated analysts; and fully operationalise the strategic tasking coordinating group at the top management level and the tactical tasking coordinating group at the regional level. There is a need for more specialised and on-the-job training for all institutions involved in fighting the more complex organised crime cases. The police and Special Prosecution Office should cooperate closely to develop strategies to better conduct investigations and have a clear division of responsibilities. The police should establish a verification office for special investigative measures to review investigators' requests for special measures from the prosecution. This would enable a joint target-based approach to improve the proactive detection of illicit and ill-gained wealth.

There is well-established cooperation with Interpol and Europol. Kosovo regularly exchanges information with Interpol via the United Nations Interim Administration Mission in Kosovo (UNMIK). In March 2023, cooperation between Europol and Kosovo Police improved further with the deployment of a Kosovo Liaison Officer at Europol's headquarters in The Hague. The Secure Information Exchange Network Application (SIENA) is operational. The Kosovo Police cooperates well with police services in EU Member States, including through joint investigation teams and exchanges of information on civil and criminal cases. During the reporting period, as part of its international cooperation, the Kosovo Police recorded 19 investigations and 2 joint operations. The police has signed 103 international police cooperation agreements, including with 11 EU Member States, five EU agencies and other countries and international organisations. The Kosovo Police mutually exchanges liaison officers with seven partner countries. Since December 2020, Kosovo and Eurojust have cooperation in place through the appointment of the two contact points. Kosovo has joined the Eurojust WB CRIM JUST project to enhance the level of interaction

and integration between the EU and the Western Balkans in the criminal justice field.

The Kosovo Police is working to improve the handling of cases of **domestic violence and other forms of gender-based violence**. It has updated the standard operating procedure on addressing domestic violence cases and improved police officers' capacities to handle cases, produce risk assessments and set up victim-friendly interview rooms. However, the handling of cases is still deficient. The failure to protect victims, including the dismissal of reports, disclosure of identity, inadequate interviewing and non-enforced protection orders was reported in some severe cases of rape and killing by intimate partners. More needs to be done to ensure that Kosovo police officers understand their role in cases of domestic violence. in accordance with existing laws, strategies and the new State Protocol for the handling of cases of gender-based violence.

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

The fight against **money laundering and terrorist financing** is not producing the expected results. In 2022, there was one final conviction for money laundering. More efforts are needed to achieve a substantial level of proactive investigations, final court decisions and final confiscation of assets. The capacities of the police and prosecution should be strengthened. Money laundering and terrorist financing are often not prosecuted as a stand-alone crime. There is a pressing need to foster prosecutors' and judges' enhanced understanding of the concept of money laundering and terrorist financing and to increase their specialisation in this field. Financial investigations are still not systematically launched in cases of organised crime and corruption and are not used in the context of a broader approach to fighting organised crime and high-level corruption. Recent or ongoing sectoral risk assessments enable the competent authorities to develop their understanding of the high-risk areas in several sectors, including real estate, non-profit organisations, construction and games of chance. The level of understanding of different types of financial institutions and designated non-financial businesses and professions in this area varies significantly. Reaching a substantial level of effectiveness will require targeted training and outreach. In 2022, the Financial Intelligence Unit received 947 suspicious transaction reports (up 3% on 2021). In total, EUR 2 077 995 of assets were confiscated. Overall, although the efficacy of financial investigations has improved at the police level, they are still not systematically conducted in parallel with criminal investigations/proceedings. Inter-agency cooperation and coordination needs to improve significantly. The adoption of police standard operating procedure to centralise all aspects of financial investigations in line with Financial Action Task Force (FATF) recommendations is yet to produce concrete results.

Despite progress, the involvement of organised and armed groups in **arms trafficking** remains a serious concern. Kosovo is implementing its strategy in this area and the Law on the legalisation and surrender of weapons, ammunition and explosive devices. During 2022, the Kosovo Police seized 1 473 firearms (1 280 in 2021) and 29 903 pieces of ammunition of various calibres (42 031 in 2021). The authorities should accelerate efforts towards drafting amendments to the key laws, by-laws and strategy on firearms, ammunition and explosives, with a view to achieving harmonisation with the main EU firearms directives and regulations. Kosovo's firearms focal point continues to function as good practice in the region, and its ballistics laboratory is well equipped. Kosovo continues to have the highest level of harmonisation in the region with the provisions of the UN Firearms Protocol.

Kosovo remains a country of origin, transit and destination for victims of **trafficking in human beings**, notably for sexual exploitation. During 2022, the Kosovo Police identified 22 victims of trafficking, out of which 21 were girls and women and one man, with 14 victims under the age of

18 and 8 over the age of 18. Victims were offered protection and support services by relevant police units, licensed NGOs and social protection services. The authorities have taken coordinated efforts to prevent and raise awareness on this issue. Actions include enhancing the identification procedure, starting from victim identification to long-term reintegration, and increasing efficiency in prosecuting those leading the trafficking in human beings. However, there is still much room for development to gain a better understanding of the scope of and conditions under which trafficking in human beings is taking place, including how it inter-relates with labour exploitation. A strong focus is needed on data collection and monitoring of workplaces, especially in the private sector. In addition, more work is needed to strengthen institutional capacity to enforce existing legislation (including prosecution), structures and mechanisms to counter trafficking in human beings.

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

During 2022, there were 54 cases (37 in 2021) of **cybercrime**. An indictment was filed against one person but there was no final judgment, and one investigation was terminated. The Kosovo Police Sector for the Investigation of Cybercrime initiated 8 cases over child abuse in pornography, and 8 criminal charges were filed against 8 people. Kosovo needs to address several issues, such as the limited availability of cybercrime training for newly appointed judges and prosecutors and those handling electronic evidence.

Under the 2017 working arrangement with the EU Agency for Law Enforcement Training (CEPOL), Kosovo plays an active role in a number of the Agency's activities. Kosovo has full access to the CEPOL exchange programme and its electronic learning system. It is recommended that the authorities of Kosovo, with the assistance of CEPOL, design, prepare and organise targeted training to address counter terrorism from the protection, prevention and responding angles, as a priority training topic.

Kosovo participates in the European Multidisciplinary Platform Against Criminal Threats (EMPACT). In 2022, Kosovo participated in 22 operational actions in 3 of the 15 EMPACT operational action plans, in the first half of 2023, Kosovo has participated in 9 operational actions. In 2022, Kosovo appointed a National EMPACT Coordinator, the Police Director for International Cooperation, and continued to participate in EMPACT Joint Action Days. It also continued to cooperate with EU police services through the European Network of Fugitive Active Search Teams, in which it has observer status.

Cooperation in the field of drugs

Institutional set-up and legal alignment

A national strategy on drugs spanning the period 2018-2022 has expired and so far no new strategy or action plan has been adopted. The legislative framework to combat illicit handling of and trafficking in narcotic drugs is based on the 2007 Law on narcotic drugs, psychotropic substances and precursors and on the Criminal Code. A more comprehensive revised draft law aligned with the most recent EU legislation is yet to be adopted.

A coordination mechanism is in place to prevent and combat drug trafficking and the illicit use of precursors. While a National Drug Observatory has been in place since August 2018, it has been without a head since December 2018. With only one full-time staff member, the Observatory lacks the necessary human resources to fulfil its role and remains ineffective. In March 2023, the Ministry of Internal Affairs adopted the new Regulation on the internal organisation and systematisation of jobs, which makes provision for a Drug Observatory within the Secretariat of Strategies. The early

warning system on new psychoactive substances is not yet established. The Ministry approved an internal regulation on the organisation of the National Drug Observatory and the early warning system, which ensures adequate human and financial support, but additional staff are yet to be recruited. Despite general progress on data collection, difficulties remain regarding the sustainable and routine collection of drug-related data. In the absence of a functional health information system, establishing a drug treatment register is not a priority.

Implementation and enforcement capacity

Kosovo continues to be both a storage and transit country for narcotic drugs and their derivatives. Drug seizures continued to increase: around 662 kg of marijuana, 246 kg of heroin, 4 kg of cocaine and 24 500 cannabis plants were seized in 2022. During 2022, the Kosovo Police registered 808 new drug-related cases (726 in 2021), arrested 1 039 suspects, and filed 532 criminal charges against 791 suspects. Out of all the cases, 271 were charged for drug trafficking, 505 for illegal possession of drugs, and 32 for cultivation. Provisions are in place for the secure storage of seized drugs awaiting destruction.

Organised crime groups continue to play a dominant role in large-scale drug trafficking and subsequent distribution to the EU. The Western Balkan drug trafficking routes constitute a major challenge. Kosovo law enforcement agencies continue to engage in successful drug targeting operations, in cooperation with EU Member States. Industrial-scale indoor and outdoor cannabis cultivation facilities have been identified in several countries in the region, including in Kosovo. During the reporting period, several successful operations against drug cultivation laboratories were carried out, including in northern Kosovo. Law enforcement agencies and prosecution need to further increase their understanding of the drug market through analytical work. Inter-agency cooperation and exchange of information in the fight against drug trafficking in the chain of justice sector should further improve. The Prosecution Service continues to be understaffed and insufficiently trained to deal efficiently with drug-related offences. Increased cooperation, coordination and exchange of information among law enforcement agencies in the Western Balkan region is paramount and should improve. Kosovo has a 24-hour drug abuse hotline and offers addiction treatment and methadone therapy. Cooperation with the European Monitoring Centre for Drugs and Drug Addiction remains satisfactory.

Fight against terrorism

Institutional set-up and legal alignment

A range of **institutions** remains active in combating terrorism and violent extremism, and in dealing with reintegration of returning foreign terrorist fighters and their families. The Minister for Internal Affairs acts as the National Coordinator for the Prevention of Violent Extremism and the Fight against Terrorism. This position is intended to improve interinstitutional coordination, monitor and report on the implementation of policies, activities and other actions, and serve as a point of contact. However, given the nature of the Minister's other tasks, the focus on this issue is limited.

Kosovo's **legal framework** on anti-terrorism is partly aligned with the EU *acquis* and international instruments. The Law on combating money laundering and the financing of terrorism needs to be amended to be fully in line with EU and international standards (see section on the fight against organised crime and on the free movement of capital). Kosovo adopted the important Law on implementation of targeted international financial sanctions. Legislation on critical infrastructure protection remains in place; the adoption of implementing legislation is pending, there is also need for appropriate capacity to implement the legislation.

Kosovo has a strategy and action plan against terrorism (2018-2023) in line with the EU's

counterterrorism strategy. A strategy and action plan against violent extremism (2015-2020) expired at the end of 2020 and the National Coordinator decided to merge the two strategies into one. The new 2023-2028 national strategy and action plan on the prevention and countering of terrorism were adopted in June 2023. The EU supported Kosovo in the revision process through the Radicalisation Awareness Network Policy Support. The Joint Threat Assessment Centre, including a threat-level grading system, is yet to be established. In the second half of 2022, Kosovo Police and the Kosovo Intelligence Agency produced the second joint threat assessment analysis as part of the situation analysis for the new strategy on the prevention and countering of terrorism. There is a need to improve donor coordination and to establish a more structured mechanism. The Kosovo authorities continue to implement the bilateral Implementing Arrangement with the EU for the Joint Action Plan on Counter-Terrorism for the Western Balkans. Kosovo submitted its fifth implementation report in February 2023.

Implementation and enforcement capacity

Kosovo continued to fight the threat of terrorism. In 2022, 7 indictments were filed and 6 people were convicted. Investigations were completed in 12 cases against 43 suspects. Greater consistency in sentencing practices for offences related to terrorism and violent extremism is necessary. The functioning of the Special Department in the Basic Court of Pristina and the Court of Appeals has contributed to effective handling of terrorism cases. At present, 19 inmates for terrorism-related crimes are in prisons in Kosovo, with 5 inmates sentenced, 5 in detention at the high-security prison and 9 sentenced at the Dubravë/Dubrava correctional centre. During 2022, 11 people were released, of which 4 on parole, 3 on early release and 3 after having served their sentences. Between January and June 2023, 5 prisoners sentenced for terrorism-related crimes were released. Sentences for terrorism crimes for foreign terrorist fighters have been relatively lenient (average sentence 3.6 years). The Ministry of Internal Affairs took measures related to conditional release to ensure that the conditional release panel pays more attention to security aspects when dealing with inmates leaving prison with higher level of radicalisation. So far, there have been a few cases of recidivism among those convicted of terrorist-related offences.

Despite significant efforts, some challenges remain in the countering of terrorism and the prevention and countering of **violent extremism and radicalisation**. The increase in violent incidents of domestic religious extremism and the impact of other forms of extremism is concerning. Militant Salafist ideology, growing ethnonational and far-right movements in the region⁵, including Kosovo, remain a threat. False bomb threats against public institutions emerged during the reporting period, including at the airport. Despite the efforts of the Kosovo authorities to improve the situation, there are a number of push and pull factors for radicalisation, including poverty, the perception of corruption, lack of institutional capacity, and the political situation. The Kosovo authorities need to balance efforts to prevent and counter violent extremism in all its forms with rehabilitation and reintegration measures. It is important to continuously revise the existing strategies, action plans and reintegration and rehabilitation programmes.

Kosovo authorities have taken a leading role in the **rehabilitation and reintegration** of returnees from foreign conflicts; to that end, they repatriated a large number of Kosovans and provided them with psychosocial support and economic reintegration initiatives. Since the start of the civil war in Syria in 2012, 257 Kosovans have returned (133 men, 39 women, 85 children), 106 have died, and 83 allegedly remain in the Middle East (35 men, 8 women, 40 children). After the return operation in May 2022, there has been no further developments to repatriate the

remaining individuals from the region. The Reintegration Division of the Ministry of Internal Affairs needs appropriate financial and human resources. The authorities need to continue to de-securitise the rehabilitation and reintegration process and prevention of violent extremism work, while ensuring risk mitigation. In terms of planning and implementation of rehabilitation and reintegration processes, Kosovo should establish multidisciplinary mechanisms at local level. There is a need to focus more on education, training and preparedness of local practitioners dealing with returnees. The National Coordinator for the Prevention of Violent Extremism and the Fight against Terrorism should play an enhanced role in overseeing the rehabilitation and reintegration process, including by linking up with municipalities. During the reporting period, the Ministry of Internal Affairs piloted multidisciplinary mechanisms in the municipality of Hani I Elezit handling cases of returned foreign terrorist fighters, their families and other individuals at risk of radicalisation. These mechanisms should be further strengthened. Civil society plays an important role in rehabilitation and reintegration efforts in local communities. The Law on the Kosovo Correctional Service formally established an Intelligence Unit and Unit for Extremism Management within the Correctional Service, thus contributing to improved coordination when dealing with extremist and terrorist inmates. However, de-radicalisation and disengagement programmes within the correctional system need to be significantly intensified. Authorities need to intensify specific training, including for the Kosovo Probation Service, which must develop programmes for convicted terrorist who are released after serving their sentence.

The Kosovo authorities should improve their capacity to address terrorist content online, including increasing their efforts to refer terrorist content to internet providers, as well as enhancing efforts to empower civil society to develop effective counter-narratives.

Judicial cooperation in civil and criminal matters

For status-related reasons, Kosovo is not party to most multilateral treaties governing mutual judicial cooperation but unilaterally applies internationally recognised treaty standards. Cooperation between Kosovo and Eurojust further advanced. During the reporting period, Kosovo did not apply to become party to any multilateral treaty or organisation in the field of judicial cooperation. Two new bilateral treaties on judicial cooperation in civil matters entered into force and Kosovo has taken steps to conclude additional bilateral treaties.

The legal framework for judicial cooperation in civil matters is consolidated and fully aligned with the EU *acquis*. Cooperation with countries with which Kosovo does not have bilateral agreements is based on the principle of reciprocity and comity. During the reporting period, Kosovo addressed 269 requests on civil matters to EU Member States and received 344 responses. It received 372 requests from EU Member States and provided 382 responses.

Kosovo's international legal cooperation in criminal matters is based on the Law on legal cooperation in criminal matters and on 40 bilateral treaties. During the reporting period, Kosovo issued 142 requests in criminal matters and received 178 responses. Over the same period, it received 365 requests and provided 325 responses. In addition, 11 people were extradited from the EU Member States to Kosovo, and 7 people from Kosovo to EU Member States.

In 2022, the Kosovo authorities did not undertake any action to cooperate with the European Public Prosecutor's Office.

The 2015 procedures on mutual legal assistance agreed between Belgrade and Pristina form the basis for judicial cooperation between their judicial authorities. Most countries that do not recognise Kosovo have voluntarily accepted the facilitating role of the EU Special Representative (EUSR) in the transmission of judicial requests (including those concerning

extradition). However, the lack of cooperation by some non-recognising states has resulted in cases of impunity. Since the end of August 2022, Kosovo has not received any request for mutual legal assistance or related responses from Serbia.

Legal and irregular migration

Kosovo has mobilised additional resources to adjust the existing contingency plan to manage mixed migration flows. Stranded migrants outside reception centres faced particular challenges, as they remain unregistered.

Kosovo has engaged with the EU on the implementation of the EU Action Plan on Migration presented by the Commission in December 2022. Delivery should continue on all the strands of the Action Plan.

Kosovo participates in the regional Anti-Smuggling Operational Partnership with the Western Balkans launched in the EU-Western Balkans Justice and Home Affairs Ministerial meeting on 3 November 2022 to support law enforcement and judicial cooperation against criminal smuggling networks, and to increase border management capacities.

Institutional set-up and legal alignment

The **institutions** dealing with migration in the Ministry of Internal Affairs and the Border Police remain effective. The capacity of the Department for Citizenship, Asylum and Migration in the Ministry of Internal Affairs should be increased. Currently, the Department employs 34 staff members, while the organisational chart makes provision for a staff of 52. One of the deputy ministers is the National Anti-Trafficking Coordinator and National Migration Coordinator. The authorities should reflect on creating a permanent position to bring more stability to this role.

In September 2022, the government restructured the Government Authority on Migration. The Multistakeholder Forum remains an important platform where all relevant stakeholders cooperate on migration-related issues.

The **legal framework** is largely in line with the EU *acquis*. Steps should be undertaken to further align legislation, including the Law on foreigners, with the EU *acquis* and international standards. It is recommended that Kosovo align legislation with Directive 2008/115/EC (the Return Directive), include a humanitarian protection category, and extend the voluntary return period.

Kosovo has **readmission agreements** with 24 countries, including 20 EU Member States and members of the Schengen area. During the reporting period, Kosovo did not sign any new readmission agreements. There is no readmission agreement with the EU as a whole. During 2022, the government approved initiatives to conclude new readmission agreements with 14 countries: Latvia, Lithuania, Portugal, Poland, Ireland, the United Kingdom, Pakistan, Côte d'Ivoire, the United States, Jordan, Egypt, Libya, Chad and Australia.

The 2021-2025 **migration strategy** and action plan reflect the priorities in the government programme for the same period. The strategy and action plan take into account obligations deriving from the Stabilisation and Association Agreement as well as European and global initiatives such as the EU Pact on Migration and Asylum and the Global Compact on Safe, Regular and Orderly Migration. The strategy meets all requirements, including on defining baselines, clear budgeting and setting target values. Issues related to the **diaspora** are not included in the migration strategy; instead, it will form a part of the future diaspora strategy. This is a first step towards developing a comprehensive strategy covering all relevant policy areas, coordination and implementation. The Department of Citizenship, Asylum and

Migration prepared the first six-month report on the implementation of the migration strategy.

Implementation and enforcement capacity

In 2022, the number of registered migrants decreased from 1 487 to 957. There were 469 non-registered migrants in the period January-December 2022. Most migrants are single men, with a limited number of single women, families and children.

During the first half of 2023, 308 new migrant arrivals were registered in Kosovo: 222 of them applied for 15 days of international protection and have been accommodated in the temporary reception centre in Vranidoll, while 86 applied for asylum and have been accommodated in the asylum centre in Magure. 134 evacuees from Afghanistan are still present in the US facility in Kosovo. There are 71 unregistered migrants inside Kosovo residing outside regular reception centres.

The International Organization for Migration (IOM)'s displacement tracking matrix remains an important mechanism to monitor movements in and out of Kosovo, and as such helps the authorities to develop evidence-based policies and provide migrants with adequate protection services. Kosovo has limited capacity to manage labour mobility to and from Kosovo. There is a need to establish and ensure access to safe and regular migration pathways, and to work with skills mobility partnerships. This would also foster an environment conducive for circular migration.

Migrants who enter Kosovo can either apply for asylum or make use of 15 days to decide whether to apply for asylum or leave. After 15 days, if they did not apply for asylum and leave, or apply for voluntary return assistance, they may be subjected to forced return. As no alternatives to detention are in place, they may be subject to detention.

The authorities expanded accommodation capacities, which are currently sufficient. There are three reception centres, with a current capacity of up to 600 (Magure, 100 people; Vranidoll, 200 people; Belvedere Camp, 300 people, which can be expanded up to 2 200). The refurbished temporary reception centre in Vranidoll, which can host up to 70 people, opened in June 2022. The average stay of a migrant in the Magure asylum centre is 20 days, 6 days at the Vranidoll temporary reception centre for migrants, and 90-120 days at the Vranidoll detention centre for foreigners.

While fundamental rights are generally upheld, services provided at the centres should improve, including medical assistance, psychological support and interpretation services. Measures should be taken to increase safety for asylum seekers in facilities, in particular to prevent gender-based violence. Providing proper care and security for the most vulnerable groups of migrants remains a challenge. Kosovo needs to further increase and strengthen authorities' capacities to evidence irregular migration and offer protective quality services. In 2022, the government adopted the guidelines on the prevention, risk management and response to gender-based violence in the context of mixed migration.

In 2022, 20 migrants were detained in the detention centre for foreigners. Detention should only be applied as a last resort, in line with the EU *acquis*. Establishing sustainable alternatives to detention for irregular migrants remains a priority. The IOM, funded by the EU, provided essential support to migrants at the detention centre for foreigners. Conditions need to improve to align with international and human rights standards. In the first 5 months of 2023 9 foreigners present in Kosovo were returned to their place of origin under the readmission agreements, one third each by force, voluntarily or through IOM voluntary channels respectively.

Despite the government's efforts, transnational smuggling networks continued to facilitate

secondary movements of irregular migrants from entry points along the Western Balkan route. During the reporting period, the Kosovo Border Police intercepted 869 migrants entering in an irregular manner. They also initiated 24 cases of migrant smuggling (compared to 27 in the previous reporting period) involving 44 people (57 in the previous reporting period). 26 indictments and 13 guilty verdicts were issued. During the first half of 2023, 4 individuals were arrested for involvement in migrant smuggling.

Gaps remain in enforcement of the laws, mostly due to a lack of coordination between government agencies. The Border Police's capacity in the area of protection-sensitive migration needs to be further strengthened. Qualified interpreters are needed to service the asylum and detention centres and the Border Police. The lack of biometric equipment and interoperability of data affects the efficiency of initial registration and further processing. Overall, there is a need for better interinstitutional coordination, including with municipalities. Further efforts are needed to put in place a gender-responsive system.

Kosovo has strengthened its inter- and intra-institutional systems for migration management, including on migration statistics. This should allow comparative and regional analyses of migration trends. The Migration, Asylum, Refugees Regional Initiative (MARRI) established a Permanent Working Group on Migration Statistics to collect, process and disseminate migration data through the regional platform for migration data exchange in the region.

According to Eurostat, the number of Kosovo citizens refused entry at the external borders of the EU was 1 795 in 2022 (1 650 in 2021), and those found to be illegally present was 3 960 in 2022 (3 545 in 2021). The number of Kosovo citizens ordered to leave the EU increased slightly from 3 740 in 2021 to 3 930 in 2022. 1 380 returned to a third country in 2022.

The readmission agreements with EU Member States and Schengen associated countries are being implemented satisfactorily. The total number of readmitted persons in 2022 was 613, out of which 536 were by force (87%), 13 voluntarily (2%) and 64 through IOM voluntary channels (10%), marking a decrease compared with 2021. The majority of those readmitted are in the age groups 35-64 (266 or 43.4%) and 18-34 (242 or 39.5%). Among those readmitted by force in 2022, 470 (87.6%) were male, while 66 (12.3%) were female. According to data from the IOM, out of the voluntarily readmitted persons in 2022, 41 (64%) were male and 23 (36%) were female. For 2023, by May a total of 209 persons had been readmitted to Kosovo, 174 (83.25%) by force, 15 (7.18%) voluntarily and 20 (9.57%) voluntarily through IOM channels.

The return rate of Kosovo citizens ordered to leave EU territory was 58% in 2018, 41% in 2019, 29% in 2020 and 39% in 2021. While statistics show a drop in the return rate between 2018 and 2020, EU Member States have confirmed that the Kosovo authorities continue to cooperate well on readmission. The number of Kosovans ordered to leave the EU increased from 3 740 in 2021 to 3 930 in 2022, according to Eurostat. 1 380 returned after the order to leave in 2022 (35.1%).

The number of asylum applications made by Kosovo citizens in both EU and Schengen associated countries has fallen steadily, from the peak of 73 210 in 2015 to 1 515 in 2020 and 1 600 in 2021, rising to 2 445 in 2022. The overall number of Kosovo citizens readmitted dropped from 18 789 in 2015 to 625 (512 forced and 113 voluntary) in 2020, and 849 (710 forced and 139 voluntary) in 2021.

Overall, there is a need for better interinstitutional coordination, including with municipalities, as well as improved systemic monitoring and evaluation. A referral mechanism was established and functions through the reception centre for repatriated persons. A manual identifying and advancing the referral of vulnerable cases and training on needs assessment were provided to central and local reintegration officials.

In August 2021, Kosovo began temporarily hosting US-linked and NATO-related evacuees/refugees from Afghanistan, based on the Kosovo government's decision to grant them temporary protection for one year. They are hosted in two open facilities in Kosovo on the understanding they will be further resettled in the United States under a specific visa regime or in NATO Member States committing to taking them in. Since January 2023, 158 departures have been registered and 134 people are present in Bondsteel Camp.

Asylum

Institutional set-up and legal alignment

In March 2022, the EU Agency for Asylum (EUAA) and Kosovo adopted and started to implement a bilateral roadmap for cooperation (2022-2024).

Kosovo's legal and institutional framework on asylum is mostly in line with the EU *acquis*. The Kosovo legal framework provides for access to the territory and respects the principle of non-refoulement. Refugees should be included in social protection schemes. Certain sectors of the system require further strengthening in line with the Roadmap agreed with the EUAA.

The establishment of a fully effective and protection-sensitive entry system requires clear legal provisions. These should include identification, screening and referrals of people seeking international protection and those with specific needs. The new Law on foreigners is an opportunity to provide clear definitions; it should also lay down provisions on facilitated integration.

Implementation and enforcement capacity

Kosovo continues to be a transit route for most people arriving in mixed movements. Limited capacity in terms of biometric devices and lack of data interoperability affect the efficiency of the registration and further processing of asylum claims. To comply with its mandate, the Border Police needs adequate equipment and more expertise.

The Ministry of Internal Affairs Asylum Division / Department for Citizenship Asylum and Migration consists of 3 officials who handle asylum cases. Authorities should consider accelerating the process of hiring new staff.

In 2022, Kosovo recorded 550 asylum applications, a trend similar to 2021 (578). By May 2023, 73 asylum claims had been registered. During 2022, Kosovo granted protection to 25 people. By May 2023, protection had been granted to 13 people.

Most asylum requests are suspended, as applicants disappear without completing the procedure (52 out of 73 as of May 2023). Cases of gender-based violence remained institutionally unattended due to the lack of appropriate response systems. The current practice of issuing a "Certificate for accommodation at the Temporary Reception Center for Migrants" allowing for accommodation rights for 15 days, without granting any legal status during this period is not in line with the EU *acquis* in the field.

The **integration system** is at an early stage of development. Kosovo made some progress to increase staffing and build capacity through training and new procedural guidance. On child protection, it remains crucial to strengthen procedures concerning unaccompanied minors, including age determination, legal guardianship and communication.

The Ministry of Internal Affairs has contracted companies to provide translation services; in addition, the United Nations High Commissioner for Refugees provides translation support. Under the Migration, Asylum, Refugees regional initiative, the Department of Citizenship, Asylum and Migration benefits from the exchange of translators of rare languages among the MARRI member states. Investment in further strengthening the quality of refugee status

determination is required to ensure that asylum officials are able to carry out quality assessment of asylum claims. In August 2022, the Ministry of Internal Affairs concluded a memorandum of understanding with the Free Legal Aid Agency on the provision of free legal aid to foreigners.

In August 2022, the temporary reception centre for migrants, which also hosts asylum seekers, improved its reception conditions in terms of accommodation capacities. The right to be accommodated at the centre and access to services are granted for 15 days, which can be extended at the authorities' discretion. In addition, asylum seeker registration is still conducted outside the centre without proper profiling and referrals.

The budget for the integration of refugees in Kosovo is planned under the annual budget law for the Ministry of Internal Affairs' Department for Reintegration of Repatriated Persons and Integration of Foreigners. In 2023, the budget is EUR 1 381 395.

In October 2022, Kosovo approved the guidelines for foreigners' access to vocational training and employment. The authorities continue to provide effective support to those granted international protection by offering rent for accommodation, language courses and integration courses for 2 years. This period may be extended on a case-by-case basis.

Since August 2021, Kosovo began temporarily hosting US-linked and NATO-related evacuees/refugees from Afghanistan, based on the Kosovo government's decision to grant them temporary protection for one year. They are hosted in two open facilities in Kosovo on the understanding they will be further resettled in the United States under a specific visa regime or in NATO Member States committing to taking them in. Since January 2023, 158 departures have been registered and 134 evacuees/refugees are still present in Bondsteel Camp.

The authorities have confirmed their readiness to host up to 5 000 Ukrainian citizens, providing temporary residence for humanitarian reasons. Kosovo also hosts 14 Ukrainian journalists with temporary status, including accommodation and employment with the Association of Journalists. Six Ukrainian nationals were granted subsidiary protection.

Visa policy

Kosovo has yet to fully align its legislation with EU visa policy. Kosovo grants visa-free travel to travellers of 110 countries with ordinary passports for 90 days within a six-month period, including 22 countries that do not have a visa-free regime with the Schengen area. Passport holders of 89 countries need to obtain a visa prior to entering, 4 of which enjoy visa-free travel to the Schengen area. The visa-issuing authorities have the capacity to digitally collect biometric identifiers from visa applicants, although the equipment needs upgrading. All granted visas and rejections are registered in the visa information system. 16 Kosovo consulates around the world can issue visas.

Kosovo continues to fulfil the visa liberalisation roadmap benchmarks. On 18 April 2023, the European Parliament endorsed the agreement with the Council on a Commission proposal enabling Kosovo passport holders to travel to the EU without a visa. Based on this, as of 1 January 2024, passport holders from Kosovo will be able to travel to the EU without a visa for up to 90 days in any 180-day period. During the process, Kosovo authorities demonstrated commitment to addressing all questions raised by the EU.

Kosovo should roll-out an information campaign on rights and obligations linked to the visa free travel status to prevent possible misuse.

Schengen and external borders

Institutional set-up and legal alignment

The National Centre for Border Management is an important tool to effectively manage the security of Kosovo's borders. The Centre hosts an operational and coordination room. The latter monitors all activities at the border and common crossing points through closed-circuit television, coordinates the real-time exchange of information between the border authorities at all levels, and handles calls from the public. The Centre has a Joint Intelligence, Risk and Threat Analysis Unit, which collects, analyses and disseminates information from and to the border authorities. Since 1 June 2022, the Centre is also hosting the Passenger Information Unit, which scans advance passenger information and passenger name records. Standard operational procedures need to be further developed.

The legislative framework for managing Kosovo's borders is mostly in line with the EU *acquis* and international standards. The Law on state border control and surveillance and the Law on cooperation between authorities involved in integrated border management are the main regulations in this field. Kosovo has a 2020-2025 integrated border management (IBM) strategy and 2020-2023 action plan in place; these were reviewed in February 2023. The relevant executive board reviews implementation on a quarterly basis.

Implementation and enforcement capacity

The Kosovo Police Border Department is able to conduct its daily tasks and obligations despite the current operational situation, especially in the northern parts of Kosovo, and the constantly changing human resources challenges due to the resignation of Kosovo Serb officers. Operational tasks have been facilitated by internal transfers and other compensatory measures. Staffing numbers in all Border Police units in the north of Kosovo do not reflect the composition of the local population, in accordance with Brussels Agreement. Responsibilities for border security tasks are divided between three regional border directorates (West, East and North) and the Pristina airport police. All regional directorates have quick reaction units responsible for supporting border surveillance stations. The Kosovo Border Police does not have special units or capacities, even though quick reaction teams are well trained and equipped to address challenging situations in the border area. Based on risk analysis, the Border Police established four additional bases in the north of Kosovo.

The Border Police's performance and its knowledge of border procedures have improved. Statistics indicate increasing effectiveness in several areas of cross-border crime. As an example, in 2022 Kosovo arrested 61 people engaged in the trafficking of human beings in 37 cases and disbanded 4 organised groups. Development of infrastructure, equipment and tactical methods, especially at the green border areas, would enhance the whole border security system's capacity and bring it closer to EU standards. The Kosovo Police Information System is linked to all border crossing points. The infrastructure at border crossing points has improved and the border management system continues to operate satisfactorily. However, some of the facilities need renovation. The lack of direct online access to some international databases is a hindrance to effective crime prevention work.

The Ministry of Internal Affairs of Kosovo's working arrangement with the European Border and Coast Guard Agency (Frontex) enables close cooperation on irregular migration, cross-border crimes, border security and overall border management. Cooperation between Kosovo and Frontex is good and improving. Frontex is deploying officers to several border crossing points in Kosovo, based on mutually agreed operational plans (e.g. project coordination points). The Agency provides other border management-related support, such as guidance to establish a national coordination centre, in accordance with the EU *acquis*. Kosovo participates in the Western Balkan risk analysis network (WB RAN) and in several other regional exercises organised by Frontex.

Cooperation with all neighbours is good, except with Serbia. The Border Police has appointed focal points in charge of international cooperation. Joint patrolling agreements with Albania, North Macedonia and Montenegro are in force, and joint activities are conducted regularly. Based on police cooperation agreements in force, there are joint police cooperation centres with Albania and North Macedonia. Kosovo participates in the trilateral (Kosovo, Albania, Montenegro) Joint Police Cooperation Centre based in Plav, Montenegro.

The Interim Common Crossing-Points (CCPs) between Kosovo and Serbia continue to be operational. Only two of the six permanent CCPs have been established (Merdare and Mutivodë/Mutivode). Serbia still has not established permanent CCPs to be hosted by their side (Jarinje/Rudnica, Končulj/Dheu i Bardhë and Depce/Muçibabë), which led to a suspension of EU funds for this project in July 2018. In addition, Serbia needs to engage constructively to enable the construction of the third CCP hosted by Kosovo in the north of Kosovo at Tabavije/Bërnjak-Tabaliqe/Brnjak. Additional efforts are required from Serbia to close illegal roads and bypasses to ensure exclusive use of official crossing points for goods and persons entering into or leaving Kosovo.

In 2022, two specific corruption-related operations took place, resulting in the investigation of 70 people on suspicions of bribery. According to the Kosovo Police Inspectorate, these operations had a preventive affect. Such preventive actions, in cooperation with IBM authorities, in connection with possible corruption cases, continue to take place.

Kosovo made progress on implementing the revised 2020-2025 National Centre for Border Management development plan. However, there is still need for better strategic assessment and analyses of border-related risks, and for better cooperation with other border authorities. The effectiveness of such cooperation is affected by the lack of connection, for status-related issues, to important international networks such as Interpol's I-24/7.

Counterfeiting of the euro (criminal law aspects)

The 2019 Kosovo Criminal Code is broadly in line with the EU *acquis* on the suppression of counterfeit currency. Kosovo has competent authorities and procedures in place to deal with counterfeit money. However, the Criminal Code would need to be further aligned with the EU Directive on the Protection of the Euro and Other Currencies against Counterfeiting.

The Forensics Agency within the Ministry of Internal Affairs carries out technical analysis of counterfeit money (including euro banknotes and coins), in line with international standards. The Agency has concluded an agreement with the European Commission on exchange, assistance and training for the protection of the euro against counterfeiting (the Pericles 2020 programme).

Between June and December 2022, the police initiated 433 cases for a total value of EUR 54 333, and 10 people were detained. Between January and March 2023, the police initiated 275 cases valued at EUR 44 731. Two individuals were detained.

(See Chapter 32 on financial control).

2.3. ECONOMIC DEVELOPMENT AND COMPETITIVENESS

<i>Table 7.1:</i>	2014-19	2020	2021	2022
Kosovo - Key economic figures	average			
GDP per capita (% of EU-27 in PPS)	24	25	27	27
Real GDP growth	4.6	-5.3	10.7	3.5
Economic activity rate of the population aged 15-64 (%) , total	40.4	38.3	39.3	38.6
<i>female</i>	19.6	20.8	22.0	22.0
<i>male</i>	60.9	56.0	56.6	55.5
Unemployment rate of the population aged 15-64 (%) , total	30.3	25.9	20.7	12.6
<i>female</i>	30.6	32.3	25.0	16.5
<i>male</i>	24.4	23.5	19.0	11.0
Employment of the population aged 15-64 (annual growth %)	1.4	-4.4	10.4	5.4
Nominal wages (annual growth %)	3.6	-2.3	3.9	7.6
Consumer price index (annual growth %)	0.9	0.2	3.3	11.6
Exchange rate against EUR*	1.0	1.0	1.0	1.0
Current account balance (% of GDP)	-7.1	-7.0	-8.7	-10.5
Net foreign direct investment, FDI (% of GDP)	3.2	4.2	4.0	6.7
General government balance (% of GDP)	-2.0	-7.6	-1.2	-0.5
General government debt (% of GDP)	14.9	22.4	21.5	19.9

* The euro is used as a de facto domestic currency

Source: Kosovo statistics, World Bank and IMF

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

2.3.1. The existence of a functioning market economy

Kosovo is **between an early stage and some level of preparation** and has made **some progress** in developing a functioning market economy.

Kosovo's economic rebound moderated significantly in 2022 as investment contracted and household consumption growth slowed owing to high inflation, which surged to double-digits in the wake of rising energy, food and transport prices. Russia's war of aggression against Ukraine had mainly indirect effects, through higher import prices and uncertainty. Supported by high revenue growth and a significant under-execution of public capital spending, the headline budget was close to balance in 2022 and the public debt ratio fell. However, the investor base for government debt remains narrow. Social benefits remain poorly targeted. The Assembly passed the new law on the minimum wage, which decoupled the level of war veterans' pensions from the minimum wage. The financial performance of publicly owned enterprises represents a fiscal risk. The current account deficit rose significantly on the back of strong increases in energy import prices. The financial sector remained well capitalised and stable, and bank lending continued to expand in nominal terms. However, sustained supervisory vigilance is required in the context of slowing economic growth, tightening financial conditions and the rapid rise in mortgage lending to households. The economy remained resilient during recent crises, but the private sector continues to be hindered by long-standing structural challenges such as a widespread informal economy, a high prevalence of corruption and the overall weak rule of law. The business environment improved somewhat. Labour market formalisation continued, but

labour market participation and employment rates, especially among woman and young people, remain very low, while unemployment remains high.

Last year's recommendations were partly addressed and remain mostly valid. In order to improve the functioning of the market economy, Kosovo should in particular:

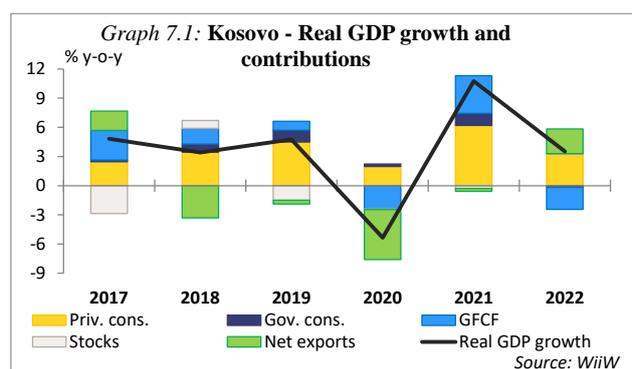
- continue to mitigate the impact of the energy crisis by well-targeted and temporary support measures if needed, while complying with the fiscal rule's deficit ceiling of 2% of GDP;
- ensure compliance with the legal ceiling on war veteran pensions and with the wage bill rule, and undertake a review of tax expenditure, quantifying the size of the revenue forgone from all exemptions, preferential rates and special regimes;
- improve the quality of public spending by reforming the social security system and addressing weaknesses in public investment management;
- implement relevant business environment measures, in particular on the fight against the informal economy and the simplification and digitilisation of licences and permits.

Economic governance

Kosovo's economic policies focused on providing policy support to cushion the impact of higher energy prices and on re-establishing fiscal buffers. In 2022, the government allocated and implemented around EUR 316 million (3.5% of GDP) in temporary support to vulnerable households and firms, and wage and pension bonuses and subsidies to the energy and agricultural sectors. The 2023 budget includes an allocation for contingencies of 3.5% of GDP, of which 2.7% of GDP is a blanket allocation, which undermines fiscal transparency. There was limited progress in improving the planning, selection and management of public investment, and the public capital budget was significantly under-executed. The government took fiscally prudent decisions by rejecting a proposal to withdraw more funds from the Kosovo Pension Savings Trust (KPST). The Assembly passed the new law on the minimum wage, which decoupled the level of war veterans' pensions from the minimum wage. The new Law on public-sector salaries, combined with a suitable value of the wage coefficient set by the government, ensures that the public wage bill does not exceed its legal ceiling. On 25 May, the IMF Executive Board approved a 24-month precautionary Stand-By-Arrangement in the amount of EUR 100 million for Kosovo and a EUR 78 million support from the IMF's newly established Resilience and Sustainability Facility, to be used for investments in renewable energy and energy efficiency.

The policy guidance jointly agreed at the May 2022 Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye has been partially implemented. Tax revenue grew strongly on the back of high inflation and a reduction in the informal economy, but there was little progress on reviewing tax exemptions. The financial oversight of publicly owned enterprises (POEs) has improved but work to set up a fiscal oversight body has not advanced. For 2023-2025, Kosovo's Economic Reform Programme (ERP) aims to maintain stable public finances and comply with fiscal rules, while supporting the economic recovery mainly through higher capital spending.

Macroeconomic stability

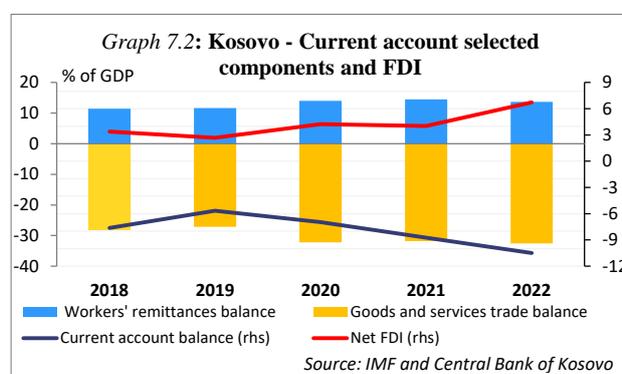


Kosovo's economic rebound moderated significantly in 2022 due to the fallout from Russia's war of aggression against Ukraine. Real GDP growth eased markedly from 10.7% in 2021 to 3.5% in 2022, which is below the pre-pandemic (2015-2019) average rate of GDP growth of about 5%. The key factors behind the economic slowdown were a decline in gross fixed capital formation and a deceleration in private consumption

growth. The slower growth in private consumption was due to high inflation and the resulting fall in real disposable income as well as a moderate drop in net inflows of remittances as a share of GDP. Still, household consumption remained one of the main drivers of growth on the back of government support measures and higher bank lending. Moreover, a strong increase in exports of goods and services, together with a sharp slowdown in real imports growth, resulted in a positive contribution of net exports to GDP growth. Economic growth accelerated slightly to 3.9% year-on-year in the first quarter of 2023, up from 3.6% in the previous 3 months. Despite some gradual improvement, the lack of economic diversification, high import dependency and an unreliable energy supply render Kosovo vulnerable to adverse external shocks. Kosovo's per capita GDP remains the lowest in the Western Balkan region, standing at 27% of the EU average in 2022. Income inequality is high due to a large informal sector and high inactivity rates, especially among women.

The negative terms-of-trade shock led to a substantial deterioration in the current account balance. The current account deficit widened significantly to 10.5% of GDP in 2022, up from 8.7% in 2021. A key factor was the energy-balance-induced surge in the merchandise trade deficit, which outpaced the continued rebound of services exports, resulting in an increase in the overall trade deficit to 32.5% of GDP, up from 31.8% a year before. Affected by the economic slowdown in the EU, remittances decreased to 13.7% of GDP in 2022, down from 14.5% in 2021, while the primary income surplus fell to 1% of GDP, down from 1.9% a year earlier. Further unofficial services exports and remittances were reflected by large errors and omissions in the balance of payments (equivalent to 2.7% of GDP) in 2022. The four-quarter moving average current account deficit narrowed to 9.2% of GDP in the first quarter of 2023.

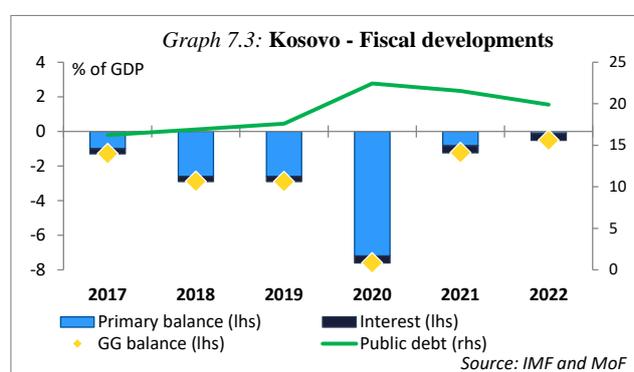
Net foreign direct investment (FDI) inflows increased strongly to 6.7% of GDP in 2022, covering around two thirds of the current account deficit. The key drivers for the 88% year-on-year increase were continued investment by the diaspora in the real estate sector, as well as higher inflows in mining and quarrying, financial and insurance activities, and manufacturing. In 2021, Kosovo issued its first diaspora bonds totalling EUR 10.4 million, most of them 5-year bonds, in an effort to tap additional sources of financing. Otherwise, Kosovo remains absent from international debt markets. The four-quarter moving average of net FDI inflows increased slightly to 7% of GDP in the first quarter of 2023, while official reserve



assets amounted to 2.3 months of imports of goods and services.

After peaking in 2022, annual inflation started to gradually decline since the last quarter of that year. Annual average consumer price inflation accelerated significantly to 11.6% in 2022, up from 3.3% in 2021. The main drivers were rising energy, food and transport prices. However, in the last months of the year inflation started to moderate, reaching an average of 10.1% year-on-year in the first quarter of 2023 and decreasing further to 2.4% in July on the back of gradually decelerating global commodity prices. Most energy prices are regulated in Kosovo. Following a request by KEDS, Kosovo’s energy distribution company, in early December 2022, the Energy Regulatory Office increased electricity tariffs by 15.4% for all consumer categories in late March 2023. The government continued subsidising tariffs for households and businesses consuming up to 800 Kwh.

Fiscal consolidation continued in 2022 with a further reduction of the headline deficit on the back of high revenue growth and underexecution of the capital investment programme.



The headline budget deficit fell to 0.5% of GDP in 2022 (from 1.2% of GDP in 2021), which corresponds to a surplus of 0.2% of GDP under the fiscal rule’s definition⁶. Government deposits fell slightly to 3.5% of GDP, down from nearly 4% in 2021. The fall in the government deficit resulted primarily from a higher-than-projected increase in budgetary revenue, which rose by nearly 14% year-on-year, on the back of high inflation and

some formalisation gains. Tax revenue increased by 14.3%, with direct and indirect tax income growing healthily by 21% and 12% respectively in 2022. Public expenditure grew by 10.5% year-on-year. The largest increase took place in the category of transfers and subsidies (26.3% year-on-year), mainly driven by energy subsidies. The execution of overall current expenditure was roughly in line with the revised budget plan. Wages and allowances recorded an annual decrease of 2.2%, while spending on goods and services rose by 9.4%. Capital spending practically stagnated compared to 2021, and only reached around 60% of the revised budget allocation, affected by weak public investment management capacity and higher input prices, which have led to a surge in project costs.

On the back of the improved budget balance and high nominal GDP growth in 2022, the public debt-to-GDP ratio declined, but the domestic investor base for government debt remains narrow. The public debt ratio fell to a revised 19.9% at the end of 2022 and further to 17.3% in June 2023. These figures do not include the liability for the State from COVID-19-related tax-free withdrawals of 10% of pension savings from the Kosovo Pension Savings Trust, which the government promised to reimburse from 2023⁷. Domestic debt, which is held by a narrow investor base, increased only by 0.5% in nominal terms in 2022. In March 2023, the share of domestic debt held by the KPST rose to 49%, up from 44% in 2021, while the

⁶ The fiscal rule places a cap on the fiscal deficit of 2% of forecast GDP, excluding capital projects financed by privatisation proceeds and donors (‘investment clause’). This exemption for donor-financed investments can be invoked until 2025, provided the public debt ratio remains below 30% of GDP. A further rule stipulates that the increase in the public wage bill cannot exceed nominal GDP growth. Government deposits used as fiscal buffers are legally required to stay at 4.5% of GDP as long as the government uses privatisation proceeds. The debt rule provides that public and publicly guaranteed debt cannot exceed 40% of GDP.

⁷ The IMF estimates the liability to the Kosovo Pension Savings Trust at 1.8% of 2020 GDP.

Central Bank of Kosovo and commercial banks hold a further 20% and 24% of domestic debt respectively. In the absence of a sovereign credit rating and very limited access to international bond markets, foreign financing has been provided by international donors. Foreign debt rose by 11.2% in 2022. This includes loans from the World Bank (EUR 60.1 million), the European Investment Bank (EUR 23.8 million), the European Bank for Reconstruction and Development (EUR 14.5 million) and the Council of Europe Bank (EUR 10.8 million). The new Law on public debt and state guarantees, aligning the legal framework with EU standards and international practices, was adopted at the end of 2022, and the secondary legislation will be reviewed and approved by the end of 2023. Under this new law, the definition of public debt will also include debt issued on behalf of municipalities. The law regulates municipality borrowing (including the power to borrow), reporting requirements and debt limits.

Progress with public investment management and addressing fiscal risks has been mixed.

Budgeted public capital spending is expected to increase by 3.6% of GDP compared to the 2022 outturn, despite weak planning and implementation capacities and recurring under-execution of the capital budget in the previous years. Some steps were taken to unlock project implementation, including through paid land expropriations and making the Procurement Review Body board operational again in the second quarter of 2022. Furthermore, the Law on public works support, adopted at the end of 2022, compensates contractors up until mid-2023 for higher project costs resulting from very high inflation. The implementation of the Law on salaries of public officials is expected to increase the wage bill by 11.1% in 2023. This is lower than the nominal GDP growth in 2021, meaning that the wage bill rule is being respected. The issue of recurring spending overrun on war veteran pensions has not been resolved due to the absence of a reclassification of beneficiaries. The 2023 budget again includes a large blanket allocation, which undermines fiscal transparency and budget planning unless it is justified as part of a concrete risk assessment framework. The fiscal risk analysis of the main central publicly owned enterprises in the medium-term expenditure framework (MTEF), annual budget and the ERP has been expanded beyond the POEs overseen by the Ministry of Economy. However, the analysis is limited to high-risk POEs, excluding other companies. Implementation of the Energy Roadmap reached on 21 June 2022 between Kosovo and Serbia in the EU-facilitated dialogue to address electricity billing issues in four municipalities in the north of Kosovo is yet to move forward. Fiscal risks related to billing and payment of invoices remain. In 2022, the financial obligations of KOSTT, the Kosovo transmission operator, for the losses caused by the energy consumed (but not paid for) in that part of Kosovo reached EUR 63 million.

After 2 years of substantial fiscal consolidation, the planned strong fiscal impulse in 2023 is appropriate.

In 2022, the government adopted temporary support packages that helped to mitigate the impact of the energy crisis, including energy subsidies and transfers to vulnerable households and firms. However, the measures could have been better targeted and more transparent. Budget revenue relies on a narrow tax base, mainly from indirect taxes, weakened by numerous tax exemptions, preferential tax rates and special regimes, while public spending is burdened by category-based specific transfers, leaving little space for means-tested benefits and employment policies. The 2023 budget provides for a strong fiscal stimulus, which is largely appropriate after 2 years of substantial fiscal consolidation. This would mainly be implemented through an increase in public spending on wages and investment. However, there is a risk of the latter facing constraints due to weak public investment management.

Functioning of product markets

Business environment

The gap between newly registered and terminated firms has widened over the last 5 years.

The difference between new (11 049) and terminated firms (1 775) widened to 9 274 in 2022, up from 8 066 in 2018, mainly due to a higher number of newly registered companies.

Some progress was made in improving the business environment. In July 2022, the government approved the concept document for the Register of Beneficial Owners. The Commercial Court became fully operational in August 2022, which is expected to increase the efficiency of the judicial system in settling commercial disputes, but the court still faces a large backlog of cases. In September 2022, the government adopted an improved programme to reduce and prevent the administrative burden on citizens and businesses. The e-Kosova platform has increased the number of services available through the platform from 21 in 2021 to 140 in 2023. In October 2022, the government approved the concept document for business organisations and the secondary legislation on the Business Registration Agency. In November 2022, an assessment of the agency's database compatibility with the requirements of the Business Register Interconnection System (BRIS) was finalised. The Kosovo Investment and Enterprise Support Agency (KIESA), whose task is to support foreign and domestic businesses including SMEs, promote exports and attract foreign direct investment, lacks capacity and resources to execute its broad mandate, while its restructuring and reform are long overdue. For this reason, in January the government approved the Law on sustainable investments, which is awaiting the Assembly's approval. Its purpose is to regulate the protection, promotion and encouragement of sustainable investments. The law also envisages to replace the KIESA by a new agency, which would facilitate foreign investment and report directly to the prime minister's office.

Despite some progress in reducing the informal economy, it still accounts for more than 30% of GDP. Formalisation efforts by the government, Kosovo's Agency of Statistics, and the Customs administration have borne fruit, contributing around 35% of the cumulative change in tax revenues in 2020-2022⁸. The government subsidies for registered employees to mitigate the negative impact of the COVID-19 pandemic on households and firms helped shift more employees from the informal to the formal sector. Increased labour demand at the time of the economic rebound contributed to an increased number of formal employees. During the reporting period, the Secretariat of the Government Working Group for the implementation of the 2019-2023 National Strategy for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes, published a report covering the first half of 2022, which showed that only 50% of the planned actions were implemented. A second action plan covering the period 2022-2023 was adopted in 2022, while the Secretariat has started drafting the new national strategy for 2024-2028. To tackle corruption, a set of new anti-corruption laws was adopted in 2022. These aim at strengthening criminal proceedings, the anti-corruption agency, and asset declaration. According to Transparency International's corruption perceptions index, Kosovo improved its index score in 2022, ranking 84 out of 180 countries, 3 positions higher than in 2021.

State influence on product markets

The State aid policy framework is at an early stage of development. The current framework lacks a coherent approach to State aid or a comprehensive strategy and cost-benefit evaluations for aid and subsidies granted. In the reporting period, the State Aid Department developed an online monitoring system for State aid. Training of the competent staff on recording and monitoring State aid in the system is in progress. The State Aid Commission has still not been appointed by the Assembly and remains without a decision-making quorum. In 2022, in the context of higher energy and crop prices amid Russia's war of aggression against Ukraine,

⁸ IMF Country Report No. 23/55, January 2023.

about 1% of GDP was allocated for subsidies to firms operating in the agricultural and energy sectors.

Privatisation and restructuring

Kosovo took further steps to set up a sovereign fund. In June 2022, the government adopted a concept document on the sovereign fund, and a public consultation was launched in March 2023 on the draft law on its establishment. The sovereign fund is expected to take over socially owned enterprises⁹ and assets managed by the Privatisation Agency of Kosovo (PAK), as well as some publicly owned enterprises managed by the Ministry of Economy after these improve their financial performance. However, setting up the fund will not be sufficient to address the long-standing issues of poor financial performance and management, which reflect weaknesses in corporate governance and oversight of publicly owned enterprises. In June 2023, the government approved the draft law on the sovereign fund, which will be discussed in the Assembly. During the reporting period, the PAK initiated liquidation procedures for 3 socially owned enterprises. In total, 582 socially owned enterprises are under liquidation procedures. The process of dismissing and appointing new board members of publicly owned enterprises continued, with more women being appointed.

Functioning of the financial market

Financial stability

The financial sector showed resilience amid continued challenges. The predominantly foreign-owned banking sector accounts for 68.4% of financial system assets, followed by pension funds, micro-financial institutions and insurance companies, with 24.5%, 4.1% and 2.7% respectively. The banking sector's profitability improved in nominal terms, with the average return-on-equity ratio rising to 20.6% in 2022, up from 17.6% in 2021, and increasing further to 21.1% in July. At the end of 2022, the non-performing loans ratio stood at a historically low 2% and remained unchanged at end-March 2023, partially supported by the denominator effect of high nominal credit growth. The banking sector has to be closely monitored due to non-negligible risks from a weaker economic outlook, higher commodity prices and lower-than-projected remittances. Furthermore, as new mortgage lending to households has been growing relatively strongly, it appears appropriate to strengthen surveillance of the housing market. The ratio of banks' regulatory capital to risk-weighted assets stood at 14% in 2022 and increased to 15.3% in July, comfortably exceeding the regulatory minimum of 12%. Banks continued to be financed by deposits, predominantly from households. The loan-to-deposit ratio increased to 78.3% in 2022, up from 76.5% in 2021, and rose further to 81.1% in March. In 2022, the net profit of micro-financial institutions increased to EUR 17.2 million, up from 14.1 in 2021. The insurance sector's net profit fell by 44% on an annual basis, reflecting the increase in operating expenses, namely the cost of purchasing goods and services, administrative expenses and claims incurred.

Access to finance

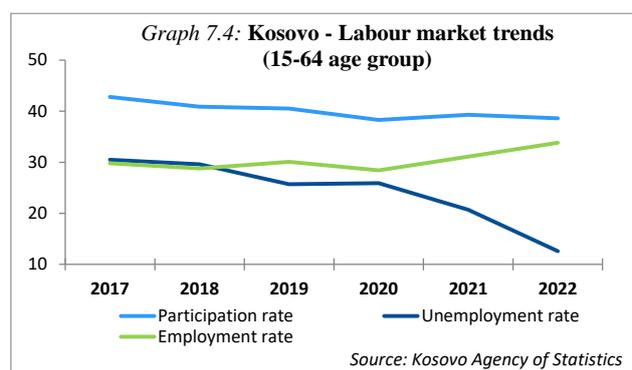
Lending to the private sector continued to expand in 2022. Driven by both business and household lending, bank loan growth accelerated to an average of 17.4% in 2022 up from 11.2% in the previous year, before slowing to 15% year-on-year in the first quarter of 2023. The average interest rate on loans increased to 6.3% in 2022, up from 5.8% in 2021, and remained at 6.3% in March, reflecting tighter financing conditions in the euro area. Deposits' average growth eased to 10.8% in 2022, down from 13.8% a year earlier, before picking up to 16.3% year-on-year in the first quarter of 2023. New loans issued to businesses with a focus

⁹ The ownership of socially owned enterprises was considered as shared social property in the former Yugoslavia.

on investment grew by 9.6% in 2022. Despite some new initiatives undertaken by the Kosovo Credit Guarantee Fund, the lack of easily accessible and affordable credit continues to be a barrier to SME growth. This is partly due to the existing disparity between the market value of collaterals and their legally assigned value taken into account by banks. The capital market remains at an early stage of development. Microfinance has gained momentum in recent years¹⁰, but shortcomings in the legal framework regulating micro-financial institutions hinder the industry's long-term growth and sustainability.

Functioning of the labour market

Despite some progress, the labour market continues to suffer from very low participation, high unemployment and large gender gaps.



Labour Force Survey results continue to be published with large delays. The latest available data refer to the last quarter of 2022. In line with the continued rebound of economic activity, the employment rate increased to 34%, up from 31.7% in the last quarter of 2021. Meanwhile, the unemployment rate declined markedly from 19% to 11.8%, while the labour force participation rate decreased from 39.2% to

38.5% in the same period. The wide gap between male and female employment rates (50.8% and 17.1% respectively) persisted. In the last 3 months of 2022, the share of young people (aged 15-24) not in employment, education or training decreased somewhat to 33.7%, down from 34.8% in the same period a year before. To improve the situation, the government adopted a multiannual youth guarantee implementation plan, and there are ongoing reforms to public employment services. Tax administration data suggest that official employment in the private and public sector increased by 4.9% in 2022. In December 2022, the number of registered job seekers decreased by 1.5% compared to the same period a year before.

Despite some recent formalisation gains, an overall poorly targeted system of social assistance creates disincentives to joining formal employment. In 2022, spending on transfers and subsidies reached nearly 12% of GDP, of which expenditure on poverty-targeting social assistance was less than 0.5%. Category-based social transfers, such as the war veteran pension scheme, undermine the soundness and fairness of the social benefit system. The lack of social and other benefits in formal employment – given the lack of structures to provide them – discourages many informal employers and employees from formalising working arrangements. According to estimates, 40% of the workforce is not declared or is under-declared. Relatively high public-sector wages and remittances increase reservation wages, restricting labour supply, while the lack of jobs fuels the emigration of young people. Increasing private-sector productivity would improve export competitiveness, increase job opportunities and allow for higher wages. The lack of childcare and elderly care facilities hinders female employment.

¹⁰ Despite the expansion of the microfinance sector, the interest rate on loans was around 18%, which is nearly three higher than the rate on bank loans.

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

Kosovo is at an **early stage** and has made **limited progress** in terms of its capacity to cope with competitive pressure and market forces in the EU. The education system does not sufficiently teach the necessary key skills and is not adequately aligned with labour market needs. Limited progress was made in improving transport infrastructure. The energy sector remains a major bottleneck for Kosovo's economic development, and the ongoing energy crisis underlined the urgency of ensuring a reliable and clean energy supply and diversifying energy sources. Kosovo made some progress on digitalising the economy. Structural changes are advancing slowly, as the economy remains highly reliant on small and micro firms, which cannot compete internationally. At the same time, the export structure has somewhat diversified, although it is still dominated by base metals. Trade openness increased as both exports and imports grew robustly. The recommendations from 2022 were not fully implemented and remain mostly valid.

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

- improve the quality of education at all levels, and align education, particularly higher education programmes and vocational education and training, with labour market needs by closely cooperating with the business community;
- strengthen energy security and increase energy efficiency incentives in the residential and private sectors and increase the share of renewables in power generation in a cost-efficient way;
- advance tailored financial and non-financial support for SMEs to improve their competitiveness and export capacity.

Education and innovation

Little progress has been achieved on reforming the education system and aligning it with labour market needs. Public spending on education amounted to 4.1% of GDP in 2021 (down from 4.6% in 2020 and 4.3% in 2019), which is broadly in line with the EU average. However, in terms of outcomes, Kosovo performs worse. The enrolment rate of children in early childhood education stands at 6.7%, the lowest in the region, while for primary and secondary education the combined enrolment rate of 88.1% is very similar to those of regional peers. To address an insufficient participation in early childhood education, the government has approved the draft Law on early childhood education, which is with the Assembly for adoption. The absence of quality learning materials (including a lack of digital resources) in schools and the lack of teachers' initial training and continuous professional development have a negative impact on the quality of education. Learning materials were adapted in the light of the Programme for International Student Assessment (PISA) 2022¹¹ test, after Kosovo registered its lowest-ever ranking in 2018. Kosovo students' scores were lower than the OECD average in reading by the equivalent of 5 years of schooling, and in mathematics by a little over 4 years. The education system is not geared to developing the necessary key skills and is not adequately aligned with labour market needs. The 2022-2026 education strategy, adopted in October 2022, aims to raise the quality of pre-university education and, in particular, to harmonise education and professional training. It also fully recognises the need to develop a real-time information system and forecasting on labour market needs, as well as a standardised methodology for labour market research. This commitment has yet to be translated into action. In September 2022, the Kosovo Accreditation Agency (KAA) was granted the status of affiliated member of the European Association for Quality Assurance in Higher Education (ENQA). The agency is

¹¹ PISA 2022 test results will be published in December 2023.

currently in the process of applying for membership in the ENQA and the European Quality Assurance Register. Kosovo adopted the Law on KAA, which aims to increase the agency's operational independence and transparency of management appointments.

Kosovo's performance lags behind in research and innovation. This is true for policy governance, the public research system, public-private linkages, innovation in firms and human resources for innovation; overall Kosovo has one of the lowest scores in the Western Balkan region¹². Budget allocation for research and development, at 0.1% of GDP, is far below the 0.7% of GDP required by law (compared to an average of 2.2% in the EU), in particular for business innovation. There is chronic fragmentation in implementing innovation policy and no overall coordination among line ministries and the SME support agency, KIESA. In 2022, the Kosovo National Science Council managed successfully to develop the National Science Programme as the main strategic document on science and research. Kosovo has successfully completed negotiation with the EU to become a fully associated member of the Horizon Europe programme, although there is a need to improve performance in accessing grants.

Physical capital and quality of infrastructure

Foreign direct investment (FDI) has not led to an increase in domestic productivity. Kosovo has primarily attracted investment in areas with limited scope for productivity spillovers, such as construction and real estate, which represent 80% of FDI¹³. In 2022, 67% and 7% of all FDI inflows were directed to real estate and financial and insurance activities respectively. Additionally, FDI is limited to a handful of countries, namely states where a sizeable, well-established Kosovo diaspora exists. Export-oriented FDI has been very scarce, and overall figures are relatively low, passing the EUR 300 million figure only once in the past 7 years.

Kosovo made limited progress in improving road and railway infrastructure, delaying the implementation of major projects. The government submitted a loan request to the EBRD and EIB for *Route 7 Peace Highway*. The rehabilitation works for Railway Route 10 continued at a slow pace, with the first segment expected to be completed in the first quarter of 2024. The works on the second segment started at the end of 2022, while the related signalling and telecom works have yet to start. The transport system still faces several challenges in terms of safety, inadequate maintenance, and weak administrative capacity of regulatory institutions.

An unreliable and undiversified energy supply and an extremely fragile energy sector remain major bottlenecks for Kosovo's economic development. The reliability of energy supply is still below the average for Europe and Central Asia. Despite some improvements, Kosovo ranks 90th in the world for ease of getting electricity¹⁴. The lack of energy security gives rise to significant costs for business and represents one of the biggest obstacles to attracting high-quality foreign direct investment. Energy demand and consumption continue to grow quickly, and have doubled since 2000. Kosovo also suffers from high technical and commercial losses in the distribution and transmission grids due to poor infrastructure (around 20%).

Kosovo's electricity generation relies heavily on coal-fired plants. More than 90% of electricity is produced by two outdated, unreliable and highly polluting lignite power plants, which the government plans to refurbish. Renewable energy sources account for just over 5%

¹² OECD (2021), *Competitiveness in Southeast Europe – a policy outlook 2021*.

¹³ IMF (2023), *Republic of Kosovo, Selected Issues Paper*.

¹⁴ World Bank (2020b), *Doing Business 2020: Comparing Business Regulation in 190 economies*.

of electricity supply. The roll-out of renewables is expected to accelerate through the newly adopted 2022-2031 national energy strategy and the law on renewable energies due to be adopted by the Assembly in Q3-2023. The draft law provides for a competitive bidding process to support renewable energy projects, replacing the previous system of feed-in tariffs. In May 2023, Kosovo launched a pilot auction for 100 MW of solar power. There has been an increase in renewable energy investments, and several projects to develop significant wind and solar energy sources are already planned. (*See also Chapter 15 – Energy*).

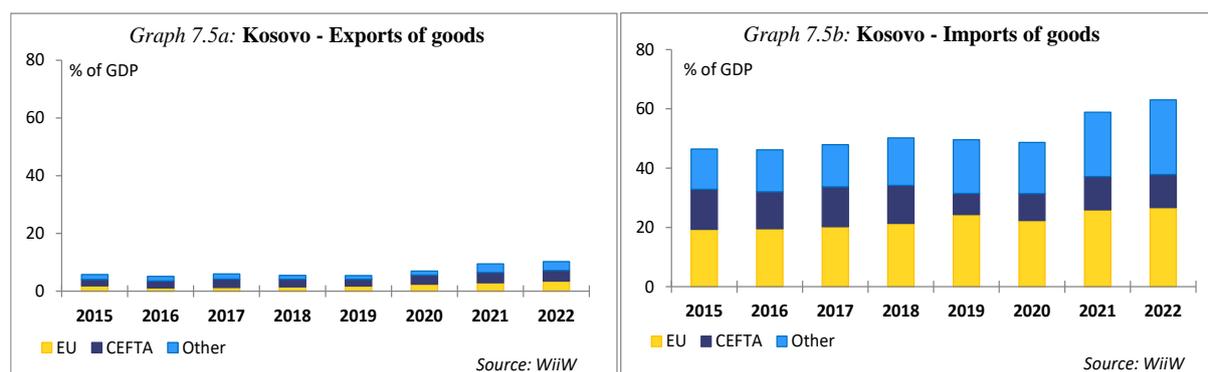
The digital transformation of the economy is gradually advancing, but the digitalisation of public services is still at an early stage. 100% of households nationwide now have access to fixed broadband electronic communications infrastructure. Fixed access internet penetration is estimated to be 125% of households, compared to 89% in the EU, and mobile telephony penetration is around 95% of the population. Kosovo has a small but rapidly growing ICT sector, particularly in the export of software development, smart phone application development and web design. More needs to be done to train skilled workers in this sector, where demand for employees outstrips supply. Since 1 July 2021, Kosovo has constructively engaged in high-level regional dialogue on digital transformation and the implementation of the Regional Roaming Agreement. Despite some improvements in implementing e-commerce programmes, there seems to be little progress in increasing the adoption of e-commerce practices among SMEs. The Digital Agenda strategy covering the period up to 2030 has been submitted for public consultation. The policy document is expected to provide a comprehensive framework for digital transformation, including 5G technologies and the digital transformation of businesses and public services.

Sectoral and enterprise structure

The services sector continues to dominate the economy in terms of GDP and employment. The sectoral structure of gross value added (GVA) shows a steady increase in the share of wholesale and retail trade to nearly 14% in 2022, up from 12.5% in 2018. This has been followed by slight growth in the share held by agriculture (7.4% in 2022, up from 6.5% in 2018). At the same time, the share of real estate activities in GVA fell by 1.2 pps to 5.9% compared to 2018, followed by shrinking contributions from public administration and education. Despite its slight decline compared to 2018, the services sector continued to dominate economic activity in 2022, providing around 45% of GVA. The contribution of construction remained virtually unchanged at around 8% compared to 5 years before, while employment in the sector fell to 11% in 2022, down from 11.9% in 2018. For the same period, the proportion of employees in the services sector increased slightly from 70% to 73%.

Kosovo's private sector is dominated by very small firms with difficult access to finance. Although SMEs represent over 99% of registered enterprises, almost all of them are micro firms employing 1-9 employees, while the proportion of larger companies (10-249 employees) is less than 1%. SMEs and family-run businesses account for 80.4% (2020) of employment in non-financial businesses (significantly above the EU average of 65.2%) and generate 81% of the country's total value added. Access to finance remains an obstacle to growth due to banks' stringent loan requirements, affecting mostly smaller enterprises. Within almost 7 years, the Kosovo Credit Guarantee Fund (KCGF) portfolio has reached the cumulative value of approved loans of around EUR 550 million, while the value guaranteed by the Fund has reached EUR 290 million, distributed in almost 13,000 loans.

Economic integration with the EU and price competitiveness



Over the last 5 years the EU remained Kosovo's largest trading partner, while the share of CEFTA countries declined. In 2022, the EU accounted for 42.4% of Kosovo's total imports of goods, marginally lower than in 2018, while the CEFTA partners' share fell by around 8 pps to 17.7%. On the other hand, the proportion of goods imported from Türkiye increased to nearly 15%, up 5 pps on 2018. The EU's share in Kosovo's merchandise exports increased to 33.9% in 2022, up from 27.5% in 2018, while the proportion of CEFTA countries decreased to 36.2% from 47.2%. Among CEFTA partners, North Macedonia and Albania are the main destinations for Kosovo's exports of goods. The share of base metals¹⁵ in goods exports fell to 23.1% in 2022, down from 34.1% in 2018, but they still account for the largest part of merchandise exports. The proportion of various manufactured articles increased significantly to around 20% in 2022, up from 4% in 2018.

Trade openness improved significantly in 2022, in line with the robust performance of trade in goods and services. Overall, trade openness (i.e. the total value of exports and imports) increased to 109.2% of GDP in 2022, up from 98.6% in 2021 and 86.3% in 2018. The improvement took place for both merchandise and services trade. The increase in goods exports (21.8%) in 2022 was mainly driven by mineral products as well as plastic, rubber and their manufactured articles. Services exports continued to grow robustly, by 31.3% in nominal terms, mainly driven by diaspora tourism from Western Europe. In addition to travel services, which currently account for the largest share of service exports (74.4%), there were positive developments in exports of telecommunications and computer and information services. Imports of goods rose quickly (20.4%) mainly due to higher energy imports.

The EU Member States remain the main investors in Kosovo. Net FDI inflows surged by 88% in 2022, mainly on the back of significant diaspora investment in real estate, followed by financial and insurance activities. Heavy concentration in these sectors (around 75% of FDI inflows) contributes little to improving export capacity. The EU's share in Kosovo's net FDI stock reached 40.5% in 2022, up from 32.1% in 2018. The shares of Germany and Switzerland (two countries with large diasporas from Kosovo), increased to 17.5% and 16.4% respectively in 2022, up from 11.8% and 11.4% in 2018.

2.4. PUBLIC PROCUREMENT, STATISTICS, FINANCIAL CONTROL

Chapter 5: Public procurement

¹⁵ This is partly because Ferronikeli (Kosovo's largest exporter) halted production in the last quarter of 2021 on the back of higher energy prices.

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

Kosovo is **in between some and moderate level of preparation** in the area of public procurement. It made **limited progress** in this area. Public procurement remains prone to irregularities and vulnerable to corruption during both the procurement process itself and in the subsequent implementation of the contract. No progress was made in adopting a new public procurement law. Since last year's recommendations were not implemented, they remain valid.

In the coming year Kosovo should in particular:

- adopt a new law on public procurement and a new law on concessions in line with the EU *acquis*; prepare the corresponding implementing legislation and ensure their proper implementation;
- increase the capacity of – and cooperation between – all public-procurement institutions and contracting authorities;
- ensure that the Procurement Review Body is fully operational and remains functionally independent; it should also strengthen the Body's capacity and ensure that its review process is timely, effective and transparent.

Institutional set-up and legal alignment

The **legal framework** on public procurement is partially aligned with the EU's 2014 public-procurement *acquis*. A new public procurement law is still awaiting adoption by the government for over two years. The authorities have not yet started to draft the implementing legislation. A new law on public private partnerships is also awaiting governmental approval.

Strategic priorities in the area of public procurement, including activities in this area, are now part of the new 2022-2026 public finance management strategy and its 2022-2024 action plan, both of which were approved at the end of December 2022.

The Central Procurement Agency, under the Ministry of Finance, Labour and Transfers, carries out centralised purchases on behalf of the central government. The Public Procurement Regulatory Commission is responsible for the overall coordination and supervision of the public procurement system. The Procurement Review Body examines all allegations of breaches of public procurement law and reviews bidders' complaints. The Body's functional independence should be reflected in the new law. It is also important to ensure better cooperation among these and other institutions, such as the Kosovo National Audit Office and the Kosovo Competition Authority. Cooperation in this area would help to detect any bid-rigging and reduce risks through careful planning and design of the tenders.

Implementation and enforcement capacity

Kosovo's **public-procurement market** was estimated as being worth 6.5% of GDP in 2022, compared with 5.6% of GDP in 2021. By June 2023, the country's e-procurement system had registered approximately 14 400 businesses and around 16 300 active users. In 2022, 10 290 public contracts were signed, compared with 9 892 in 2021. In terms of value, contracts worth EUR 559 million were signed in 2022, compared with contracts worth close to EUR 430 million in 2021. A significant amount of public procurement activities (21.80%) were carried out via negotiated procedure without formal procurement and bidding process. The value of

contracts signed under negotiated procedure without being published represents EUR 78.56 million or 14.05%.

On the **monitoring of contract awards and implementation**, in 2022, 78.2% of contracts were awarded through open procedure and 94.34% of public contracts were awarded according to a lowest-price criterion, with only 5.66% (or EUR 31.6 million worth) using the best-price-quality ratio. The use of best-price-quality ratios should be further encouraged in line with the EU directives on public procurement. Interoperability has still not been ensured between the e-procurement system and other relevant government IT systems to increase transparency (such as with the Kosovo Financial Management and Information System) to track payments.

The **capacity of the contracting authorities to manage public-procurement processes** varies. Improvements are needed in market research, in the tender evaluation process as well as in the implementation and the monitoring of contracts. Further improvements are needed in the drafting of technical specifications to better support the quality, efficiency and transparency of procurement. There is a risk of mismanagement and corruption due to limited enforcement, insufficient managerial accountability, insufficient quality control and limited contract management capacity. The Public Procurement Regulatory Commission organised trainings to improve the capacities of contracting authorities to use the best-price quality ratio as award criterion. Furthermore, it held seminars on the use of the modules on contract management and on the performance evaluation of contractors. The e-procurement system needs to be updated to ensure full functionality.

Centralised procurement is mandatory for agencies with fewer than 50 employees and for 14 listed categories of goods and services. The Central Procurement Agency continues to be understaffed. Kosovo should improve its planning of procurement, and reduce the use of negotiated procurement procedures. To mitigate the risks of misuse and fraud, it is important to ensure full transparency, ensure robust reasoning to explain the award decision and maintain audit trails.

The Procurement Review Body would benefit from more qualified staff, particularly with respect to review and legal experts, to ensure timely and quality decisions on complaints.

There were no developments in the area of **integrity and the fight against conflicts of interest**. Kosovo has a code of ethics for public procurement, but it does not monitor compliance with this code. Specialised professional and ethics training should be delivered to all contracting authorities. Further efforts are underway to both the procurement systems and audit oversight of local governments. More and more municipalities are now publishing their procurement contracts.

Efficient remedy system

Kosovo's legislation on the **right to legal remedy** is broadly in line with the EU *acquis*. Appeals to contest procurement awards can be lodged through the e-procurement platform. Following the resignation of one board member, the Procurement Review Body board is once again incomplete, although it continues to operate. Kosovo needs to ensure that the Procurement Review Body becomes fully operational and remains functionally independent. The Body's capacity needs to be strengthened and its review process managed in a timely, effective and transparent manner. A total of 820 appeals were lodged and the board handled 732 cases in 2022 and 88 cases in 2023.

Chapter 18: Statistics

EU rules require Member States to produce statistics based on professional independence, impartiality, reliability, transparency, and confidentiality. Common rules are in place for the methodology, production and dissemination of statistical information.

Kosovo **has some level of preparation** in the area of statistics. **Some progress** was made in the reporting period, notably in improving: the data-collection methodology; data transmission to Eurostat; and implementation of the Eurostat peer-review recommendations. Communication between the different statistical institutions has improved, but coordination at the technical level and the use of available administrative data are insufficient. Kosovo has also improved the frequency of its statistical outputs. Some statistics on energy, social statistics and short-term statistics in the services sector are now being sent to Eurostat on a monthly basis, whereas they used to be sent on a quarterly basis. The delayed population and housing census is now planned to take place between 1 November and 31 December.

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

- finalise preparations for the population and housing census and its implementation by ensuring operational details and full coverage of the territory;
- increase the number of statistical products and send these products more frequently to Eurostat;
- fill existing vacancies and increase the capacities of the Kosovo Agency of Statistics.

On **statistical infrastructure**, the legal framework is broadly in line with the European Statistics Code of Practice. However, the implementation of this framework needs to be strengthened. To that end, Kosovo should: (i) preserve a leading role for the Kosovo Agency of Statistics (KAS); (ii) improve statistical governance and coordination between the main statistical institutions; (iii) and ensure better access to administrative data sources. The KAS should continue to implement Eurostat's peer-review recommendations, particularly in relation to increasing the Agency's cost-effectiveness, strengthening quality management, and strengthening relations with data users. KAS should also fill vacant positions. The efficiency of internal systems, processes and delegated management remains a challenge. Data transmission to Eurostat continues to improve. Despite improvements to its web-based dissemination of statistics, the Agency should seek to strengthen its relations with data users and academia. Kosovo continues to use the European classification of economic activities (NACE Rev.2). The existing registers (agriculture, business and households) are updated regularly, but the population register needs to be improved. KAS has improved access for the public to some existing administrative data, such as data from the Civil Registry Agency, and the Food and Veterinary Agency. In March 2023, the Agency signed a memorandum of understanding with the Czech Statistical Office setting a framework for cooperation and procedures for the exchange of information and expertise in the field of official statistics. The Agency does not systematically compile gender-disaggregated data. Kosovo still does not yet have a Gender Equality Index.

On **macroeconomic statistics**, Kosovo has made some slight improvements, and further alignment with the European System of Accounts (ESA) 2010 is ongoing. Although the Agency compiles annual and quarterly national accounts, methodological inconsistencies in these accounts need to be addressed. The reporting period has seen some improvements: (i) the experimental compilation of GDP by income approach (for 2011-2019); (ii) the compilation of

Non-Financial Sector Accounts (2015-2021) to be transmitted to Eurostat in September 2023; and (iii) Supply and Use Tables (2013-2016) expected to be sent to Eurostat in October 2023.

Quarterly sector accounts and regional accounts are not regularly compiled. The number of ESA 2010 transmission tables sent to Eurostat has increased and improved. As regards government finance statistics (GFS) and excessive deficit procedure (EDP) , further methodological work is expected to fully adhere to ESA 2010. Kosovo should continue efforts to improve the coverage and timeliness of the EDP tables as well as to start completing the questionnaire relating to the EDP tables. After the tables for quarterly financial account for general government and quarterly debt for general government were transmitted to Eurostat for the first time in 2023, Kosovo now provides the currently full set of required GFS tables. However, efforts are still needed to improve various qualitative aspects of the tables.

Monthly statistics for international trade in goods are submitted to Eurostat. Balance of payments data are compiled by the Central Bank and are broadly in line with the EU *acquis*; annual and quarterly data on the balance of payments are submitted to Eurostat. KAS publishes quarterly government finance statistics. The Harmonised Index of Consumer Prices is regularly published on the KAS webpage and transmitted to Eurostat. There has been no progress in broadening the work by adding data on Purchasing Power Parities (PPP).

Structural **business statistics** and some short-term statistics are partially in line with the EU *acquis*. However, the availability of both these types of statistics is limited and they lack distinction between public and private investments or by sectors. Only one set of short-term statistics (on building permits) has been sent to Eurostat. Industry statistics are produced broadly in line with the relevant EU regulation. Short-term service-sector statistics are produced quarterly. Construction-sector statistics are largely not available; only the construction cost index is produced on a quarterly basis. Industry statistics on manufactured goods (PRODCOM survey) for the year 2021 were published in December 2022. Foreign affiliates statistics are not available. Tourism statistics and transport statistics are not aligned with the EU *acquis*, while statistics on development and innovation are not produced on a regular basis. The statistics on information and communication technologies (ICT) for households started in 2018, and are now published regularly (the results for 2022 were published in October 2022). The 2021 ICT statistics for enterprises were published in November 2022.

In the area of **social statistics**, only demographic statistics are broadly in line with the EU *acquis*. The preparations for the forthcoming population census are ongoing: in July 2022, the Assembly adopted the Law on population and the housing census. In August 2023, the government decided that the census will take place from 1 November to 31 December 2023, and allocated EUR 10 million for this.. Statistics on income and living conditions (regular EU-SILC survey) are produced annually. The last set of SILC statistics for Kosovo was for the year 2020 and was published in December 2022. Social-protection and labour-market statistics are only partially produced. Kosovo carries out an annual and quarterly labour-force survey and the timeliness of publication of the results of this survey has improved. Kosovo still does not produced statistics on the labour cost index, the structure of earnings data, and job vacancies. Education statistics for 2022/2023 are aligned with the international education classification standards (ISCED 2011) Public health and crime statistics are not yet in line with EU standards.

For **agricultural statistics**, KAS publishes data on annual agricultural crops, livestock production, and orchards statistics. The agricultural holding survey is regularly produced and aligned with *acquis* standards. The next farm-structure survey is not planned until 2025. Agricultural price indices and economic accounts for agriculture are produced on a regular basis. Supply balance sheets and the agriculture labour index are not yet produced on regular

basis. Agriculture statistics are sent to Eurostat through the EU IT system for statistics, the Electronic Data Files Administration and Management Information System (EDAMIS).

Energy and environment statistics are partially in line with the *acquis*. During the reporting period, KAS reduced the timeframe for publishing energy balance results (publishing on a monthly rather than quarterly basis since mid-2022). Thus, it increased the number of statistical products sent to Eurostat. In April 2023, the share of renewable energy sources in the overall electricity consumption stood at 17.32%. Energy-consumption statistics are collected for the residential, services and transport sectors, but the results are not published regularly. The lack of energy-efficiency indicators is an obstacle to reporting on energy savings. Waste and water statistics are produced regularly. Statistics on greenhouse-gas emissions are not published regularly. Other environmental statistics, such as air-emissions accounts, environmental taxes, environmental-protection expenditure. and material flow balances, are not yet produced.

Chapter 32: Financial control

The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audits of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and protect the euro against counterfeiting.

There is **some level of preparation** in this area. Kosovo made **limited progress** during the reporting period by adopting the new 2022-2026 PFM strategy and its action plan. The implementation of both needs to speed up. Kosovo needs to further harmonise its public internal financial control (PIFC) legislation with EU best practices. Additionally, implementation of managerial accountability, including delegation of decision-making responsibilities; (ii) addressing effective internal control measures; and (iii) systematic follow-up of internal and external audit recommendations remain key priorities. The parliamentary oversight of management of public funds is not efficient. Because the recommendations from the previous year were not fully implemented, Kosovo should in the coming year:

- implement efficiently the new 2022-2026 PFM strategy, and its actions relevant to PIFC and external audit;
- develop and adopt the new Law on public financial management and accountability based on best EU practices and harmonise this new Law with PIFC law;
- improve the managerial accountability of budget users at both central and local level;
- improve cooperation between the Kosovo National Audit Office (KNAO) and Parliament by: (i) improving parliamentary scrutiny of budget implementation; and (ii) continuously and efficiently implementing and following-up on the KNAO audit recommendations.

Public internal financial control

Kosovo has made some progress in improving its **strategic framework for PIFC**, as it adopted the new 2022-2026 PFM strategy and its action plan. Kosovo needs to make further efforts to ensure inter-institutional coordination and to improve its framework for monitoring and reporting. Making improvements to this framework will lead to a more consistent and coherent approach in implementing the internal control standards. The work on the development of the new law on PFM and accountability has started. This new law should be harmonised with the PIFC legislation.

The efficient implementation of **managerial accountability** remains a challenge for budget users at both central and local level. Kosovo needs to ensure the consistent application of international internal audit standards and better delegate management powers in public entities

The process to rationalise government agencies is moving slowly, and is insufficient to bring about any improvements. The implementation of the Regulation on financial management and control remains inefficient, and the lines of delegation and accountability are not yet embedded in the administrative culture of the budget users. The Law on the organisation and functioning of the administration and independent agencies, which sets out the lines of accountability between first-level spending units and subordinate bodies, is not applied in a consistent manner (*See section on PAR*).

The legal framework on **internal control** is largely harmonised with the international standards, but is not being sufficiently implemented. Financial management and control and budget supervision should both be improved, following best EU practices. In 2022, the process of development and adoption of risk-management registers continued at central and local-government level. However, the incorporation of these measures into financial control and management processes remains insufficient.

On **internal audit practices**, further efforts are needed to efficiently implement internal audit standards in the public sector. Most internal audit units lack experienced and skilled staff. Internal audit committees are not efficient nor properly functioning and it is recommended that their role and legal basis be reconsidered. Further efforts are needed in building up the skills of budget users so they can use internal audit methodological tools in a consistent and coherent way. The implementation of internal audit recommendations is limited in practice. The quality-assurance methodology is not yet systematically implemented. The Administrative Instruction on the training programme and certification of internal auditors in the public sector has been updated, but not yet adopted. There are therefore delays to the start of the national programme for certification of internal auditors in the public sector. Further efforts are needed to provide continuous training to internal auditors, at both central and local level.

The **Central Harmonisation Unit** provides methodological guidance and coordinates the development in the public sector of internal audit and financial management and control. However, its capacities remain insufficient, especially in monitoring and reporting on the functioning of the overall system for internal control. The government adopted the 2022 PIFC annual report, but its structure and scope could be further improved and its recommendations could be more systematically implemented.

There is no legal basis in the PIFC law with regard to anti-corruption and there is no mechanism in place to monitor the number of cases investigated, prosecuted and subject to court resolutions as a result of internal audits or inspections.

External audit

The Law on the Auditor General and the **National Audit Office** of Kosovo (KNAO) is largely harmonised with the standards set by the International Organisation of Supreme Audit Institutions. Nevertheless, further review of the legal framework is needed to improve the external audit function in the public sector for example to increase the KNAO's financial and operational independence and to remove its obligation to conduct annual financial audits of all organisations that receive a budget from the state. These legal changes are of crucial importance for improving the capacities and the quality and impact of the KNAO's audit work. KNAO has the **institutional capacity** to carry out its tasks, with 164 employees of which 82% are audit staff, and 18% are employees providing other professional support services. Kosovo continued to implement the 2022-2025 strategic development plan.

In 2022, some progress was noted as the annual audit plan was fully met, with 133 audits carried out, including 3 compliance audits and 15 performance audits. On the **impact of the audit work**, auditees do not effectively implement the KNAO's recommendations. Out of 606

audit recommendations provided by the KNAO in 2020, 50% were fully implemented, 5% were partially implemented, and 45% were not implemented. Although cooperation between the KNAO and Parliament has improved, parliamentary scrutiny of the preparation and implementation of the budget preparation should be improved. In 2022, the Commission for the Supervision of Public Finances reviewed 23 reports, two less than during the previous reporting period. The transparency and accountability of the management of public funds must be ensured through efficient monitoring mechanisms by the executive and the Parliament, including through follow-up on the KNAO's audit recommendations.

Protection of the EU's financial interests

On *alignment with the acquis*, national legislation is not yet harmonised with the Convention on the protection of the EU's financial interests, and this harmonisation will require amendments to the Criminal Law. Kosovo has also not yet set up an **anti-fraud coordination service** (AFCOS) and a national anti-fraud strategy for protecting the EU's financial interests has not yet been developed. Since the Kosovo authorities do not directly manage the EU funds, irregularities are not reported to the Commission through the Irregularity Management System. While there is not yet a solid track-record on cooperation with the Commission during investigations, Kosovo Police ensures cooperation on an ad-hoc basis.

Protection of the euro against counterfeiting

On *alignment with the acquis*, there is to some extent harmonisation with the EU regulations on the system for the fight against counterfeiting of the euro. The Criminal Code considers the counterfeiting of currency a criminal act and the Law on the Central Bank regulates the fight against counterfeiting. Kosovo has a Regulation for cash operation that obliges financial institutions to treat and withdraw from circulation all euro banknotes and coins suspected as counterfeit, and to submit them to the police. The Agency for Forensics is responsible for the technical analysis of suspected counterfeit banknotes and coins. It has concluded an agreement with the European Commission on coins, but not yet on banknotes with the European Central Bank. In 2022, out of 2 162 suspected banknotes assessed by the agency 718 were confirmed as counterfeit, and out of 12 028 coins, 10 979 were confirmed as counterfeit. There is no shared electronic system for the exchange, processing, analysis and reporting of cases with the Central Bank and the agency. Kosovo needs to build capacities of key institutions to use methodological tools and exchange data with national and international authorities. All relevant institutions for fighting counterfeit currency participate in EU's Pericles IV programme.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

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

Kosovo maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the South-East European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC)¹⁶.

The **EU-Western Balkans Summit** in December 2022 took place for the first time in the region, in Tirana. The summit focused on support to the region in the fields of energy and

¹⁶ Kosovo is a member of CEFTA. Kosovo has free trade agreements (FTAs) with Albania, North Macedonia, Croatia, Bosnia-Herzegovina and Türkiye. Kosovo has several Generalized System of Preferences (GSP) programmes with the US, Japan and Norway.

migration, as well as on youth cooperation, roaming, green lanes and overall progress on implementing the Economic and Investment Plan.

On the **Common Regional Market**, a political breakthrough was achieved at the Berlin Process Summit in Berlin in November 2022, where leaders adopted the three mobility agreements on higher education qualifications, on professional qualifications and on free movement with identity cards. Kosovo has ratified all three mobility agreements and deposited the related notification instruments. A number of important decisions agreed at the technical level within CEFTA remain blocked.

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

Kosovo's bilateral relations with *Albania* remain good overall. In July 2022, Albanian President Meta chose Kosovo as the destination of his last official visit before completing his term as president. In August 2022, President Begaj paid his first official visit to Kosovo, and Kosovo President Osmani hosted President Begaj in Pristina again in February 2023. The assemblies of Albania and Kosovo held their first joint meeting in November 2022.

There has been no change in Kosovo's formal relations with *Bosnia and Herzegovina*, which does not recognise Kosovo's independence. The two maintain a strict visa regime. Bilateral meetings took place occasionally on the margins of regional and multilateral summits. An initiative to simplify the visa procedure for all citizens of Kosovo is still pending.

Kosovo maintained close relations with *Montenegro*. Throughout the reporting period, several meetings took place at the level of prime ministers and foreign ministers on the margins of international and regional events. Bilateral relations were improved by the official visit of Kosovo's President to Montenegro in February 2023, and the visit of Montenegro's Prime Minister to Kosovo in April 2023.

Kosovo continued to enjoy overall good relations with *North Macedonia*, with Kosovo President Osmani paying an official visit in April 2023. Other contacts between political leaders took place on the margins of international and regional events.

Kosovo continued to maintain good relations with *Türkiye*, including in the political, economic and cultural sectors. Kosovo PM Kurti visited Türkiye in February 2023. Kosovo provided 36 Kosovo Security Force troops to an international humanitarian operation in response to the devastating earthquake on 6 February 2023.

Georgia, the *Republic of Moldova* and *Ukraine* have no formal relations with Kosovo, as they do not recognise Kosovo's independence. The Moldovan Parliament, however, ahead of the European Political Community Summit on 1 June 2023, amended the law on visitors from third countries allowing Kosovo representatives to obtain visas for participation in international meetings held in Moldova.

4. NORMALISATION OF RELATIONS BETWEEN KOSOVO AND SERBIA

The EU-facilitated Dialogue on normalisation of relations between Kosovo and Serbia continued in the reporting period with regular meetings at the level of Leaders and Chief Negotiators. After months of intense negotiations and with the support of key partners, the Parties reached an Agreement on the Path to Normalisation in Brussels on 27 February 2023, and agreed on its Implementation Annex in Ohrid, North Macedonia, on 18 March 2023. As

part of the Agreement, the Parties took note that the Agreement and the Implementation Annex will become integral parts of the respective EU accession processes of Kosovo and Serbia.¹⁷

Both Kosovo and Serbia are yet to start implementation of their respective obligations stemming from the Agreement, which are valid and binding for the Parties and part of their European paths. The Parties are urged to start engaging more constructively and start implementation without further delay or precondition. This includes the establishment of the Association/Community of Serb Majority Municipalities (A/CSM). Kosovo is expected to start the process leading to the establishment of the A/CSM based on the European proposal presented to the Parties on 21 October 2023 and Serbia is expected to support this process and start delivering on their key obligations from the Agreement in parallel. Formalities, including related to adoption, should not stand in the way of making progress in implementation. The Parties also have an obligation to fully implement all past Dialogue Agreements. The constructiveness of the Parties will be assessed based on their implementation performance. The European Council on 26 October 2023 regretted the lack of implementation by both Parties of the Agreement on the path to normalisation and its Implementation Annex as well as other agreements reached in the EU facilitated dialogue, led by the High Representative and supported by the EU Special Representative. Normalisation of relations is an essential condition on the European path of both Parties and both risk losing important opportunities in the absence of progress.¹⁸

Despite the conclusion of the Agreement on the Path to Normalisation, the Dialogue has been hampered throughout the reporting period by a number of negative developments and crises in the north of Kosovo triggered by actions of one or both Parties. Kosovo has executed a number of such actions in the north of Kosovo, including the increased presence of Kosovo's special police and expropriation of land, which have created widespread discontent among the local Kosovo Serb population and negatively affected the Dialogue. The mass resignation of Kosovo Serbs from Kosovo institutions – police, judiciary and administration – in November 2022, roadblocks in the north of Kosovo in reaction to arrests of Kosovo Serbs in December 2022, as well as the boycott of early local by-elections in April 2023 by Kosovo Serbs further damaged the Dialogue and exacerbated the negative atmosphere around it. As a result of the Kosovo Serbs leaving all Kosovo institutions in November 2022, by-elections took place in the four Kosovo Serb majority municipalities in the north of Kosovo on 23 April 2023. While the elections were held in line with the legal framework of Kosovo, not all parties and communities made use of their democratic right to participate and vote in the elections, resulting in a record low turnout, which does not offer a long-term political solution for these municipalities.

¹⁷ Implementation Annex to the Agreement on the Path to Normalisation of Relations between Kosovo and Serbia: This Annex constitutes an integral part of the Agreement. Kosovo and Serbia fully commit to honour all Articles of the Agreement and this Annex, and implement all their respective obligations stemming from the Agreement and this Annex expeditiously and in good faith.

The Parties take note that the Agreement and the Implementation Annex will become integral parts of the respective EU accession processes of Kosovo and Serbia. The Parties note that immediately after the adoption of the Agreement and this Annex, the EU Facilitator will start the process to amend the Chapter 35 benchmarks for Serbia to reflect Serbia's new obligations stemming from the Agreement and this Annex. The agenda of Kosovo's Special Group on Normalisation will equally reflect Kosovo's new obligations stemming from the Agreement and this Annex.

The Parties agree to endorse the Declaration on Missing Persons, as negotiated under the EU-facilitated Dialogue, as a matter of urgency.

To implement Article 7, Kosovo launches immediately negotiations within the EU-facilitated Dialogue on establishing specific arrangements and guarantees to ensure an appropriate level of self-management for the Serbian community in Kosovo, in compliance with relevant previous Dialogue agreements as determined by the EU Facilitator.

The Parties agree to set up a Joint Monitoring Committee, chaired by the EU, within 30 days. The implementation of all provisions shall be ensured and supervised by the Joint Monitoring Committee.

To implement Article 9, the EU will organise a donor conference within 150 days to set up an investment and financial aid package for Kosovo and Serbia. No disbursement will happen before the EU determines that all provisions of the Agreement have been fully implemented.

Kosovo and Serbia agree that all Articles will be implemented independently of each other.

The order of the paragraphs of this Annex is without prejudice to the order of their implementation.

Kosovo and Serbia agree not to block implementation of any of the Articles.

All discussions related to implementation of the Agreement will take place under the EU-facilitated Dialogue.

Kosovo and Serbia recognise that any failure to honour their obligations from the Agreement, this Annex or the past Dialogue Agreements may have direct negative consequences for their respective EU accession processes and the financial aid they receive from the EU.

¹⁸ <https://www.consilium.europa.eu/media/67627/20241027-european-council-conclusions.pdf>

While there had been no progress in the implementation of the Energy Roadmap adopted in June 2022, the tentative agreement in August 2023 between the commercial companies KEDS and Elektrosever on the scope of functions potentially marks a significant step forward in the implementation of the Roadmap. The Parties are now expected to quickly enable the signing of the outstanding commercial and technical agreements between the two companies to ensure that people living in the four Kosovo Serb-majority municipalities in the north start paying for the electricity they consume.

During the reporting the period, the Parties agreed on and endorsed the political declaration on Missing Persons in May 2023. The Parties are encouraged to start implementation of the declaration immediately and, as the first step, agree to the Terms of Reference for the Joint Commission that is to be established as per the declaration.

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

- The withdrawal of Kosovo Serbs from Kosovo institutions in November 2022 and the boycott of local elections in the north of Kosovo in April 2023 violate Serbia's Dialogue obligations and they constitute severe backsliding in Serbia's compliance to the April 2013 "First agreement of principles governing the normalisation of relations" and direct violation of the Justice Agreement of 2015. Serbia is urged to encourage Kosovo Serbs to return to the institutions immediately and Kosovo to enable this return to happen. Since November 2022, neither Party has taken any steps in this regard. The recruitment of new Kosovo Serb police cadets undertaken by the Kosovo Police while welcomed, did not follow the procedures in line with Dialogue agreements.
- There has still been no further progress on the implementation of the August 2015 Agreement. While the EU welcomes the presentation of a first draft Statute of the A/CSM to the High-level Dialogue in May 2023, the draft presented is not in line with the relevant Dialogue Agreements. A European proposal for the establishment of the A/CSM in Kosovo was presented to the Parties on 21 October 2023. Formalities, including related to adoption should not stand in the way of making progress in implementation. Kosovo and Serbia are now urged to engage constructively on the establishment of the A/CSM with no further delay, conditions or obstructions. This obligation forms a part of the implementation of the Agreement on the Path to Normalisation of Relations, which the Parties are expected advance on, without delay or precondition, as recalled by the European Council in October 2023. The issue of Serbia-run structures needs to be addressed in this same context.
- The works on the Mitrovica Bridge have long been completed and Serbia is expected to engage constructive to allow the bridge to be opened to vehicle traffic without obstruction. Any decision on opening of the Bridge has to be agreed and coordinated in the Dialogue.
- As regards the technical Dialogue agreements (2011-2012), some are not or only partially being implemented. Until sustainable solutions are found, both Parties need to remain committed to the continued implementation of the agreement on representation and participation of Kosovo in regional forums and not block the work of regional forums over bilateral disputes. The implementation of the cadastre and acceptance of university diplomas agreements is still pending due to non-implementation by Serbia. Serbia also has yet to address the issue of re-located Serbian administrative customs structures with Kosovo denomination that operate from within Serbia, and to cease the issuance of documentation or affixing of stamps with denomination that contravenes the related agreement.

- On IBM, the Interim Common Crossing-Points (CCPs) between Kosovo and Serbia continue to be operational. Only two of the six permanent CCPs have been established (Merdare and Mutivodë/Mutivode). Serbia still has not established permanent CCPs to be hosted by their side (Jarinje/Rudnica, Končulj/Dheu i Bardhë and Depce/Muçibabë), which led to a suspension of EU funds for this project in July 2018. In addition, Serbia needs to engage constructively to enable the construction of the third CCP hosted by Kosovo in the north of Kosovo at Tabavije/Bërnjak-Tabalije/Brnjak. Additional efforts are required from Serbia to close illegal roads and bypasses to ensure exclusive use of official crossing points for goods and persons entering into or leaving Kosovo. Serbia also must allow resumption of the joint technical IBM meetings at all levels.
- On Freedom of Movement, after months of tensions, Kosovo and Serbia agreed in November 2022 that Serbia will stop issuing new licence plates with Kosovo cities' denominations, and that Kosovo will suspend any further actions related to re-registration of vehicles. The full implementation of the Freedom of Movement agreements is still pending. This also requires the Parties to find a permanent solution to the issue of licence plates in compliance with the relevant Dialogue agreements. Lack of such solution has continued to cause tensions in the north of Kosovo during the reporting period.
- Both Parties need to fully respect the Telecoms Agreement and not put its hitherto successful implementation at risk. Kosovo needs to ensure that MTS d.o.o has a business licence for the functions that have been agreed as part of the Agreement to enable the company to continue providing mobile and landline telephony services. MTS d.o.o needs to engage constructively and in line with the Kosovo law to enable this to happen.
- The processing of Mutual legal assistance requests has been stopped by Serbia. Serbia needs to resume the processing immediately, in line with the relevant Dialogue Agreement.
- Both Parties need to respect the Arrangements for Official Visits more consistently. Kosovo needs to allow the visits of the Serbian Chief Negotiator and other Serbian government officials when they are announced and conducted in line with the Arrangements, which has not always been the case during the reporting period.

Overall, Kosovo has remained engaged in the Dialogue, but it needs to demonstrate more serious commitment, invest more efforts and make compromises to take the normalisation process forward. Kosovo needs to uphold its Dialogue commitments and commit to the full implementation of all past Dialogue agreements and the Agreement on the Path to Normalisation of Relations. Moving forward, Kosovo also needs to make further substantial efforts to avoid actions that undermine stability and rhetoric that is not conducive to dialogue. Kosovo also needs to create a conducive environment for the conclusion of the legally-binding normalisation Agreement with Serbia. Kosovo is expected to engage more constructively to enable negotiations on the comprehensive legally-binding normalisation Agreement to start and show flexibility in order to make rapid and concrete progress. Reaching such an Agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths. An important requirement for negotiations on the comprehensive legally-binding Agreement is for the Parties to implement the Agreement on the Path to Normalisation swiftly and efficiently and without any conditions or obstructions.

The reporting period was marked by multiple crises and violent incidents in the north of Kosovo. The most serious crisis during the reporting period occurred on 24 September 2023, when Kosovo Police was attacked by heavily armed individuals, who were surprised in the midst of a major weapons' smuggling operation, leaving one police officer dead and three wounded. During the operation the attackers had taken several pilgrims hostage while barricading themselves in the Serbian Orthodox Monastery of Banjska/Banjskë, which they

left behind when fleeing. During the ongoing investigation into the events, large amounts of military-grade weapons were seized. In the following days the Deputy Leader of Srpska Lista through his lawyer, announced that he prepared and coordinated the attack. He was questioned by Serbian authorities, shortly detained and released with his passport confiscated. In the days following the attack Serbia increased its military presence in the vicinity of Kosovo, which was subsequently reduced. The perpetrators of the attack need to be apprehended and swiftly brought to justice and Serbia is expected to fully cooperate and take all the necessary steps in this regard. The attack should not serve as an excuse for either side to divert attention from the EU-facilitated Dialogue. Kosovo and Serbia must pursue sustained de-escalation efforts, as well as ensure the holding of new elections in the north of Kosovo as soon as possible, with the active participation of Kosovo Serbs.

Prior to it, another serious escalation took place in May 2023 when the newly elected Kosovo Albanian mayors were installed in the municipal buildings in the north of Kosovo, against the clear recommendation of the international community, which triggered protests by Kosovo Serbs. Some turned violent and led to unacceptable and unprovoked attacks against citizens, KFOR soldiers, law enforcement and representatives of media, which are yet to be condemned and acted upon by Serbia. Several arrests of Kosovo Serbs by Kosovo Police in relation to their alleged involvement in the violence of 29 May in Zvečan/Zvečan, which did not systematically and fully adhere to the legal requirements, are of concern.

To find a way out of the cycle of crises, the Parties are expected to meet the requests of EU, as per the statements by the High Representative on behalf of the EU from 3 June 2023¹⁹ and 19 September²⁰ related to de-escalation on the situation on the ground, enabling new early elections with unconditional participation of Kosovo Serbs and return to the Dialogue and implementation of all Agreements. The European Council expressed on 26 October 2023 that failure to de-escalate the tensions will have consequences²¹.

5. EUROPEAN STANDARDS

CLUSTER 2: INTERNAL MARKET

This cluster covers: the free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9), and consumer and health protection (Chapter 28).

This cluster is key for Kosovo's preparations for the requirements of the EU's internal market and is of high relevance for accelerated integration and growth, including the development of the Common Regional Market. Kosovo has some level of preparation in most of the areas of the internal market, namely in the areas of the free movement of workers, company law and competition. It is in between some and moderate level of preparation in the area of free movement of goods. Kosovo is moderately prepared in the right of establishment and freedom to provide services, free movement of capital, intellectual property law and financial services.

¹⁹ <https://www.consilium.europa.eu/en/press/press-releases/2023/06/03/statement-by-the-high-representative-on-behalf-of-the-eu-on-kosovo-and-latest-developments/>

²⁰ <https://www.consilium.europa.eu/en/press/press-releases/2023/09/19/belgrade-pristina-dialogue-statement-by-the-high-representative-on-behalf-of-the-european-union-on-expectations-from-serbia-and-kosovo/>

²¹ <https://www.consilium.europa.eu/media/67627/20241027-european-council-conclusions.pdf>

It is at an early stage of preparation on consumer policy and health protection. During the reporting period, Kosovo made some progress in all areas, except on the free movement of workers, company law, competition policy, financial services and consumer policy and health protection, where only limited progress was made.

Chapter 1: Free movement of goods

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

Kosovo is **in between some and moderate level of preparation** in the area of the free movement of goods. **Some progress** was made with the adoption of the Law on general product safety and by further aligning Kosovo's legislation with the EU *acquis* on market surveillance and on mutual recognition. Further alignment with the EU *acquis* is needed in this area and Kosovo must increase staff numbers and improve staff skills in the area of quality infrastructure (especially conformity assessment and market surveillance).

As some recommendations of last year remain valid, Kosovo should, in particular:

- increase the enforcement capacity on conformity assessment and market surveillance bodies;
- start implementing the new Law on general product safety and Law on inspections and adopt relevant secondary legislation;
- start implementing requirements of the European Regulation on the registration, evaluation, authorisation and restriction of chemicals (REACH).

General principles

Kosovo has started drafting a legal framework for the **production, distribution and marketing of industrial products**. It adopted the Law on general product safety, which harmonises rules in the area of market surveillance. It has also adopted the Law on general inspections. However, this only partly aligns Kosovo with the relevant EU *acquis*, and the relevant implementing legislation still needs to be adopted.

Non-harmonised area

Kosovo has started screening its legislation to comply with requirements to eliminate barriers to trade and to ensure alignment with the obligations under **Articles 34-36** of the Treaty on the Functioning of the European Union (TFEU). Kosovo is working to further align legislation on the mutual recognition of goods. There is a specific Contact Point for Notification in place that monitors ministries and other bodies on their obligation to notify. Kosovo still requires products to be labelled with the flag of their country of origin, which is not in line with the EU *acquis*.

Harmonised area: quality infrastructure

The Kosovo **Standardisation** Agency is still not a member of any of the European or international standardisation organisations. Its application for affiliate membership with the European Committee for Standardisation (CEN) and the European Committee for Electro-technical Standardisation (CENELEC) is still pending. The Kosovo government's standard management information system is an online platform partly compatible with that of CEN/CENELEC and other international standardisation bodies. This system needs to be developed to be compatible with the CEN/CENELEC system and allow Kosovo to adopt new standards more quickly, making it user-friendly for businesses.

The **Accreditation** Directorate of Kosovo (DAK) needs to adopt implementing legislation to help it to be more effective in its work. The Directorate completed accreditation for 9 testing laboratories and 9 inspection bodies during the reporting period. At present, there are 53 accredited conformity-assessment bodies in Kosovo (34 test laboratories and 19 inspection bodies). There is still a need to improve the technical capacity and skills-testing ability of these accredited conformity assessment bodies.

The Kosovo **Metrology** Agency helps ensure further EU *acquis* alignment and to implement and develop quality-management systems and standards for calibration laboratories. Kosovo is currently pursuing associated membership of the European Association of National Metrology Institutes (EURAMET).

On **market surveillance**, the Market Inspectorate's responsibilities have increased since inspection rules were harmonised in 2022. The reorganisation of the Inspectorate and set-up of an e-inspection system is still ongoing. Kosovo also started preparing a new Law on market surveillance and compliance of products that harmonises with the most recent EU *acquis* by adopting an action plan. The new Law on general product safety has been adopted in April 2023 and is being implemented, taking into account the technical requirements for products and conformity assessment.

During the reporting period, the Market Inspectorate conducted 2 830 product safety inspections, imposed 311 fines, processed 195 cases, and confiscated 5 705 pieces of harmful goods.

Harmonised area: sectoral legislation

On the **'new and global approach'** to product legislation, Kosovo adopted legislation designed to be aligned with the EU *acquis* on aerosol dispensers, pressure equipment, gas appliances, personal protective equipment and construction products. Further alignment is needed on the other new legislative framework legislation.

In the area of **'old approach'** product legislation, Kosovo needs to start implementing its Law on chemicals designed to align with EU Regulation on registration, evaluation, authorisation and restriction of chemicals (REACH) and the EU Regulation on classification, labelling and packaging (CLP). Further alignment is necessary on fertilisers and detergents. Kosovo is not aligned with the EU *acquis* on motor vehicles, two or three wheeled vehicles, tractors (agricultural, forestry) or non-road mobile machinery emissions.

Kosovo made no progress on **procedural measures** during the reporting period. Kosovo's legislation remains partly aligned with the EU *acquis* in the areas of firearms, textile labelling, the pricing of medical products, **cultural** objects unlawfully removed from an EU Member State and defence products.

Inspectorates responsible for market surveillance and product safety are prone to corruption. Their competences should be clearly identified and should not overlap. Staffing should be sufficient in terms of number and quality.

Chapter 2: Freedom of movement for workers

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

Kosovo has **some level of preparation** in the field of free movement for workers and made **limited progress** during the reporting period, notably on social security coordination. Kosovo is in ongoing negotiations on bilateral agreements on social security with Slovenia and started negotiations with Croatia in 2022.

In the coming year, Kosovo should in particular:

- continue negotiating and concluding new bilateral agreements on social security, notably with EU Member States;
- start work to prepare for joining the European Network of Employment Services (EURES) upon accession.

On the **free movement of workers**, EU nationals and their family members are not eligible to work in Kosovo without a work permit. During the reporting period, Kosovo's Employment Agency issued 202 short-term work permits (in 2021, 209), of which 114 were for EU nationals (in 2021, 157).

On **social security coordination**, Kosovo has already in place bilateral social security agreements with Belgium and the Netherlands, as well as with Switzerland and Albania. These agreements ensure that periods of work in Kosovo by nationals of these countries (or periods of work in these countries by citizens of Kosovo) will be taken into account for entitlement to social-security benefits. Negotiations for a similar agreement are ongoing with Slovenia. In 2022, Kosovo started negotiations on a similar deal with Croatia.

There is no legislation in force to preserve the supplementary pension rights of mobile workers who have worked in other countries or EU Member States.

Chapter 3: Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. EU rules on postal services focus on improving the quality of universal service, gradual market opening to competition, and the establishment of an independent regulator.

Kosovo remains **moderately prepared** in this area and made **some progress**. Kosovo started implementing its five-year action plan to make its sectoral laws compliant with the EU Services Directive. The Point of Single contact is not fully functional. Kosovo's postal market has already been opened to competition in 2022 and the legal framework is being aligned with the EU postal *acquis*. More efforts are needed to align Kosovo with the EU *acquis* on recognition of professional qualifications.

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

- remove the identified barriers to the right of establishment and freedom to provide services and implement the action plan to make sectoral laws compliant with the EU Services Directive;
- complete Kosovo's alignment with the EU postal *acquis* as regards the Regulation on cross-border parcel delivery services and strengthen institutional capacity to monitor and ensure compliance with the new rules in the postal market;

→ align with the EU *acquis* on mutual recognition of professional qualifications, including with the Directive on recognition of professional qualifications and with the Directive on a proportionality test before adoption of a new regulation of profession.

On the **right of establishment and freedom to provide services**, Kosovo is partially aligned with the EU *acquis* on services. During the reporting period, the authorities set up a working group to monitor and coordinate the implementation of the five-year action plan to make sectoral legislation compliant with the EU *acquis* on services. The working group adopted monitoring guidelines, discussed progress, and organised capacity building to assess the compliance of its government bodies with the Law on Services. A tracking mechanism is needed to monitor the progress in this area. To ensure that its rules are harmonised with the standards set out in the EU's Services Directive, Kosovo should increase inter-institutional coordination between the legal departments of line ministries, agencies and other public and professional bodies. If foreign companies wish to provide services in Kosovo, they are currently obliged to establish an office. This impedes their freedom to provide services. To remedy this and other problems in this sector, the authorities have conducted an analysis of three service areas: legal, health and ICT to identify potential barriers to the freedom to provide services.

Kosovo's Point of Single Contact is responsible for licensing auditors and audit companies and has now started to expand its role to licensing surveyors and accountants. The number of professions registered via the Point of Single Contact should increase in the coming years and the associated online platform needs to be transformed into a user-service delivery point, including for company registration. Although businesses and the public can already access the Point of Single Contact platform online, they receive only general information on starting a business, with no interoperability options and therefore no real utility for the end user.

In the area of **postal services**, Kosovo made good progress on the regulatory alignment with the Postal Services Directive, as the reserved area to the universal service provider was abolished in 2022. Bylaws on implementing accounting separation and net cost calculation of the universal service were adopted, in line with the Postal Services Directive. There is one universal service provider and 26 other postal operators active in the postal market. The national regulatory authority is legally separated and operationally independent from postal operators, but has limited resources and needs strengthening to monitor and ensure compliance with the new rules in the postal market. Kosovo still needs to align its legislation with the Regulation on cross-border parcel delivery services.

The Law on **regulated professions** broadly lays down the requirements, conditions, and criteria for the exercise of a regulated profession. The Division for Regulated Professions within the Ministry of Education needs to be strengthened and fully staffed to become operational. Kosovo needs to start identifying all regulated professions in the country and draw up a detailed list of regulated professions.

Chapter 4: Free movement of capital

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

Kosovo is **moderately prepared** in the area of free movement of capital. During the reporting period, Kosovo made **some progress** by adopting the Law on implementation of targeted international financial sanctions and the Law on the state bureau for verification and

confiscation of unjustified assets. Some of the recommendations from the previous report remain to be addressed.

In the coming year, Kosovo should, in particular:

- increase efforts to further align its legal framework with the EU Payment Services Directive 2;
- increase efforts to fight economic and financial crime, and align the Law on the prevention of money laundering and terrorist financing with the EU *acquis*;
- strengthen inter-institutional cooperation in the fight against economic and financial crime and strengthen the effectiveness of confiscations of assets and proceeds of crime.

The Central Bank of Kosovo has licensed one electronic money institution. However, the execution of payments is predominantly carried out in cash, and money transfers are largely limited to traditional financial institutions. More work could be done in this area to reduce transaction costs and facilitate unbanked and underserved customers.

On **payment systems**, Kosovo needs to further align its legislation with the EU Payment Services Directive 2. The country's current framework on e-commerce suffers from regulatory shortcomings, such as a weak system for electronic payments. This work of aligning with the EU Payment Services Directive 2 should be backed by introducing and encouraging new electronic payment methods through innovative solutions that are more efficient and less costly. Kosovo is not a member of the International Telecommunication Union, and this could hinder the development of international payment systems in the country.

The law on the prevention of **money laundering and combating terrorism financing** (AML/CFT) needs to be further aligned with the fourth and fifth Anti Money Laundering Directives. In 2022, the Assembly adopted the Law on implementation of targeted international financial sanctions, which addresses shortcomings identified by the 2018 Council of Europe Assessment Report on Anti-Money Laundering and Countering Terrorist Financing. The Law sets out measures to be taken and also identifies the competent authorities and procedures for proposal, approval, supervision and implementation on targeted international financial sanctions. These sanctions relate to the prevention and combating of terrorism; terrorist financing; and the proliferation of weapons of mass destruction. The Law on the State Bureau for verification and confiscation of unjustified assets, currently in the Constitutional Court, introduces penalties for illicit enrichment in the domestic legal system and provides for civil confiscation of certain assets without prior convictions. In view of increasing the transparency of legal persons and arrangements, in July 2022 the government adopted a concept document on regulating the beneficial ownership register and upgraded guidance is adopted by Kosovo's Financial Intelligence Unit (FIU) on AML/CFT obligations of legal professionals.

The number of suspicious transaction reports in Kosovo increased to 947 in 2022, up 3% from 2021. Although Kosovo has made some progress in the fight against financial crime, there is still a need to strengthen inter-institutional cooperation in the fight against economic and financial crime (*See also Chapter 24 - Justice, freedom and security*).

Chapter 6: Company law

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

Kosovo has **some level of preparation** in the field of company law. Kosovo made **limited progress** in further aligning with the EU *acquis* on company law and is preparing a new law

on business organisations to align more broadly with the EU *acquis*. Since the 2022 recommendations were only partially addressed, they remain largely valid.

In the coming year, Kosovo should in particular:

- adopt the draft law on business organisations to further align with the EU *acquis* on company law including with the most recent EU *acquis* (the encouragement of long-term shareholder engagement, the Directive on the use of digital tools and processes in company and the Directive on company cross-border operations);
- further align with the EU *acquis* on company reporting and strengthen both the institutional audit-oversight structures and the professional independence/objectivity of auditors and audit firms as well as their sufficient and sustainable funding.

On **company law and corporate governance**, Kosovo is preparing a new draft law on business organisations. This aims to further align the country's legal framework with the EU company law *acquis*, particularly on minimum capital requirement, shareholders' rights (including the encouragement of long-term shareholder engagement), company takeovers, aspects of disclosure of information about companies and their branches, Directive on the use of digital tools and Directive on cross-border operations (mergers, divisions, conversions), and Directive on gender equality on boards of directors. The Kosovo Corporate Governance Code adopted in June 2021 reflects international standards set out in the OECD Principles on Corporate Governance.

Kosovo completed an assessment of the technical infrastructure required to ensure the interoperability of the Kosovo Business Registration Agency with the EU Business Register Interconnection System (BRIS) and now needs to ensure that the conditions for this connection are met. Insufficient coordination and data sharing between the Kosovo Business Registration Agency and the Kosovo Council for Financial Reporting still affects the timely reporting and publication of accounting documents. The Agency does not publish information on companies in some legal situations (e.g. under insolvency proceedings) and there is still no legal obligation to publish accounting documents in the business register.

On **company reporting**, the Law on accounting, financial reporting and audit is only partially aligned with the EU *acquis*. Kosovo will need to align with the most recent EU rules covering corporate sustainability reporting. The law requires **statutory audits** to be carried out following relevant international standards on auditing. Large companies must submit and publish their audited financial statements with the Kosovo Council for Financial Reporting (KCFR), and non-compliance risks legal sanction. All submitted financial statements are published on the Council's website. Kosovo still needs to secure sufficient sustainable funding for the Public Audit Oversight Board which was appointed by the KCFR as its executive branch responsible for overseeing this sector. This has prevented it from fully exercising its supervisory powers and enforcement functions.

Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR), copyright and related rights. Rules for the legal protection of IPR cover, for instance, patents and trade marks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, software and broadcasting

Kosovo is **moderately prepared** on intellectual property rights. **Some progress** was made to align the domestic legal framework with the EU *acquis*. The new laws on: patents, trade marks, industrial design, topographies of semiconductor products and trade secrets entered into force.

The government adopted the new Law on copyright and related rights (and relevant legislation regarding a collective rights management system in the fields of copyright for literary and visual works). This new law also aims to align with the Directive on certain online transmission of broadcasting organisations and retransmissions of television and radio programmes to cover online transmissions as well as with the Directive on copyright and related rights in the Single Market. Kosovo also took steps to better enforce intellectual and industrial property rights by establishing the Commercial Court that is mandated to solve cases and disputes in this field. Last year's recommendations were partially implemented.

In the coming year, Kosovo should in particular:

- establish a functioning collective management system by strengthening the existing collective management organisations in the fields of music and audio-visual and by facilitating the creation of collective management organisation in the fields of literary and visual works;
- adopt implementing legislation as a result of the approval of industrial property laws (patents, trade marks, industrial design, topographies of semiconductor products and trade secrets).

Kosovo has made some progress in terms of legislative alignment, so it can start to guarantee some level of protection of intellectual, industrial, and commercial property rights equivalent to that applied in the EU and in line with the SAA.

In the area of **copyright and related rights**, the draft law on Copyright and Related Rights, which aims to align Kosovo's legislation with the Directives on collective management of copyright and related rights and on copyright and related rights in the Digital Single Market has been adopted. Kosovo has not yet established a functioning collective management system in the fields of literary and artistic works.

The main body responsible is the Office for Copyright and Related Rights (OCRR). It remains at a low level of administrative capacity, with only three officials. Kosovo's national strategy to strengthen the copyright system (2019-2023) contained plans to create two divisions within the Copyright Office, one for the promotion and education and one for the collective management and supervision of copyright. Neither of these bodies have been set up yet to support the enforcement of current rules and ensure the remuneration of right holders.

On **industrial property rights**, Kosovo's Industrial Property Agency needs restructuring and additional staff. Kosovo had legislation in place since 2022 on 'topographies' of semiconductors, patents, designs, trade secrets and trade marks. During the reporting period, Kosovo also adopted relevant implementing legislation for the registration of patents, trade marks and industrial designs. In particular, in July 2022, Kosovo adopted the Law on trade marks and seven administrative instructions. Kosovo has not yet adopted a strategy on industrial property for 2022-2026.

The State Intellectual Property Council and the Task Force against Piracy are responsible for the **enforcement** of intellectual property rights in Kosovo. In this area, Kosovo needs to improve the capacity and coordination between policy-making institutions and law-enforcement institutions to effectively enforce intellectual property rights. Lengthy procedures for the treatment of applications and the lack of enforcement of decisions taken, are a major constraint to effectively implement the IPR legal framework.

In 2022, the Task Force confiscated around 800 pieces of pirated materials. At the initiative of the Market Inspectorate, 3 760 goods were confiscated. Also about 1 000 copies of materials that violated copyrights were seized, representing a 233% increase compared with the previous

year. A total of 4 062 textiles pieces and 63 machine tools were prevented from entering the market, as they did not have any commercial name and were evaluated as potentially intended and falsifiable for the internal market. The Industrial Property Agency issued 7 269 official documents that include decisions on registration of rights, invitations to make payments and other notices for applicants to complete their IPR applications.

In 2022, Kosovo Custom's IPR Unit initiated 612 investigation cases, seizing 968 980 pieces of fake goods for a total value of EUR 10.6 million, which represents an increase on last year.

Kosovo established the Commercial Court specialised in commercial matters and the court is mandated to solve cases and disputes in the field of industrial property rights and copyright.

Chapter 8: Competition policy

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

Kosovo **has some level of preparation** in competition policy and made **limited progress** in this chapter. It revised the legal framework on antitrust and mergers but made no progress on State aid. State aid control and enforcement is non-existent and put on hold as cases are neither handled nor enforced without the State Aid Commission's approval, whose mandate expired in March 2022. The urgent establishment of a functional State Aid Commission should be prioritised. Further efforts are needed to align and enforce legislation in both the antitrust and mergers and State aid areas. As recommendations from the previous report remain largely valid, Kosovo should:

- urgently fulfil SAA obligations, including by establishing a functional State Aid Commission;
- further align the legislative framework on anti-trust, mergers and State aid and ensure its enforcement;
- ensure the functional capacity and operational independence of the competition and State aid authorities; increase cooperation and coordination between all stakeholders, including ministries, regulators and the judiciary.

Antitrust and mergers

The **legislative framework** on antitrust and mergers is partly in line with the EU *acquis*. In 2022, Kosovo adopted the new Law on protection of competition; however, further amendments including to articles four and six are needed to ensure its alignment with the EU *acquis*. Implementing legislation needs to be aligned with the new law and with the EU *acquis*, as the present version is no longer valid and applicable.

On the **institutional framework**, the Kosovo Competition Authority (KCA) is responsible for implementing the legal framework and the Kosovo Competition Commission (KCC) acts as the decision-making body. The KCC became functional again upon appointment in June 2022. The cooperation between the KCA and other sector regulators was strengthened, and a Memorandum of Understanding was signed with the Public Procurement Regulatory Commission and the Procurement Review Body.

In its **capacity to enforce competition**, the KCA acts as an independent agency accountable to the Assembly of Kosovo, adopts enforcement decisions and is composed of 18 members.

The KCC is also appointed by the Assembly, acts as a collegial body that manages the work of the KCA, is composed of five members with two positions vacant.

On **implementation**, in 2022, the KCA issued 10 decisions in the sectors of software development, insurance, medical services, telecommunication and financial markets. The KCA launched four market studies, including on the markets for wheat, flour, gas, cooking oil, gasoline, sugar, oil, transport products, cement and pellets.

Kosovo made no progress in enforcing competition rules by imposing fines or remedies following decisions taken by the KCA. Case numbers remain low and to date, the KCA has not carried out any dawn raids nor has the leniency programme been used. Disruptions to the KCC's functioning have led to a high number of unresolved cases.

Training for Kosovo judges and prosecutors on essential aspects of competition law continued in 2022. Raising awareness among judges on the enforcement of competition law remains key, to avoid contradictory judgements by different court instances.

State aid

The **legislative framework** on State aid is broadly aligned with the EU *acquis*. However, no progress was made during the reporting period to amend it further. The draft Regulations on horizontal aid, including block exemptions and regional aid, although prepared, are yet to be adopted. Similarly, the draft Law on State aid although prepared in draft has not been adopted either.

On the **institutional framework**, the State Aid Department, as part of the Ministry of Finance, is responsible for assessing proposals for State aid, drafting assessment reports for the State Aid Commission (SAC), and updating the State aid inventory. The SAC acts as a decision-making body and is composed of five members.

On **enforcement capacity**, no progress can be reported as the mandate of the State Aid Commission expired in March 2022 and no new Commission has been established by the government, putting all control on State aid on hold.

On **implementation**, the SAD began assessment of nine State support measures in 2022, of which only one was notified by the provider. As there is no State Aid Commission in place, no decisions were adopted in 2022. No annual report for the approval of State aid was submitted.

Liberalisation

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

Chapter 9: Financial services

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

Kosovo is **moderately prepared** in the area of financial services. It made **limited progress** in implementing last year's recommendations due in large part to a lack of capacity. All past recommendations not fully implemented remain valid. The country should make further efforts to align with the financial services *acquis*, focusing on the priorities identified.

In the coming year, Kosovo should in particular:

- strengthen the governance framework of the Central Bank by appointing the two deputy-Governors of the Bank;
- step-up its efforts to implement Solvency II measures and continue with enhanced supervisory role on the insurance sector;
- further advance in aligning with the revised versions of Capital Requirements Directive and Capital Requirements Regulation (CRR/CRD), Bank Recovery and Resolution Directive (BRRD) and Deposit Guarantee Scheme Directive (DGSD).

On **banks and financial conglomerates**, the Central Bank continued to align its legal framework with Basel III requirements on capital and risk management. It has approved regulations in relation to liquidity coverage ratio, and bank liquidity risk assessment. Despite global economic challenges, the financial sector remains resilient due to the high capitalisation levels of the predominantly foreign-owned banking sector. Overall, banks' capitalisation ratio remained stable and well above the required minimum capital adequacy ratio of 12%. Although credit risk remains contained, focus should be paid to evaluating risks from the rapid credit expansion in the household segment in particular mortgage lending.

In relation to governance issues, during the reporting period the Central Bank of Kosovo faced challenges in performing its tasks and responsibilities. . The position of Governor of the Central Bank was left vacant for a number of months before being filled in July. Two positions of Deputy Governors remain vacant. Principles of transparency and merit-based selection should be upheld. Any political influence on the appointments within the Bank undermines the confidence of the public in this service. Kosovo has not yet established an independent recovery and resolution authority. The Central Bank is working on updating regulations to harmonise them with the Bank Recovery and Resolution Directive (BRRD) I and II, with which Kosovo has not fully aligned. Amendments to the Law on banks, to assign the function of the recovery and resolution to the Central Bank, must ensure that the authority has functional independence. The Kosovo Deposit Insurance Fund (DIFK) has set up the working group to amend the Law on deposit guarantee. Amendments should seek to approximate the Deposit Guarantee Scheme Directive. The Central Bank must ensure that consumers are protected to prevent unfair banking practices.

Regarding **Insurance and Occupational Pensions**, Kosovo continued to implement Solvency I measures and started gradual implementation of Solvency II. There are improvements to be noted with regard to capital and liquidity adequacy levels of the insurance sector and the increased supervisory role of the Central Bank in the insurance industry. Despite the opinion presented by the Kosovo Competition Authority, the prices on the compulsory motor liability insurance market remain fixed, as the Motor Third Party Liabilities price liberalisation process has yet to start and the new risk-based model for adjusting car insurance tariffs has not been introduced.

Despite some progress on the **uninsured and unregistered vehicles**, Kosovo continues to remain outside the green card system. As a result, insurance is required for foreign-registered vehicles entering Kosovo and vehicles with Kosovo plates leaving Kosovo. This continues to represent a financial burden.

During the reporting period, the Governing Board of the Kosovo Pension Savings Trust (KPST) was non-functional for five months, as the mandate of the members of the Board expired in February 2023, until new appointment of members was made in July 2023.

Securities markets and investment services remain at the early stages of development, as most activity centres on the market for government bonds, auctioned by the Central Bank. The

Regulation on the repurchase of securities with the Central Bank enables securities trading between commercial banks on the secondary market. It aims to help eligible banks to manage their liquidity efficiently in the short term. In the reporting period, there were no developments as regards funds and asset management.

On **digital and sustainable finance**, Kosovo should conduct further work to incorporate sustainable considerations both in banking and non-banking strategic policies and objectives, and to implement a regulatory financial framework supporting private investments towards sustainable/green activities. The Kosovo Credit Guarantee Fund (KCGF) can guarantee up to 80% of loan portfolios of financial institutions to MSMEs in areas such as energy efficiency and sustainable agriculture. The KCGF has issued up to EUR 303 million in guarantees as of July 2023.

Chapter 28: Consumer and health protection

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

Kosovo is at an **early stage of preparation** in this area. There was **limited progress** overall via the adoption of the Law on general product safety, however the law on consumer protection has not yet been adopted. Kosovo achieved compliance with the EU Digital COVID Certificate. As last year's recommendations were not fully addressed, they remain largely valid.

In the coming year, Kosovo should:

- adopt the law on consumer protection;
- increase human and financial resources and systems necessary to implement health sector reforms, especially by implementing the electronic public health information system, and improve access and health outcomes for those in the most vulnerable situations;
- ensure rigorous implementation of tobacco control, in line with the relevant EU *acquis* and international obligations.

Consumer protection

Kosovo's **legislative framework** is partly aligned with the EU *acquis*. In October 2022, the government approved the draft law on Consumer Protection, which amends the existing consumer law to the latest changes to EU consumer legislation introduced by Directive (EU) 2019/2161. However, final adoption is still pending. Enforcement of consumer rights protection remains limited. An integrated platform to harmonise the complaints process remains to be created. The Central Bank has a division that handles most consumer complaints on financial services, in 2022 they have dealt with 644 complaints, lower compared with 2021.

Regarding **product safety**, Kosovo adopted a new Law on general product safety designed to be fully aligned with the EU *acquis*. During the reporting period, the Market Inspectorate conducted 2 830 product safety inspections, imposed 311 fines, processed 195 cases, and confiscated 5 705 pieces of harmful goods.

As regards **non-safety issues**, the law on consumer protection addresses consumers' economic interests. The weakness of consumer rights organisations remains a challenge.

Public Health

On **public health** policy, the quality of healthcare remains of concern. The draft law on health and draft law on health insurance, which aim to steer health sector reforms, have not been amended. The new 2023-2030 Health Sector Strategy has been drafted, and is yet to be approved. Health expenditure amounts to around 3% of the GDP, which is second lowest in the region and more than three times lower than the EU average of around 11%. Kosovo allocated a record high level of health sector budget in 2023 (around EUR 300 million), an increase of around 15.6% compared to 2022. Health financing is predominantly based on historical expenditure and there are no performance-based indicators. Institutional accountability of public health providers' remains low. There are no incentives to improve productivity, efficiency and quality in the sector. Despite a relatively strong network of primary healthcare facilities that provide services free of charge, the out-of-pocket expenses remain very high. Kosovo has an **e-health** information system, based on the European core health indicators, that enables virtual communication between users/patients and general practitioners, provides counselling services, and captures data on patient admissions, discharges and transfers. However, it is not used by all health institutions and further functionalities (covering pathology, radiology, blood transfusion, vaccination and other interventions) remain to be added.

Life expectancy in Kosovo at birth remains the lowest in the region; **non-communicable diseases** are the leading cause of death, especially cardiovascular diseases and cancer. Some 33% causes of death are incorrectly reported or are not diagnosed. Health promotion and prevention programmes for non-communicable diseases is weak; screening for chronic conditions (such as diabetes and hypertension) is not systematically performed. There has been no progress with the implementation of the health promotion action plan, or the strategic plans on mother and child healthcare. Child mortality remains a serious issue, 16 children out of 1 000 live births die before they are five, three times higher than the EU average. In 2022, the government made efforts to improve maternal and child health. It expanded home visiting programmes to all municipalities and allocated additional resources to this (EUR 3.4 million). Although most indicators in the public health information system are aligned with the European Core Indicators, it is only partly functional. Its utility for policy development, research and decision-making is therefore limited.

On **mental health**, several clinical guidelines were approved. Mental health services continue to be integrated services. The 2013 Law on **tobacco control** is not being comprehensively enforced and implemented, though there was a notable increase in inspections on smoking in public places in Pristina during Q2 of 2023.

The legislation on **blood, tissues, cells and organs** is partly aligned with the EU *acquis*. Full alignment with the EU *acquis* remains a challenge, Kosovo continues to lack necessary administrative, infrastructure, financial and human resources capacities in this field.

On **serious communicable diseases** and serious **cross-border threats to health**, Kosovo made some progress in strengthening its capacities for surveillance and reporting data to the World Health Organization. The Assembly adopted the law on communicable diseases in line with ECDC recommendations and the EU *acquis* in August 2023. Routine immunisation is improving, however, coverage rates are still lower than pre-COVID-19 levels and currently stand between 87-89%.

During the reporting period, health authorities in Kosovo continued to manage the **COVID-19** pandemic, and made further progress on surveillance, case investigation, contact tracing and case management. In July 2022, Kosovo achieved compliance with the EU Digital COVID Certificate. The number of positive cases progressively declined, following the increase during

Q2 and Q3 2022. The rate of vaccination significantly declined during the reporting period. New cold-chain facilities and equipment to ensure proper storage of vaccines were finalised.

Legislation on **patients' rights in cross-border healthcare** is partially aligned with the EU *acquis*. For specialised health services that are not available in Kosovo, patients can benefit from the health insurance fund for health services abroad. However, the Fund is currently serving only as a payment agent, instead of developing standardised approval and monitoring processes. It does not engage in any contract negotiation with hospitals abroad. Such passive position has generated significant financial risk to the health insurance fund.

Kosovo has a **cancer screening** programme. However, despite some progress, cancer screening is not performed systematically. Main cancer diagnostic and treatment services are provided at the tertiary healthcare level at one clinical centre.

Kosovo has not made any progress in adopting the nutrition action plan on **nutrition and physical activity**. Legislation on **medicines for human use and medicines for veterinary use** remain partially aligned with the EU *acquis*. The list of essential medicines, for which the costs are covered by the government, has still not been updated. The level of the coverage of costs for medicinal products from the essential list remains around 70%, and above 90% for consumables in primary healthcare.

Health inequalities remain a serious issue. The continuous postponement of the introduction of universal health insurance scheme and out-of-pocket payments remain very high. This influences the access to essential health services for those in vulnerable situations, such as those living in poverty, in rural areas and persons belonging to Roma, Ashkali and Egyptian communities. It is estimated that almost a third of Kosovo population has only limited access to health care services. The rate of routine immunisation of Roma, Ashkali and Egyptian children in Kosovo are only half that of other children.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers: digital transformation and media (Chapter 10); taxation (Chapter 16); economic and monetary policy (Chapter 17); social policy and employment (Chapter 19); industrial policy (Chapter 20), science and research (Chapter 25); education and culture (Chapter 26); and the customs union (Chapter 29).

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

Chapter 10: Digital transformation and media

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

Kosovo **has some level of preparation** in the area of digital transformation and media. Kosovo made **limited progress by** further aligning its legislative framework with the EU *acquis*, particularly with the adoption of the cybersecurity law. However, further alignment and implementation are still needed in the area of audiovisual policy. Kosovo engaged constructively in high-level regional dialogue on digital transformation and on the implementation of the Regional Roaming Agreement. In September 2022, Kosovo hosted

the Western Balkans Digital Summit in Pristina. A sustainable solution for the funding of the public broadcaster and ensuring its editorial independence still needs to be found. The government adopted the Digital Agenda 2030. The budgetary resources for cybersecurity remain insufficient.

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

- conclude the alignment of Kosovo's legislation with the European Electronic Communications Code, the EU Network and Information Security Directive (NIS 2) and the EU's Toolbox for 5G cybersecurity; revise the Law on the Independent Media Commission, in line with the Audio-visual Media Services Directive;
- ensure that telecoms and media regulators are given adequate resources to fulfil their mandates independently, and develop a solution for the sustainable funding of the public service broadcaster;
- implement number portability to ensure effective use of numbering resources and foster competition.

In the area of **electronic communications and information and communication technologies (ICT)**, according to the Kosovo Agency for Statistics, in 2022, 97.9% of households had access to the Internet (compared to 96.1% in 2021). Kosovo's broadband coverage is now 100%. In 2022, the share of individuals purchasing or ordering goods and services online (within the last three months) was 51%, compared to 23.1% in 2021. Kosovo's legislative framework on broadband cost reduction is aligned with the EU *acquis* and implementation is advancing, with the completion of the broadband atlas and the single information point. Further efforts are needed to align it with the European Electronic Communications Code to ensure freedom to provide electronic communications networks and services. Kosovo still needs to complete the drafting process of the Concept Document for the Electronic Communications Code.

The Regulatory Authority of Electronic and Postal Communication approved the Frequency Release Plan, including all frequency bands with important economic value. In autumn of 2022, Kosovo initiated pilot 5G access. The Regulatory Authority completed the process of assignment of 800MHz and 3.5GHz bands to enable the deployment of 5G technology. Kosovo adopted the regulation for number portability for public electronic communications services subscribers. The existing resources of the Electronic and Postal Communications Regulatory Authority remain limited and not proportionate to their responsibilities.

Alignment with the Digital Services Acts and Digital Markets Act needs to be stepped up, to provide predictability for the business community.

Kosovo made some progress in the area of **digital transformation**, as it adopted the 2030 Digital Agenda. The Law on cybersecurity, which is partially aligned with the NIS Directive, has been adopted on 2 February 2023. The strategy and action plan related to the Law on cybersecurity still need to be adopted. Kosovo developed basic capabilities in cybersecurity; it needs to step up efforts to ensure proper operational mechanisms, technical capacities and human resources to operate in the cyberspace context effectively. The e-government portal is operational: the platform offers over 150 fully digitalised services. Kosovo needs to make further efforts to finalise and adopt the e-Government Strategy. Kosovo still needs to align with the EU *acquis* on open data and the re-use of public sector information. Kosovo should also align with the European Interoperability Framework and the Interoperable Europe Act.

On **audiovisual policy**, the long-awaited amendment of the Law on Independent Media Commission (IMC) has been further delayed. This process should be conducted in an inclusive

and transparent manner, with meaningful consultation with key stakeholders. The IMC failed to make any progress on the digital switchover to align with EU standards. Currently, the IMC still lacks adequate human and financial resources to exercise its powers independently. It should also ensure it is transparent and inclusive in its decision-making, including through more consistent public consultation. Due to the lack of information on media ownership and the distribution of advertising funds, the IMC does not impose effective sanctions on broadcasters, and no significant enforcement interventions were undertaken. The current Law of the IMC provides sufficient regulatory, enforcement, and monitoring powers to ensure pluralism and competitiveness in the market. The amendment, currently underway, should further align the Law with the Audiovisual Media Services Directive to extend its powers to online audio-visual media.

A review of the current Law on radio television of Kosovo (RTK) launched in 2019 has stalled. The draft law includes a funding model for RTK, whose editorial independence is weak, as it still relies on direct government funding, with the Assembly determining its budget annually. The appointment of the new Director General through an open, merit-based process is a positive development. The Board should ensure that independent and professional individuals without links to political parties are appointed to managerial positions.

Chapter 16: Taxation

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

Kosovo **has some level of preparation** in the area of taxation. It made **some progress** with implementation of risk-based tax inspections on some high-risk sectors and service digitalisation. Increased compliance and formalisation measures have led to increased tax revenues.

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

- pursue further alignment of tax legislation including the personal income tax (PIT), and value added tax (VAT) with the EU *acquis*;
- ensure more systematic implementation of risk-based tax audits and finalise the new strategy for combating the informal economy, money laundering, financing of terrorism and financial crime (2023-2026);
- increase cooperation with law enforcement and judicial institutions to ensure timely adjudication of tax evasion and fraud cases, with emphasis on high-risk sectors.

Good progress was made during the period with regard to **tax collection, enforcement and compliance**. Between June 2022 and April 2023, the Tax Administration of Kosovo (TAK) collected revenues of 728.7 million EUR, 16.7% higher than the same period in the previous year. During the reporting period TAK also stepped-up activities to combat the informal economy, increasing the number of compliance visits, audits and investigations of suspected cases of fiscal evasion. These activities resulted in additional revenue of EUR 181.5 million for the period June 2022 – May 2023, 17% higher than the same period in the previous year.

Regarding **indirect taxation**, the VAT system is broadly aligned with the EU *acquis*. Kosovo applies a standard 18% rate and a reduced 8% rate. The Law on VAT still needs to be further harmonised with the EU *acquis*. The legal framework and procedures on e-commerce taxation

need to be established. On **direct taxation**, Kosovo made no progress in amending the Law on personal income tax, or to remove contradictory provisions and further align it with EU *acquis*.

On **administrative cooperation and mutual assistance**, Kosovo has not been able to join the inclusive framework of the OECD Base Erosion and Profit Shifting (BEPS) due to status issues. Kosovo has double taxation treaties in application with 11 EU member states (Austria, Croatia, Luxembourg, Hungary, Latvia, Malta, Slovenia, Germany, Finland and Belgium, and Ireland).

On **operational capacity and digitalisation**, the Tax Administration made progress with regard to service quality, in particular with the use of e-services. This is also reflected in the 2022 Tax Administration Diagnostic Assessment Tool (TADAT assessment). In terms of streamlining and improving its service delivery, the Tax Administration needs to further strengthen professional capacities, especially on the tax inspection/audit, and improve the effectiveness of tax audit functions. The Tax Administration is implementing its 2022-2026 Strategy. It plans to increase revenue collection; strengthen voluntary compliance; strengthen approach and expertise in managing large taxpayers; build modern IT systems and tools; and strengthen the inspection programme. There is a significant setback regarding the development of the new IT system for tax administration. The tax Administration intensified its actions on risk-based approach regarding tax compliance. Despite higher revenues registered from tax audit processes, Kosovo needs to strengthen enforcement of a risk-based approach. Data quality and exchange of data across different agencies for the administration of taxes remain a challenge.

Chapter 17: Economic and monetary policy

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

Kosovo is **moderately prepared** in the area of economic and monetary policy. **Some progress** was made with data collection and transmission to Eurostat; however, further efforts are needed to address the methodological inconsistencies on national accounts. The Central Bank has faced challenges in performing its tasks and responsibilities. After a vacancy of a few months, in July 2023 the Assembly elected a new governor. The Assembly also adopted a Law on minimum wages, decoupling war veterans' pensions, in an effort to ensure compliance with the legal ceiling applicable for spending on war veteran pensions.

The 2022 recommendations were not fully addressed and therefore remain valid. Kosovo should in particular:

- strengthen the Central Bank's governance by completing the procedure for the selection of its Deputy Governors;
- increase reporting capacities for governmental financial statistics according to the ESA 2010 and ensure regular monitoring of standards;
- improve the quality of macroeconomic forecasting in the budgetary process.

Kosovo does not have an independent **monetary policy** and does not have standard monetary policy tools at its disposal, as it uses the euro as a legal tender, leaving fiscal policy as the main macroeconomic policy instrument. Kosovo's use of the euro is fully distinct from membership of the euro area.

The Central Bank of Kosovo (CBK) is the sole authority responsible to promote and maintain the stability of the financial system in Kosovo and to contribute to maintain price stability. The Law on the Central Bank and the constitution establish its functional and institutional

independence, prohibits its decision-making bodies to give and receive instructions from government authorities. The Law also prohibits monetary financing of the public sector and ensures that the latter does not have privileged access to financial institutions.

The Central Bank of Kosovo is facing challenges in performing its tasks and responsibilities. The mandate of the Governor ended in March 2023, and the position was vacant until the Assembly appointed a new governor in July. Even though new staff were recruited, the Central Bank needs to ensure that its core functions, including banking supervision and maintaining financial stability, are adequately staffed. The Bank still needs to implement reforms with regard to its corporate governance structure in order to improve its accountability.

On **economic policy**, Kosovo needs to further align with the requirements of the EU Directive on budgetary frameworks. In July, the Assembly adopted a Law on minimum wages, decoupling the level of war veterans' pensions from the minimum wage in an effort to ensure compliance with existing legal spending limits. Although fiscal rules are well established in the legislation, further efforts are required to ensure their full compliance.

During the reporting period, **operational capacities** of the Ministry of Finance improved. In particular, macro-fiscal modelling, planning and forecasting, as well as assessment of the fiscal impact of the government's new policy and legislative initiatives has improved. Kosovo is at the early stages of introducing programme-based budgeting. Some steps have been taken to better link the medium-term policy with budgetary planning process. Nonetheless, strong political will and inter-institutional cooperation are necessary to transform the budget into a policy-planning tool and strengthen the medium-term budgetary framework.

During the reporting period progress was made in the timeliness and completeness of **annual national accounts data** produced, according to the European System of Accounts (ESA) 2010 methodology. Some progress was made also in government deficit and debt statistics, but further work is expected to fully adhere to the ESA 2010 methodology. Kosovo should make efforts to improve the coverage and timeliness of the Excessive Deficit Procedure (EDP) notification tables and to start completing the questionnaire relating to the EDP tables. After the tables for quarterly financial accounts for general government were transmitted to Eurostat for the first time in 2023, Kosovo now provides the currently full set of required Government Finance Statistics (GFS) tables. However, efforts are still needed to improve various qualitative aspects of the tables.

The 2023-2025 **Economic Reform Programme (ERP)** was submitted on time. There is a significant degree of uncertainty surrounding the macroeconomic and fiscal framework presented in the ERP. The ERP projects a robust acceleration of economic activity in 2023-2025, which is above the historical trend. An expected strong rebound in public investment is seen as a key growth driver, but in order to realise this ambition, obstacles to public investment execution need to be effectively addressed. There are additional sizeable downside risks to this outlook notably linked to higher-than-expected energy and food prices following Russia's war of aggression against Ukraine and the induced energy crisis. The 2022 policy guidance has been implemented only partially. The structural reforms presented in the ERP reflect the government's plan to address obstacles to competitiveness and inclusive growth in the medium-term. However, implementation of the structural measures has often been delayed and improvements have not materialized. Similarly, additional efforts are necessary to improve macro-fiscal projections underpinning the budget and the linkage between the macro-fiscal framework and the planning of structural reforms.

Chapter 19: Social policy and employment

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

Kosovo is at an **early stage of preparation** in this area. **Some progress** was made during the reporting period, in particular on the preparations for the implementation of the Youth Guarantee, in securing funds for social services and intensifying inspections in work sectors with higher risk. However, the rate of fatal occupational accidents remains high.

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

- continue implementing the Youth Guarantee Implementation Plan to prepare for the piloting of the scheme; adopt the amendments to the Law on Labour to align with recent EU *acquis*, particularly in relation to non-discrimination in employment and parental leave;
- continue intensifying inspections in work sectors with higher risk, and enforce rules on health and safety at work to ensure a decrease in workplace accidents;
- pursue thorough reforms in the area of the social assistance schemes to ensure better targeting and impact, and improve access to social services, in particular for children.

Kosovo has postponed amendments to the legislation on **labour** and on **health and safety at work**, which are necessary to further align with the EU *acquis*, including with the EU Directive on work life balance. The 2014 Law on health insurance, providing for the right and obligation to have mandatory *basic package* health insurance for all citizens, has not been implemented. The Labour Inspectorate has intensified inspections, but with limited impact on prevention of accidents. During 2022, there were 349 workplace accidents, of which 15 resulted in fatalities. The Labour Inspectorate is increasing: in 2022, 12 new inspectors were recruited. The Tax Administration Inspectorate took actions to formalise jobs, and together with Labour Inspectorate and International Labour Organization, launched a campaign to promote labour rights.

On **social dialogue**, tripartite and bipartite dialogue remain limited. During 2022, the Social Economic Council mandated its Commission to negotiate the new General Collective Agreement. The social partners have approved the work plan for 2022 and 2023. On 14 June 2022, the Assembly approved in the first reading an increase in the minimum wage at EUR 264 (from EUR 170) per month, but the final adoption is pending. The capacity of social partners remains limited.

On **employment policy**, Kosovo has continued drafting a new employment and labour market strategy 2023-2028, a new employment policy 2022-2024, and a concept document regulating the field of employment. The last sectoral strategy (2018-2020), albeit with modest targets, had a very low implementation rate.

The overall activity rate stood at 38.6% in 2022, a slight decrease compared to 39.3% in 2021. **Unemployment** rates in 2022 were 12.6% (20.7% in 2021). The rates are higher among women, 16.5% (25% in 2021), than among men, 11% (19% in 2021). The indicators that still give rise to most concerns are the high inactivity rate, 61.4% (60.8% in 2021) and youth unemployment 21.4% (38% in 2021). Unemployment is even higher (over 90%) in the Roma and Ashkali communities. Members of these communities usually work in the informal sector, holding insecure, low-skilled and low-status jobs.

Youth unemployment remains high (21.4% in 2021), particularly among women (27%). Demographic pressures, joblessness growth pattern, a propensity towards emigration and poor education are key factors in the precarious position of young people. A recent mapping shows that since 2018 there have been remarkable shifts in the categories of young people not in employment, education or training. The rates for those with primary education had levelled at below 30%, the rates of secondary educated youth increased, at a moderate pace, to just over 40%, while the rates for university educated young people increased from around 30% to over 50%. Kosovo has continued the preparations for the implementation the **Youth Guarantee**, in line with the implementation plan adopted in November 2022. As of 2023, authorities are working to ensure conditions for piloting the Youth Guarantee in two municipalities, and in amending relevant legislation, restructuring the key delivery mechanisms (public employment services), and fast-tracking some long-due reforms in vocational education training.

Kosovo is restructuring the **Employment Agency** so as to deliver on the Youth Guarantee implementation plan. Management and operational procedures, and data management are still weak. The labour market information system to support evidence-based policy making and planning is outdated and lacks operational capacity in critical areas. The lack of human resources in public employment services is the greatest concern.

There were no developments on the preparation of the **European Social Fund**. (*See Chapter 22 - Regional policy and coordination of structural instruments*). On **social inclusion and protection**, Kosovo's spending on social assistance scheme amounts to 6% of GDP, but less than 0.5% of GDP is allocated to the most deprived as most of the amount is spent on war veterans' pensions. On 4 April 2023, the Assembly has ratified an agreement with the World Bank to conduct thorough reforms in the social assistance system. Kosovo made no progress to provide funding allocation for social services. The draft law on local government finances is not part of the 2023 legislative plan raising concerns as to the sustainability of financing for social services. For 2023 the government fund dedicated for licensed NGOs to provide social services increased by 50% (from EUR 1 million to 1.5 million); this does not address fully the funding situation for the provision of quality social services at the local level. Municipalities should make effort to improve service planning and delivery, data collection and integrated care. Care for the elderly remains a serious issue. Around 18% of Kosovo's population lives below the poverty line (EUR 45 per month, with 5.1% percent of the population living below the extreme poverty line). Children from poor households, and those with special needs, lack equal access to vital and quality health and education services. Children represent half of those benefiting from social assistance, but less than 10% of them are with special needs. Children with disabilities lack adequate health and rehabilitation services, social services and assistive equipment from state institutions. Most of them lack proper access to education facilities. Around 9% of children are involved in work, of whom 5.6% working under hazardous conditions, an issue being particularly evident among the Roma and Ashkali communities.

Kosovo has to intensify efforts to address **discrimination against women in employment and social policy**, particularly during hiring procedures, promotion and pay. The unequal share of responsibilities present in the maternity, paternity and parental leave between women and men hinders women's employment. Women face discrimination also when they are pregnant or wish to have children; therefore, it is important to treat the termination of a probationary period due to pregnancy as direct discrimination. Trainings are needed for both labour inspectors and judges to better address the issue of gender-based discrimination. In 2022, the employment rate for the population aged 15-64 was 18.4% for women and 49.4% for men, resulting in a very high gender employment gap of 31 percentage points. Limited access to childcare and flexible working arrangements, as well as regulations that discourage the recruitment of women are

important barriers. Other challenges faced by women, especially in rural areas, are the lack of care for the elderly, discrimination in the access to property, and gender-based violence.

Chapter 20: Enterprise and industrial policy

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

Kosovo is **moderately prepared** in the area of enterprise and industrial policy. It made **good progress**, as the government approved the Strategy for industrial development and business support 2030, the first of its kind. The Assembly passed the Law on sustainable investment and the Law on technological and industrial parks in first reading. The laws provide for the establishment of two new agencies dedicated to investment and export promotion and business support and entrepreneurship. The operational performance of the existing Kosovo Investment and Enterprise Support Agency (KIESA) also improved during the period. .

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

- Implement the strategy for industrial development and business, and the sustainable economic growth pillar of the national development strategy 2021-2030;
- improve the capacities of the Ministry of Industry, Entrepreneurship and Trade (MIET);
- complete the restructuring of the Kosovo Investment and Enterprise Support Agency (KIESA) into separate investment promotion and SME support agencies, as well as ensure both are sufficiently resourced.

As regards **enterprise and industrial policy**, the Ministry of Industry Entrepreneurship and Trade (MIET) prepared an ambitious strategy for industry development and business support 2030. It aims to improve the business environment in Kosovo, promote industrial development, address the trade deficit, create jobs, as well as to ensure both resource efficiency and a more circular economy. The Ministry prepared a comprehensive analysis of the main subsectors in the manufacturing sector to use for refining its policies and actions. In view of the expansion of solar energy in the carbon emissions policy, incentives for the use of renewable energy sources in industry are planned; their approval is expected in 2023.

The Assembly has adopted in first reading two laws to promote investment and encourage private sector development: a Law on Technological and Industrial Parks and a Law on Sustainable Investment. The latter anticipates restructuring of the Kosovo Investment and Enterprise Support Agency (KIESA) into an Agency for Support to the Enterprises within the MIET, and of the Agency for Investment and Export (AIE) under the remit of the Prime Minister's Office. With clear delineation of responsibilities, the two agencies could be more efficient in providing support to active companies and attracting new investors. KIESA has long struggled with limited capacities to implement its broad mandate. Despite this, KIESA has strongly improved its performance in 2022, increasing foreign direct investments (FDI) by 43.6% over the period January to September 2022 and increasing participation of Kosovo firms in international trade fairs.

A concept document for public enterprises adopted in 2023 envisages the revision of the Law on public enterprises and implementing legislation. The Ministry of Economy has initiated policy changes covering publicly owned enterprises to align with the new legislation on Sovereign Fund. In June 2023, the government adopted the Law on the Sovereign Fund.

In the area of **policy instruments**, the KIESA organised a high number of activities despite capacity deficiencies. The Agency had difficulties fulfilling its objectives, in particular enabling the implementation of before- and after-care services and programmes and promoting links between multinational enterprises and SMEs.

Kosovo has no streamlined process to handle investors' **grievances and retain investments**. Having such a process would implement the principles of the systemic investment response mechanism, as proposed by the World Bank. The fragmented and inefficient flow of information between state institutions remains a challenge, it in turn presents obstacles for SMEs to access the available business support services and obtain permits and licenses. When applying for government support, SMEs are required to submit excessive paperwork and information, which extends the application time.

The Law establishing the legal framework for a Commercial Court was passed in February 2022 and the court became fully operational and began hearing cases in August 2022. Although since 2022 the legislation on foreign investment includes equal treatment of national and foreign nationals and companies, foreign nationals and companies still encounter challenges in practice, for instance when registering property rights.

Kosovo has significantly increased the number of services available on its e-government platform and has begun preparations to simplify and digitalise permits and licenses on the e-government platform. Business licensing procedures are clear and centralized. Kosovo continues reforms to reduce the administrative burden on businesses. Self-employed workers face a low tax burden and the incorporated SMEs benefit from corporate income tax incentives. The tax administration simplification and the development of digital services have decreased tax compliance costs for SMEs.

The lack of easily accessible and affordable credit serves as a substantial barrier to the growth of SMEs. In addition, SMEs and corporations suffer from a low capacity to prepare bankable projects due to informality in accounting practices, weak corporate governance, and management quality, in addition to integrity issues. By 2022, the Kosovo Credit Guarantee Fund (KCGF) expanded; it now enables loans worth EUR 270 million to 8 871 micro-small and medium-sized enterprises (MSMEs) in the sectors of production, services agriculture, and trade, including start-up firms and female owned businesses. On 11 May 2023, Kosovo signed the Association Agreement for the participation in the EU "Single Market Programme" (SMP).

Chapter 25: Science and research

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

Kosovo is at an **early stage of preparation** in the area of science and research. **Some progress** was made during the reporting period: Kosovo substantially improved its performance in the EU's framework programme on research and innovation.

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

- fully implement the national science programme, including prioritise and promote scientific research and innovation, ensure higher spending on research and innovation, and seek to stimulate investment from the private sector by completing a smart specialisation strategy;
- continue efforts to increase participation in the Horizon Europe programme;

→ use the newly established current research information system to provide reliable data on numbers of researchers, on percentage of GDP spent on research and innovation, and on performance related to the European Research Area priorities.

Despite some progress on **research and innovation** policy, Kosovo lacks a strategic approach to develop, prioritise and promote research activities. There has been some progress in this respect since the National Science Council developed the national science programme as the main strategic document on science and research. It identifies priority fields for the economic and social development for the next six-year period. In addition, it includes new funding models and the creation of a fund for innovations.

The **smart specialisation strategy** should be completed as a priority. The current research information system has been developed and should be put into use. It systematically collects research, science and innovation data, that should be used to support evidence-based decision making. The bundling of competencies for science, education, technology, and innovation in a single ministry is a welcome development. This should foster the coordination and administrative capacities to plan, implement, monitor, and evaluate research and innovation policies.

The research and innovation sector is severely underfunded, with public research spending amounting to only 0.1% of GDP despite a 0.7% of GDP target mandated by law. The financing of scientific research through the allocation of the budget for higher education institutions is unclear since the budget for scientific research and innovation is not separated from the budget for universities. The quality of programmes preparing postgraduates for research careers remains unsatisfactory. Funding of innovation support measures is urgently needed to support the economic recovery. Kosovo is encouraged to take up the opportunities made available by the European Institute of Innovation and Technology.

Kosovo was for the first time fully associated to **Horizon Europe** in 2021. After a slow start, preliminary figures for 2022 show a substantial performance increase from the research and innovation community with five projects receiving a total EU funding of EUR 0.8 million.

Chapter 26: Education and culture

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

Kosovo has **some level of preparation** in the field of education and culture. During the reporting period there has been **some progress**, notably with the Kosovo Accreditation Agency becoming an affiliated member of the European Association for Quality Assurance in Higher Education and the European Quality Assurance Register for Higher Education, and with the adoption of the Law on the Kosovo Accreditation Agency and the Law on early childhood education. However, the quality of education still needs improvement in terms of teachers’ qualifications and training and learning outcomes. The Assembly should adopt key legislation on higher education.

As last year’s recommendations were only partially implemented, Kosovo should in particular:

→ develop a roadmap for the implementation of key reforms of the education system, including the recommendations under the ETF Rapid Education Diagnosis;

- finalise the implementation of the new curricular framework for basic education, complete the revision of the existing textbooks and provide sustainable training to teachers; systematically apply quality assurance mechanisms at all education levels;
- enhance the VET governance and increase the quality of vocational education and training for professions in demand in view of the Youth Guarantee.

Kosovo's public spending on education in 2022 stood at 4.1% of GDP (13.3% of the total budget). Although the amount as a percentage of GDP is comparable to EU countries, *per capita spending* is considerably lower. Thus, Kosovo should increase the funds for students *per capita* and for investment in quality education. The funding formula used to allocate pre-university budget to each municipality is under revision, as the current one is not sufficiently accurate. During 2022, almost two thirds of schools in rural areas (63%) operated in multiple shifts. In consequence, pupils receive an insufficient number of teaching hours.

In recent years, Kosovo has made considerable progress in **increasing access to pre-primary and primary education**. It should nevertheless do more to equitably increase coverage of pre-school and secondary education. In the 2021/2022 school year, 224 429 pupils attended primary and lower secondary education: a decline of 18% compared to the 273 649 pupils in 2014/2015. On average, (gross) enrolment rates in primary and secondary education are very similar to those in the region, and relatively high: 88.1% of children attend pre-primary education but for no more than 2 to 2.5 hours/ day in public institutions. In private institutions, the duration is 7 to 8 hours/ day. In 2020/2021, the inclusion rate in primary education was 101.2%. Participation of children in pre-school education and care remains low, at 6.7%, well below the average in the region and the OECD average (over 36%). Only 46.2% of pre-school children are girls, while the number of Roma, Ashkali and Egyptian children included in the early childhood education system is low. The new Law on pre-school education was adopted by the Assembly on 10 July 2023; the primary curriculum for Early Childhood Education is being developed. Higher education gross enrolment rate continues decreasing and is currently at 49.4%, almost 30% lower than five years ago, but low graduation rates remain of concern.

Kosovo adopted a new education strategy 2022-2026, which includes plans for digitalisation of schools, focusing on digital learning, platforms, content, teachers upskilling and support, connectivity, devices, and institutional support. For the successful implementation, the Ministry of Education, Science and Technology (MESTI) needs to ensure the necessary human and financial resources. The restructuring of the MESTI is still pending. The restructuring of the MESTI is still pending.

The **quality of education** remains poor, as evidenced by the last two OECD Programme for International Student Assessment (PISA) evaluations, with Kosovo ranking respectively second and third from bottom. Kosovo participated in the 2019 Trends in International Mathematics and Science Study (TIMSS), in the 2021 Progress in International Reading Literacy Study (PIRLS) and PISA 2022. In TIMSS 2019, Kosovo was among the ten poorest performers. However, Kosovo has joined the ICILS 2023 (International Computer and Information Literacy Study) which can help monitor targets regarding students' digital competences and also monitor progress toward the UN Sustainable Development Goals.

Kosovo is participating in the European Education Area working groups 2021-2025. These working groups fosters collaboration among European Union Member States, as well as with candidate countries, in order to build more resilient and inclusive national education and training systems and prepare their youth for the green and digital transition.

Reforms are still lagging behind due to the lack of suitable textbooks, teaching materials and

sustainable professional development schemes for teachers. Another issue is the mismatch between education outcome and skill requirements. The law on the education inspectorate is not properly enforced due to the insufficient number of inspectors.

Higher education institutions (HEIs) should invest more in the implementation of their strategic documents and action plans. Academic integrity remains an issue. The Ministry adopted a decision on the compatibility of scientific works and publications of the academic staff with ethics in research, obliging programme holders to upload their research in indexed platforms ahead of accreditation of their programmes. It also has developed the new Kosovo Research Information System (KRIS) platform that requires the registration of all researchers. During the reporting period, MESTI developed a roadmap on the performance-based funding of the public HEIs. All public HEIs have fully aligned with the accreditation standards. Apart from the University of Pristina, all public universities depend financially on the state budget. Kosovo should adopt the new law on higher education that would strengthen the autonomy and academic integrity of higher education institutions, governance matters and improve quality assurance. The limited involvement of the students in the decision-making processes at the university level remains an issue. The newly adopted Kosovo education strategy 2022-2026 is expected to address the above-mentioned issues. In 2022, the Kosovo Accreditation Agency (KAA) became an affiliated member of the European Association for Quality Assurance in Higher Education and the European Quality Assurance Register for Higher Education. Kosovo adopted the Law on the Accreditation Agency which aims at increasing its operational independence and transparency of appointments of the KAA management.

Over half of upper secondary schools students enrol in **vocational education and training** (VET). The statistics for the 2022/2023 academic year show that out of 67 373 students enrolled in upper secondary education, 35 568 students are enrolled in vocational education schools, compared to 31 805 students enrolled in gymnasiums. VET profiles offered by vocational schools are not based on occupational standards and are often not well aligned with the labour market demands. Funding for vocational education has not increased over the last few years. Only 9.6% of the total education budget is allocated to VET.

Work-based learning, integrated in the current VET curriculum, is not systematically delivered. The currently used subject-based curricula are not geared towards developing vocational skills. Schools generally lack the conditions, teacher skills, equipment, materials and structured cooperation with businesses to develop learners' practical skills. During the reporting period, Kosovo adopted the Youth Guarantee implementation plan, making the introduction of the necessary reforms in VET even more urgent. It includes both preventative measures to make education and VET more relevant and measures to expand offers for young people that are not in employment education or training (NEET).

Kosovo needs to **increase the access of students with disabilities to education**. It is estimated that 38 000 children with disabilities do not attend school. Key problems include the lack of suitable definitions of various forms of disability, barrier-free access to schools and adequate support, and the low number of suitably qualified teachers and assistants. Despite the positive development with the decision of the government to increase the number of assistants for children with special needs to 100 per year, at least until 2024, the quality of education for children with disabilities is low. The dropout rate remains higher among Roma and Ashkali children though statistics are unreliable. During the reporting period, trainings were organised on inclusive education, human and minority rights and on Kosovo respective policies and legal framework for 25 municipal officers (14 women and 11 men) from 22 municipalities.

With the cooperation of the Kosovo government, the European Training Foundation carried out an evidence-based rapid education diagnosis of the entire education system addressing

three main thematic areas: inequality, financing and governance. The analysis aimed to identify key issues and actions to improve the quality and delivery of education services overall. The Foundation drew up a set of recommendations for the Kosovo authorities to consider. These recommendations include: (i) setting up adequate monitoring and evaluation mechanisms; (ii) improving cross-ministerial cooperation; (iii) boosting institutional capacity, particularly for financial management; and (iv) setting priorities in the Education Strategy.

Kosovo benefits from the international dimension of the 2021-2027 **Erasmus+** programme. In 2022, around 480 higher education staff members and 650 students from Kosovo were selected to undertake a mobility period in EU Member States and associated third countries to the programme, while Kosovo's higher education institutions are expected to host 375 staff members and 225 students from Europe.

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

The Ministry of **Culture**, Youth and Sport (MCYS) has the responsibility to prepare and implement public policies, drafts legal acts, and adopts implementing legislation in the field of culture, youth, sports, copyright and related rights. MCYS is at an early stage to develop a culture strategy. MCYS needs to increase its efforts to improve the status of the artistic community, governance and budget issues of public cultural institutions. During reporting period, the Ministry allocated EUR 500 000 for construction of the Jewish Cultural Centre that will serve to organise exhibitions on the history of the Jewish community. MCYS can increase its commitment towards further development of technical capacities in the specific cultural heritage skills by ensuring further education of the students in this area and providing professional training.

Kosovo currently participates in the Creative Europe programme. More efforts are needed to increase the number of culture beneficiaries in Culture strand calls with European partners. Kosovo still has to increase efforts to align on the short term its legislation with EU Audiovisual Media Services Directive, in order to participate as well in MEDIA strand.

Chapter 29: Customs Union

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

Kosovo is **moderately prepared** in the area of customs. During the reporting period, it made **some progress** as it reduced fees charged to exporters/importers at inland customs terminals, opened a customs office at the Port of Durrës (Albania) increased the number of authorised economic operators and enforced customs measures, for example for the protection of intellectual property rights (IPRs). Kosovo Customs has continued the fight against narcotics and other smuggling activities. As not all the recommendations from the previous report have been addressed, in the coming year Kosovo should in particular:

→ continue to align with the Union Customs Code and the excise *acquis*, including approving a new Customs and Excise Code;

- Kosovo Customs should strengthen its administrative and professional capacity, and to that end, ensure merit-based and transparent selection processes, transfers and promotions;
- abolish all fees charged to exporters/importers at both public and private inland customs terminals.

In the area of **customs legislation**, the newly drafted Customs and Excise Code, which is aligned with that of the Union Customs Code, is still to be adopted by the government.

Due to recognition issues, there was no progress on Kosovo's application to become an observer under the Common Transit Convention. Regarding the rules of origin, Kosovo continues to apply the Pan-Euro Mediterranean (PEM) Convention. The Kosovo Customs continues to systematically exchange data on the cross-border movement of goods among Western Balkan economies. Kosovo is participating in 'Customs', the EU programme for cooperation in the field of customs.

The **legislation** on customs measures governing IPR and export controls for cultural goods is aligned with the EU *acquis*.

Kosovo Customs continued to make good progress on **trade facilitation**. Kosovo Customs has granted an additional five certificates for Authorized Economic Operators, bringing the total number to ten Authorized Economic Operators.

There is some progress with regard to reducing fees for exporters/importers at inland **customs terminals**. Import fees have been entirely abolished at the Peja customs terminal, while the Trepca terminal applies a reduced fee. All other customs terminals apply a full fee.

Kosovo Customs should still strengthen its **administrative and operational capacity**, by ensuring merit-based and transparent transfers, promotions and selection processes. In this regard, it should update its secondary legislation job descriptions. Kosovo Customs should continue to implement its medium-term strategic plan (2019-2023).

During the reporting period, Kosovo Customs jointly with Kosovo Police detected and seized substantial amounts of narcotics valued at several million euro. Kosovo Customs conducted 42 field inspections. Kosovo Customs, other law enforcement authorities and line institutions, cooperate well to fight against the informal economy and customs fraud.

Kosovo Customs initiated three cases involving four customs officers suspected of corruption of which 12 officers have been dismissed, and one arrested. The legal framework for investigation of asset declarations checks filled by customs officials is still not developed.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27).

Kosovo is at an early stage or has some level of preparation in areas related to the Green Agenda and sustainable connectivity. Kosovo continues to actively participate in the Transport Community and Energy Community meetings. During the reporting period, some progress was made in the energy sector. Kosovo adopted an ambitious energy strategy, which includes an increased share in renewable energy sources, and launched the first solar auction Kosovo remains heavily reliant on coal. Limited progress was made in the transport sector with the adoption of the multimodal transport strategy, whereas limited progress was made in the areas of environment and climate change.

Kosovo needs to significantly increase its ambition and administrative capacities to properly implement EU standards on transport, energy and environment. Strategies, action plans and legislation in these sectors need to be more consistent and in line with the principles and objectives of the Green Agenda for the Western Balkans and the Economic and Investment Plan.

Chapter 14: Transport policy

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

Kosovo is in an **early stage of preparation** in this area. It made **limited progress**, notably with the adoption of the multimodal transport strategy.

As most of the last year's recommendations have not been addressed, they remain valid; Kosovo should:

- invest in road maintenance and inspections, organise prevention campaigns and establish a systematic monitoring mechanism for the collection of crash data and continue the alignment with the EU rail market *acquis*, and in particular, the Law on safety and interoperability;
- adopt and roll out the action plan 2023-2025 of the multimodal transport strategy; align Kosovo's aviation regulation with the European Common Aviation Area Agreement;
- adopt the intelligent transport system (ITS) strategy and its action plan; ensure sufficient capacity and resources for its implementation; continue efforts to harmonise with the EU passenger rights *acquis* across all modes of transport.

On transport matters, Kosovo proactively participated in Transport Community activities. In January 2023, the government approved the Multimodal Transport Strategy; the adoption of the action plan is still pending. Further efforts are needed to align and implement the EU *acquis* in all areas of the sector, with a focus on safety and incorporating elements of the Smart and Sustainable Mobility Strategy. Kosovo needs to take concrete measures to speed up the implementation to meet the deadlines set in the five Transport Community Action Plans (rail, road, road safety, waterborne transport and multimodality). Kosovo made limited progress on the implementation of Annex 1 of the Transport Community Treaty. The operational and administrative capacities of the enforcement bodies remain insufficient. Kosovo needs to upgrade the existing capacities to improve coordination to ensure proper, timely and professional implementation of all infrastructure projects. Kosovo should begin to enhance transport climate resilience and the use of alternative fuels, in line with the Green Agenda and the Smart Sustainable Mobility Strategy for the Western Balkans. For larger transport agglomerations, sustainable urban mobility plans which respect environmental and social standards should be developed following EU practice.

On road transport, Kosovo should make further efforts to align with the EU *acquis*. For the first time, Kosovo has allocated a budget for 2022-2024 to set up the Road Asset Management System. Kosovo should implement the recommendations on establishing a Road Safety Agency, including developing the national system for continuous road crash data collection. The current road crash data collection system is not compliant with Common Accident Data Set (CADaS) and the improvement of the system is not yet foreseen. Kosovo should continue raising awareness to achieve better results in line with the United Nations (UN) and EU's goal to halve the number of road deaths and injuries by 2030. Kosovo should also still implement

the report recommendations of Technical Assistance to Connectivity project in the Western Balkans - CONNECTA - to improve the quality of the road network and implement actions as set out in the road safety Transport Community Treaty regional action plan. The draft bylaw on aligning the Directive 2008/69/EC on road infrastructure safety management and the bylaw on periodic technical inspections on roads should be finalised without any further delays. Establishing a system/model to increase the capacity of road safety inspectors and auditors should be a priority.

Kosovo has made some progress on the implementation of **rail transport *acquis***, with the partial implementation of the Transport Community action plan on rail. The market for rail transport services is open and functional. However, the railway legislation still needs to be fully aligned with the market and technical pillars of the fourth Railway Package. Kosovo drafted a multiannual maintenance contract; final approval is pending. Although the 2021 agreement on joint rail border crossing is in place for more than 2 years, the joint rail station with North Macedonia is not yet operational. Kosovo should still ensure the outstanding finalisation of the 2020-2024 financial agreement between the infrastructure manager, Infrakos, and the relevant authorities.

On **air transport**, Kosovo is part of the European Common Aviation Area (ECAA) and is also covered by the single European sky arrangements. The sector continues to face a number of challenges arising from Kosovo's non-membership in several international civil aviation organisations. KFOR/NATO still manages and coordinates upper Kosovo airspace. The institutional shortcomings of the Air Navigation Service Agency and the Civil Aviation Authority, as well as the lack of revenue from upper airspace management, remain an issue. The ongoing staff-management issues in the Civil Aviation Authority remain unsolved and may have a negative impact on the functioning of the Authority. Its upcoming reorganisation and administrative reforms should reflect public administration reform principles, as well as the aviation sector's specific circumstances and requirements. More efforts are needed to continue the alignment with the remaining ECAA first-phase items. Kosovo made some progress with the second phase of ECAA requirements, on aviation safety matters.

On **combined transport**, the approval of the Multimodal Transport Strategy sets out the objective for a well-functioning transport infrastructure which is integrated into TEN-T network and enables the provision of multimodal transport services. However, the 3-year implementation program of the Strategy is yet to be adopted.

Kosovo should increase its efforts to implement **EU passenger rights *acquis*** in all mode of transport. While it has made limited progress in implementing certain aspects of the EU Regulation on rail passenger rights, further efforts are required to achieve comprehensive compliance.

Chapter 15: Energy

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

Kosovo has **some level of preparation** in the area of energy. Kosovo has made **some progress**, notably with the adoption of an ambitious new Energy Strategy in March 2023, the launch of the first solar auction in May 2023, and with further investments in the energy efficiency of public and residential buildings in line with the Energy Support Package action plan. Kosovo remains heavily reliant on coal, which in addition to being a dominant source of greenhouse gases, causes serious health and environmental hazards. The targets set in the new Energy Strategy and in the National Energy and Climate Plan (NECP) will need to be aligned with the

2030 Energy Community energy and climate targets. This plan (NECP) needs to be adopted by the end of June 2024, in line with the Energy Community 2030 energy and climate targets, taking due account of recommendations issued by the Energy Community Secretariat. Kosovo needs to align its legislation with the Energy Community Electricity Integration Package. Implementation and enforcement of legislation on energy efficiency need to be enhanced. Kosovo has to fulfil its obligations under the connection agreement with ENTSO-E without delay.

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

- continue the environmental upgrade of the Kosovo B thermal power plant and the works for decommissioning of the non-working parts of Kosovo A thermal power plant;
- continue the rollout of the energy efficiency fund and implement support to residential buildings and small and medium-sized enterprises; and
- adopt the Law on renewable energy sources and sign a direct agreement with the service provider to use the national electronic register for the issuance, cancellation, and trade of guarantees of origin.

Kosovo made some progress on **the security of supply**. Electricity market integration with Albania advanced with the launch of the Albanian Power Exchange (ALPEX) and the successful inauguration of the day-ahead market in Albania. ALPEX obtained a license to operate the day-ahead market in Kosovo, and the launch was expected by September 2023. Market coupling between Albania and Kosovo is envisaged to take place in parallel with the launch of the day-ahead market in Kosovo. Kosovo still made no progress in restructuring the existing Bulk Supply Agreement between Kosovo Electricity Supply Company (KESCO) and the Kosovo Electricity Corporation (KEK). The phase out of the bulk supply agreement would contribute to unlocking competition and liquidity in the market for the benefit of Kosovo's energy consumers.

Kosovo Transmission Operator (KOSTT) continued withdrawing electricity from the European network to balance demand in an unauthorised manner. KOSTT lacks the financial resources required to cover for the losses to which unpaid electricity bills in the north of Kosovo contribute. Electricity supplies for the North of Kosovo are provided through deviations that breach the Connection Agreement with ENTSO-E. KOSTT should address the problem of frequency deviations in the control area of Kosovo as a matter of urgency, as the transmission system operator TSO is responsible for fulfilling the obligations under the Connection Agreement with ENTSO-E.

Although Elektrosever received a supply license in June 2022, following the adoption of the Energy Roadmap as part of the EU-facilitated Dialogue, the conclusion of a commercial contract between the distribution company KEDS and Elektrosever remains pending. Following the separation of the Kosovo transmission system operator KOSTT from the Serbia control block, the Serbian electricity transmission system operator EMS did not determine net transmission capacities and capacity allocation at the interconnection with Kosovo.

In March 2023, Kosovo adopted an ambitious **Energy Strategy** setting a clear vision for decarbonisation and foreseeing a substantial increase of renewable energy sources in the electricity mix and approved its implementation program in September. Kosovo needs to ensure a time-efficient and dynamic implementation of various energy strategy components and reach ambitious targets. Kosovo is dependent on outdated, unreliable, and highly polluting lignite-fired thermal power plants, which are greenhouse gas emission sources and cause

serious health and environmental hazards. Kosovo should work on decommissioning the non-working parts of Kosovo A thermal power plant. In 2024, it is expected that Kosovo starts the works to enhance the environmental performance of the Kosovo B thermal power plant and to bring dust and nitrogen oxide emission levels in line with the EU standards. Kosovo is already in breach of the Energy Community requirements for reducing greenhouse gas emissions; the legal framework also needs to be aligned with the EU Directives on large combustion plants and industrial emissions.

Kosovo's new energy strategy does not envisage the development of **gas infrastructure**. The feasibility study for the Kosovo-North Macedonia pipeline and the gas master plan have been completed but there is no investment decision on gas infrastructure.

Concerning the **internal energy market**, there is no progress with the further opening of the retail market. In practice, all customers except those on high voltage continued to be supplied at a regulated price. To ensure compliance with the Third Energy Package and the latest Electricity Integration Package requirements of the Energy Community, Kosovo's Energy Regulatory Office (ERO) still needs to implement the liberalisation of the retail electricity market in Kosovo. On 30 March 2023, the Board of ERO approved the maximum allowed revenues for regulated operators and increased the new electricity tariffs for all consumer categories by 15.4%. The government is defining energy-poor consumers according to the World Bank recommendations, so not only social assistance beneficiaries will benefit but also other consumers in vulnerable situations; the latter will also benefit from the EU's Energy Support Package. Kosovo submitted its draft National Energy and Climate Plan to the Energy Community Secretariat on 10 July 2022. The final plan is to be adopted by end of June 2024.

On renewable sources, by the end of 2022, Kosovo registered 276.2 MW of renewable electricity generation, 128 MW of small hydropower, 137 MW of wind, 10 MW of solar and 1.2 MW of biomass. Kosovo needs to mobilize new investments in renewable energy sources to achieve the targets of the Energy Strategy and the Green Agenda for the Western Balkans. Kosovo also needs to make more efforts to adopt the legal framework on Renewables. In May 2023, Kosovo launched the auction for the first solar energy park of 100 MW. Permitting procedures need to be simplified and streamlined to enable faster deployment of renewables. Kosovo should sign a direct agreement with the service provider to use the national electronic register for the issuance, cancellation, and trade of guarantees of origin, as provided in the regional project for guarantees of origin implemented in the Energy Community and in line with EU standards.

The biomass/woodchips supply chain, critical for the operation of the installed heating and cogeneration plant in Gjakova/Đakovica, is not yet established. To ensure the supply chain for woodchips, Kosovo needs an improved forest management plan and dedicated subsidy for sanitation of the forestry. Due to concerns over their environmental impact, the development of small hydropower plants continued to face strong public resistance. In line with the *acquis* on concessions and the environment, developing new hydropower plants should always be accompanied with proper environmental and social impact assessments. Kosovo's new energy strategy does not foresee the development of new hydro power capacities.

Good progress can be noted on the implementation of the **energy efficiency** fund. Kosovo has put in place the operational procedures for subsidising energy efficiency measures in the residential sector, including social housing. The financial model for investments in the residential sector on a revolving basis is under development. To increase the energy efficiency as foreseen in the Energy Strategy, Kosovo needs to mobilise more financing and to strengthen the institutions' capacity to implement and monitor the savings. The Law on energy efficiency and the Law on energy performance of the buildings have to be aligned with the new directives

as required by the Energy Community Treaty. Kosovo needs to immediately implement the energy performance certification of the buildings and adopt both the Building Renovation Strategy and the Plan for nearly zero energy buildings.

The capacities of the **Nuclear Safety and Radiation Protection** Agency remain weak, Kosovo has still not found a solution for the treatment and interim storage of radioactive waste in accordance with EU standards.

Chapter 21: Trans-European Networks

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

In the area of trans-European networks (TENs), Kosovo has **some level of preparation**. Kosovo made **limited progress** in developing transport and energy networks, with the implementation of the Transport Community action plans on road, road safety, rail, and transport facilitation, and the operationalisation of a common power exchange with Albania.

As recommendations from the previous year were only partially addressed, in the coming year, Kosovo should:

- implement the pending connectivity projects and strengthen institutional and administrative capacities for the implementation of strategic infrastructure projects;
- improve the capacity of the regulatory authority of electronic and postal communications to enforce telecommunications market regulations.

Progress on the trans-European **Transport** Network (TEN-T) is limited due to the lack of inter-institutional capacities to implement infrastructure projects. All transport infrastructure investments need to be based on realistic cost/benefit analyses, and comply with EU standards on public procurement, state aid and environmental impact assessments. A revision of the indicative TEN-T core and comprehensive network took place. A relevant high-level agreement on indicative maps for TEN-T in the Western Balkans was signed in July 2023. The amended maps for the new European Western Balkans corridor will be part of the revised TEN-T Regulation, which is currently under negotiation between the EU co-legislators.

In 2022, the government submitted the loan request to EBRD and EIB for the segment of the “Peace Highway” (part of Route 7). However, negotiations have not yet been concluded. The railway works on the Orient/East-Med Corridor (rail route 10) connecting Fushë Kosovë/Kosovo Polje and Mitrovicë/Mitrovica to North Macedonia continued at a slow pace. The works on the second segment are progressing, while the tendering for the related signalling and telecom is delayed. Kosovo and Albania will conduct a feasibility study for a railway connection between Durres and Pristina.

Kosovo achieved some progress on rail market opening. Obstacles remain, such as the mutual recognition of operating train driver licenses, institutional framework, and recognition of safety certificates and vehicle authorisations. Kosovo needs to further revise the railway law and to finalise the new rail safety and interoperability law by incorporating the market and technical pillars deriving from the fourth railway package.

On **energy networks**, the Feasibility Study for Kosovo-North Macedonia gas/hydrogen pipeline and the Gas Master Plan for Kosovo are completed. The government does not foresee to develop gas infrastructure in Kosovo. In the new Energy Strategy, the government plans to consider joint investments in natural gas power plants with Albania, North Macedonia, and

Greece. Progress was made towards advancing electricity market integration with Albania. The Albanian Power Exchange (ALPEX), including Kosovo, was launched in April 2023.

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

Chapter 27: Environment and climate change

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

In the area of environmental protection and climate change, Kosovo is at an **early stage of preparation**. During the reporting period, Kosovo made **limited progress** with the adoption, in March 2023, of the Law on Integrated Prevention and Control of Pollution. Kosovo needs to increase its political commitment and administrative capacity to address the issues related to environmental degradation and climate change as well as to improve the implementation and enforcement of its legislation. These efforts should be aligned with the goals of the Green Agenda for the Western Balkans. The recommendations from the previous report have not been implemented.

In the coming year, Kosovo should, in particular:

- increase the waste collection coverage, apply widely reduction, separation, recycling and reuse of waste; address effectively the issue of illegal dumpsites; introduce circular economy measures to reduce waste, develop and approve inter-municipal integrated waste management plans; and establish the extended producers responsibility system; □intensify the work for reduction of industrial pollution through the implementation and enforcement of the law on integrated pollution prevention and control;
- harmonise with and start implementing legal provisions on environmental liability, damage and crime; implement the polluter pays principle and raise public awareness on environmental protection;
- implement the climate change strategy and the action plan on climate change; prepare a roadmap for alignment with the Green Agenda for the Western Balkans and the *acquis* on climate; adopt the national energy and climate plan, in line with the Energy Community requirements, and finalise the drafting the long-term de-carbonisation strategy, and prepare for alignment with the EU Emissions Trading System (ETS).

Environment

As regards **horizontal** issues, Kosovo needs to take ownership and all the necessary measures in the environmental sector and to that end, increase the capacities of the environmental authorities at the central and local level, implement structural reforms and ensure inter-institutional cooperation. Further efforts are needed to revise and adopt strategies, action plans, and relevant legislation to ensure coherence with the objectives of the Green Agenda. The adoption of the Strategy for Environmental Protection and Sustainable Development 2022-2030 is still delayed. There are challenges to implement the strategic framework due to the lack of sufficient funding, low administrative and technical capacities, and heavy reliance on donor support. Kosovo needs to align its environmental protection with the environmental liability Directive. Kosovo adopted the legislation on inspections, but inspection capacities and implementation needs to improve. Kosovo recently adopted the Environmental and Social

Impact Assessment Law; however, it needs to amend the Law on Strategic Impact Assessment. Kosovo needs to meaningfully consult civil society in this policy area, as well as to raise the public and its institutions' awareness of the importance of environmental protection.

Air quality, notably pollution, continues to be a major health threat. Although detailed identification of sources of air pollution has been completed, Kosovo needs to implement adequate measures to remedy and curb air pollution. Kosovo does not comply with the emission ceilings established under its national Emissions reduction plan, the adoption of which is delayed. Kosovo needs to start the preparation of the implementation of the new National Emissions Ceiling Directive. Measures for banning the use of coal for heating need to be effectively enforced. Kosovo introduced subsidies for investments in more efficient and less polluting sources for the first time. The air quality plans for zones where pollutant levels exceed limit values need to be adopted. The real time monitoring, identification of air pollution sources and air quality reporting have slightly improved.

There is some progress in aligning the **waste management** legislation with the EU *acquis*, but the unsustainability of the system still needs to be addressed. While the legal framework is partially aligned with the EU *acquis*, it needs to include the extended producer responsibility and the polluter pays principle. In August 2022, Kosovo adopted the Law on Waste, aligning with the Waste Framework Directive. The implementation and enforcement of waste management legislation is lagging behind, with the only noticeable progress being on management of organic waste with 18 of 38 municipalities having initiated home-composting systems and some municipalities having implemented pilot measures for the separation of fractionous collection waste and the reduction of organic waste. Most of the waste still ends up in landfills, which are not properly managed or categorised as illegal dumpsites. However, the number of illegal dumpsites has steadily decreased (from 1489 in 2020, 1 189 in 2021 to 763 in 2022). Kosovo needs to increase capacities and set realistic recycling targets to implement its integrated waste management and circular economy. In March 2023, the Ministry of Environment, Spatial Planning, and Infrastructure launched the Circular Economy Roadmap; however, the overall grasp of the concept is still at an early stage. The capacity of the central and local institutions, including inspections, to fulfil their responsibilities needs to be strengthened. The coal ash deposit lake operated by the Kosovo Electricity Company and the Mirash landfill in Obiliq/Obilić remain open, despite their negative environmental impact. The government selected locations for the new landfill for Pristina regional waste management and hazardous waste storage; yet, it needs to conduct the environmental and social impact assessments procedures.

Kosovo made limited progress to align the **water** legislation with the EU *acquis*. The monitoring mechanism of the 2017-2036 Water Strategy and the implementation of the Law on Waters need further improvement. Kosovo needs to urgently set up the monitoring systems with data available to the public. Water protection zones still need to be enhanced. The river basin district authorities need to become operational as a matter of urgency. The management plan for the White Drin basin has to be adopted, and the preparation of the other river basin management plans should accelerate. Any small hydroelectric power plants need to be built in full respect of the environmental legislation and undergo appropriate environmental assessments. Flood risk and hazard maps preparation progressed well. Untreated sewage and discharge remain the primary sources of water pollution, particularly in rivers. The planning and construction of wastewater treatment plants in bigger cities are progressing, but identifying agglomerations and sensitive areas in line with the Urban Waste Water Treatment Directive remains weak. Reduction of water losses and traffic collection should intensify.

Kosovo made no progress on **nature protection**. The Strategy for Environment and

Sustainable Development 2022-2031 has not yet been adopted. Detailed regulatory plans for the two national parks have been re-drafted into partial plans covering smaller areas. The 2016-2020 action plan for biodiversity needs to be fully implemented. The designated areas continue to be polluted and poorly maintained, and illegal activities such as construction, hunting, and logging still, need to be addressed. Effective measures are necessary to ensure the protection of critically endangered species. Although Kosovo has taken steps to start inventories of natural habitats and species, the designation of potential Natura 2000 sites is at a very early stage. Kosovo made some progress on forestry, mainly in planning and management, as it adopted relevant secondary legislation. The forest Strategy and the forestry Law are yet to be adopted. Deforestation and illegal logging remain matters of serious concern.

Kosovo made limited progress in aligning with the *acquis* on **industrial pollution** and risk management. In March 2023, the Assembly adopted the Law on Integrated Prevention and Control of Pollution. Progress in implementation the legislation on pollution prevention and control and polluter accountability is very slow. Hazardous mine waste, industrial discharge into rivers, and industrial dumpsites continue to pose serious threats to soil, water, and health. Significant efforts are needed to align with the EU *acquis* and to implement it, particularly concerning the Industrial Emissions Directive and Seveso III. This process requires a strengthened capacity to enforce the legislation on the central and local levels. In addition, public awareness campaigns, training of the affected industry, and issuing integrated permits for reducing harmful industrial emissions are necessary.

There was no progress on **chemicals**; here, alignment with the EU *acquis* and implementation of legislation remains at a low level. Kosovo is not a party to the Rotterdam Convention. It still needs to implement the regulatory framework on the export and import of hazardous chemicals. Kosovo made some progress in providing information to stakeholders; yet, more efforts are needed to develop a centre for the control of chemical poisoning.

There was no progress in **noise** regulation in the reporting period.

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

Climate change

Implementing the 2019-2028 climate change strategy and the action plan for 2021-2023 is very limited. Kosovo has still not adopted the law on climate change. The national energy and climate plan, needs to be adopted at the end of June 2024 (*See Chapter 15 – Energy*). The government should start drafting a Decarbonisation Strategy, including actions related to

energy, agriculture, forestry, and overall economic development. The re-established National Climate Change Council took concrete measures to mainstream climate action and raise public awareness. The greenhouse gas emissions inventory reporting for 2020 is not yet available. The strategic and legislative framework needs to be aligned with the EU strategic goals stemming from the Green Agenda for the Western Balkans. Kosovo needs to get prepared for alignment with the climate acquis as per the important modifications brought in by the Fit for 55 package. Kosovo needs to take the necessary steps for the establishment of a mechanism on carbon pricing, aligned with the EU ETS, to advance the implementation of the EU acquis and adequately prepare for the EU Carbon Border Adjustment Mechanism, that enters into force in its transitional phase as of 1 October 2023. Administrative and inspection capacities in the sector need to be significantly strengthened and structural reforms need to be implemented. Awareness raising need to be enhanced. Kosovo is not a UN member, and *de facto* not a signatory to the UN Framework Convention on Climate Change; therefore, it does not have a nationally determined contribution under the 2015 Paris Agreement. Full implementation of its climate change strategy should serve as a guide to achieving the Agreement's objectives.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries and aquaculture (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions (Chapter 33).

The system for the implementation of the agricultural and rural development policy is being developed. Kosovo has some level of preparation in this area. In March 2023, the Assembly adopted the Law on agriculture and rural development as well as the Law on forestry. Legislation on genetically modified organisms and plants protection needs to be aligned with the EU *acquis*. On chapter 12, Kosovo made limited progress. Kosovo developed surveillance and eradication programmes for animal diseases, as well as prepared secondary legislation; yet, more progress is needed. Kosovo should adopt the agriculture and rural development programme 2022-2027 and the Law on agriculture land. Administrative capacity of the ministry and agencies need to be strengthened significantly with adequate human and financial resources. A policy dialogue with the EU on the strategic orientation of Kosovo's agriculture need to be launched as soon as possible. The measures encouraging land consolidation are insufficient. Kosovo needs to make more efforts to implement the relevant *acquis* on fisheries and aquaculture.

Chapter 11: Agriculture and rural development

The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of national resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy and organic farming.

Kosovo has **some level of preparation** on agriculture and rural development. There was **limited progress** with the adoption of the Law on agriculture and rural development, while the agriculture and rural development programme 2022-2027 remains to be adopted. The Law on Forestry was also adopted.

Some of the Commission's recommendations from last year were not fully implemented and , therefore remain valid. In the coming year, Kosovo should in particular:

- perform a qualitative assessment of the direct payments and rural development programmes provided under the financial framework 2014-2020; adopt the Law on agricultural land and the programme for agricultural and rural development 2022-2027;
- take urgent and effective measures to stop the loss of agricultural land and implement the legislation on spatial planning;
- take effective action towards developing its organic farming and quality policy sectors.

On **horizontal issues**, in 2022, the budget for direct payments and rural development increased to EUR 58.1 million, 59% higher than in 2021. In 2022, the agriculture and rural development programme prioritized investments in rural diversification; it also provided support to agricultural primary production and to the processing and trading of agricultural products. Support measures need to be brought in line with the EU *acquis*.

Kosovo is still in the process of establishing agricultural system which include the integrated administration and control system (IACS), a farm accountancy data network (FADN) and agricultural market information system.

A law on the **common market organisation (CMO)** remains to be adopted.

On **rural development**, a Law on Agriculture and Rural Development was adopted in March 2023. However, the agriculture and rural development programme 2022- 2027 is yet to be adopted.

On **quality policy**, Kosovo recorded some progress with the first registration of a geographical indication.

Organic farming certification and control operations are carried out by four international organisations.

An action plan for protection of agricultural land, involving the Ministry of Agriculture and Rural Development, the Ministry of Environment, Spatial Planning and Infrastructure and local authorities, to address the steady loss and degradation of farmland has not yet been adopted.

Chapter 12: Food safety, veterinary and phytosanitary policy

EU hygiene rules for food production ensure a high level of food safety. Animal health and welfare and the safety of food of animal origin are safeguarded together with the quality of seeds, plant protection material, the protection against harmful organisms and animal nutrition.

Kosovo is **in between some and moderate level of preparation** in the area of food safety, veterinary and phytosanitary policy. During the reporting period, Kosovo made **limited progress**, as it prepared and adopted the necessary secondary legislation as well as developed surveillance and eradication programmes concerning animal diseases and control programmes concerning stray dogs. The food control and traceability management system as well as the laboratory information management system for the food safety and veterinary laboratories were put in place .

The Commission's recommendations from last year were only partially met and therefore remain valid. In the coming year, Kosovo should in particular:

- timely secure the means and resources required for effectively operating the food control and traceability management system and the laboratory information management system developed with EU support as they are instrumental in securing compliance of the foodstuff produced or marketed by Kosovo with food safety, animal health, animal welfare, and plant

health standards, a prerequisite for a competitive agri-food sector;

- take a decision on a model for operating the rendering plant and animal by-product collection system and start operation of the rendering plant;
- strengthen surveillance and control of the animal diseases through improved implementation of disease control and surveillance programmes, including by taking over the responsibility of financing fully oral rabies vaccination campaigns to be carried out from autumn 2023 onwards.

Kosovo further progressed in the field of food control and traceability as well as the laboratory information management system managed by the Food and Veterinary Agency. Furthermore, it prepared a gap analysis regarding the legislation covering the areas of animal health, animal welfare, food safety and phytosanitary, as well as the strategy and action plan for drafting the missing legislation. Notwithstanding the transfer of 75 inspectors from municipalities, the financial and human resources of Kosovo's Food and Veterinary Agency remains insufficient to fully implement the EU *acquis* in this area. While food and veterinary laboratory continued testing and participated in proficiency testing with EU reference laboratories, there is still no progress in obtaining international accreditation.

Limited progress was made on the **veterinary policy**. Kosovo developed surveillance and eradication programs for animal diseases and in October 2022 approved the Stray Dog Control Programme and Action Plan. The Food and Veterinary Agency has still not developed or begun implementing a comprehensive disease monitoring and control system, in line with EU legislation and World Organisation for Animal Health requirements.

The long-term planning and implementation of programmes to **eradicate endemic diseases** in Kosovo still requires improvement. The same applies to animal health controls at farm level, the transport of animals, and livestock markets. The lack of necessary resources, both human and financial, as well as the lack of in-service training and education programmes hampered the adequate implementation of programmes in these areas.

No progress was made regarding **animal health**. While the multi-annual animal disease control and surveillance programme still needs to be adopted and implemented, Kosovo continued rabies eradication vaccination campaigns. Taking full ownership of these campaigns from autumn 2023, and continue with the vaccination campaigns twice a year, is still necessary to be in line with the obligations stemming from the EU *acquis*.

Kosovo made no progress on the system for collection and disposal of **animal by-products**. This is not yet functional despite the existence of a new and equipped rendering plant. Kosovo still has not decided on the operating model and procedures for the rendering plant and the collection system, as well as on the timeline for its operationalisation.

Some progress was made on **animal identification and registration**, through a microchipping campaign for dogs with owners. The under-reporting of animal movements remains a challenge. The Food and Veterinary Agency has yet to adopt measures to enforce the relevant regulation at the level of livestock markets, slaughterhouses and transport. Kosovo made no progress in identifying basic **cross-compliance measures** in the areas of food safety, animal health and welfare.

On the placing of food, feed and animal by-products on the market, some progress was made during the reporting period. Moreover, the National Residue Monitoring Plan (NRMP) for the year 2022 was completed and submitted to the Commission for evaluation and the comments/corrections were addressed accordingly.

Kosovo made some progress on **phytosanitary policy**. Standard operating procedures and the necessary accompanying documentation required for the monitoring of 18 high priority pests (quarantine organisms) were prepared. Alignment is yet to be ensured for novel food and for **genetically modified organisms**.

Chapter 13: Fisheries and aquaculture

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on control and inspection, rules on markets and aquaculture, and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.

Kosovo remains at an **early stage** of preparation in this chapter and it made **no progress** in this area. As none of the recommendations of the previous reports were implemented, in the coming year Kosovo should:

- adopt a multi-annual strategy dedicated to aquaculture;
- further align market policy with the *acquis*;
- establish an inventory of fish species.

Kosovo does not have a coastline, it has inland fishing and aquaculture, therefore the *acquis* on catch quotas, inspection and control is only partially applicable. The fisheries *acquis* also covers inland fisheries and aquaculture operations.

The adoption of a multi-annual strategy dedicated to aquaculture and legislation on aquaculture with the *acquis* is pending.

Kosovo should focus on establishing a **market policy** and data collection in line with the EU *acquis* as well as an inventory of fish species. It should also significantly reinforce administrative capacity for policy management, inspection and control.

Chapter 22: Regional policy and coordination of structural instruments

*Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through "shared management" between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU *acquis* elements such as environmental or public procurement legislation.*

Kosovo remains at **early stage of preparation** regarding regional policy and coordination of structural instruments. During the reporting period, Kosovo made **some progress** in this area, when it adopted the Law on Balanced Regional Development.

In the coming year, Kosovo should:

- adopt the Regional Development Action Plan 2023-2025;
- improve the administrative and technical capacity across the IPA operating structures;
- further develop activities stemming from the law as a step towards the principles of the EU regional and cohesion policy; ensure the implementation of the legal and strategic framework for regional development, upgrade the local and regional program, project planning and implementation capacity.

Kosovo has made some progress to align its existing strategic and **legislative framework** on the public financial management and control framework with the EU *acquis*. The legal basis, namely the Law on Balanced Regional Development, adopted in July 2023, and the Action Plan for the implementation of the Strategy on Regional Development 2020-2030, adopted in June 2023, improve regional development policy.

The Agency of Statistics in cooperation with EUROSTAT has not yet harmonised statistical regions with economic ones. The budget for regional development in 2022 amounts to EUR 4.2 million.

The **institutional framework** for the management of EU funds is not yet in place. At the same time, structures for the management of national regional development programs and projects are functional. Regarding **administrative capacities**, significant efforts are required to allocate more human resources and to increase their capacities, particularly on planning and management of EU funds. Concerning the **financial management, control and audit**, Ministries established functional internal services. The national audit authority performs central financial management and audit.

Programming is focused on national regional development projects and future IPA assistance. Currently, there are no IPA financed projects on regional development. In the area of **monitoring and evaluation**, regular activities continued in the field of regional development programs and projects.

During the reporting period, Kosovo implemented **cross-border cooperation programs** with Albania, North Macedonia and Montenegro. Regarding trans-national cooperation programs, Due to status issues, Kosovo does not participate in transnational and interregional cooperation programmes that cover the Western Balkans.

CLUSTER 6: EXTERNAL RELATIONS

In the area of trade, Kosovo is at an early stage of preparation. Limited progress was made during the reporting period. Improvement was achieved in reducing Kosovo's trade deficit, however Kosovo has not yet adopted a comprehensive trade policy, nor ratified the CEFTA Additional Protocols on trade facilitation and trade in services.

Chapter 30: External relations

The EU has a common commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

Kosovo is at an **early stage of preparation** in the area of external relations. **Limited progress** was made during the reporting period. Kosovo has made progress in implementation of Common Regional Market action plan, notably by ratifying the three "Berlin process agreements" on free movement and mutual recognition of qualifications. Kosovo should abstain from taking further unilateral trade measures without justification and prior consultation with the Commission, in line with its SAA commitments. Disagreements relating to the representation of Kosovo have led the government to block decision-making mechanisms in CEFTA. Kosovo has yet to establish a humanitarian and development policy.

As not all recommendations from the previous report were implemented, part of the recommendations remain valid. In the coming year, Kosovo should, in particular:

- implement commitments under the Common Regional Market Action Plan 2021-2024; ratify and implement CEFTA Additional Protocol 5 on trade facilitation and Additional Protocol 6 on trade in services; and finalise the negotiations on, and adopt, the Additional Protocol 7 on dispute settlement;
- approve the Regulation on the establishment of the Trade Facilitation Enquiry Point;
- start the process to establish a development and humanitarian aid policy.

On the **common commercial policy**, Kosovo has not yet adopted a comprehensive trade policy or ratify the CEFTA Additional Protocols on trade facilitation and trade in services.

On 8 November 2022, the Assembly adopted the Law on temporary measures of basic products in special cases of market destabilisation, which provided the government with the authority to impose trade restrictions, price controls and rationing measures in cases of emergency. The implementation of this new law is suspended as opposition parties referred it to the Constitutional Court, on grounds that it is a breach of constitutional provisions on free market. The Court has yet to make a decision.

The government supports the Common Regional Market (CRM) as a basis for a regional free trade agreement. Kosovo continues to make progress in implementing technical measures of the CRM action plan 2021-2024, notably regarding the green lanes. During the reporting period, Kosovo has adopted three important laws on the CRM: on ratification of the Agreement on the recognition of professional qualifications for medical doctors, dentists and architects; on ratification of the Western Balkans Agreement on the recognition of higher education qualifications; and on ratification of the Agreement on freedom of movement with identity cards in the Western Balkans.

However, disagreements relating to the representation and denomination of Kosovo in CEFTA are hampering progress in other areas, notably the free movement of workers. These disagreements have also led the government to block decision-making mechanisms in CEFTA, with the adoption of the budget and the appointment of a new director still pending due to this lack of consensus. Kosovo, along with all participants in the CRM, should play a constructive role and deliver on joint commitments set out in the action plan. In June 2023, Kosovo's Ministry for Internal Affairs (MoI) issued a "*temporary operational security measure*" blocking the entry into Kosovo of Serbian goods and postal parcels. This measure appears not to be in line with Kosovo's commitments under CEFTA and goes against the spirit of the Stabilisation and Association Agreement. This measure was imposed by Kosovo following the arrest of three Kosovo Police officers by the Serbian authorities in mid-June. The officers were eventually released at the end of June.

There is a need to enhance the capacity of the trade department. The needs are both in the number of staff and in increasing their capacities to deal with the complex tasks. Delays in access to the Kosovo Customs trade databases and to the statistics by the Kosovo Agency of Statistics negatively affected the efficiency of the trade department.

Kosovo's law on **dual-use goods** remains aligned with EU regulations. Kosovo updated its list of dual-use goods in line with the delegated Regulation of the EU Commission 2023/66 of 21 October 2022.

As regards **bilateral agreements with third countries** on economic/trade/technical cooperation, Kosovo has a number of Free-Trade Agreements (FTAs) with enlargement and third countries. Kosovo has reached a trade partnership and cooperation agreement with the United Kingdom, and a first meeting of the Partnership Council took place in December 2022.

In June 2022, EFTA states and Kosovo officially launched free trade negotiations. Between August and December 2022, there were two rounds of negotiations, with good progress made in all areas.

There were few developments in the areas of **development policy and humanitarian aid**. As Kosovo is a recipient of aid programmes, it does not provide humanitarian aid to third countries in a systematic manner. It has no development aid agency. Kosovo is encouraged to start the process of establishing a legal framework covering international cooperation and development policy as well as humanitarian aid, in accordance with EU policies and principles, and to build dedicated administrative structures. In the context of Russia's war of aggression against Ukraine, Kosovo pledged to host up to 5,000 refugees and 20 journalists from Ukraine. Kosovo also pledged assistance to Türkiye and Syria after the earthquake in February 2023.

ANNEX I – RELATIONS BETWEEN THE EU AND KOSOVO

The EU-Kosovo **Stabilisation and Association Agreement (SAA)** entered into force in April 2016. This comprehensive agreement provides a framework for political dialogue and covers cooperation in variety of sectors. Since 2016, five Stabilisation and Association Council meetings and seven cycles of subcommittee meetings took place. Kosovo participates in the ministerial dialogue between the economic and finance ministers of the EU, and the candidate countries and potential candidates, aiming to help the latter to gradually meet the economic accession criteria and be better prepared for economic reforms, competitiveness and job creation.

On 31 March 2023, the government approved the National Programme for European Integration 2023-2027, subsequently endorsed by the Assembly on 15 June 2023. To further guide the implementation of reforms under the SAA, in November 2016, the Commission and Kosovo adopted the **European Reform Agenda (ERA)**. It outlines priority actions in the fields of good governance, rule of law, competitiveness, investment, sustainable development, employment, education and health. In 2021, Kosovo adopted the second phase of the ERA (ERA II) through a dedicated action plan. Kosovo should have implemented the priorities identified of ERA II within a two-year period, until mid-2023.

The government submitted its application for EU membership on 15 December 2022.

Regarding **visa liberalisation** for Kosovo, the relevant Regulation was adopted on 9 March by the Council and on 18 April 2023 by the European Parliament. The Regulation allows Kosovo biometric passport holders to travel to the EU without a visa for a period of 90 days within any 180-day period, starting on 1 January 2024.

The bilateral EU support for Kosovo under the **Instrument for Pre-accession Assistance II (IPA II)** in 2014-2020 amounted to EUR 562 million, and included, among others, budget support operations on public administration reform, public financial management and on socio-economic recovery.

The EU's COVID related assistance to Kosovo amounted to EUR 68 million. As part of the wider COVID-19 response, the EU made available a Macro Financial Assistance scheme of EUR 100 million in highly favourable loans in order to underpin the local economy.

The IPA III Regulation for the 2021-2027 financial period²² continues to provide financial support to the region and will also finance the Economic Investment Plan (EIP) for the Western Balkans. The IPA 2021, 2022 and 2023 annual programmes include an EU contribution amounting to around EUR 201 million. Under the EIP, Kosovo benefits from EUR 312 million, generating mobilised investments of EUR 940 million.

At the EU-WB Summit in Tirana in December 2022, the Commission put forward an **Energy Support Package** of EUR 1 billion for the Western Balkans to address immediate, short-term, and medium-term needs in the region in the context of the energy crisis and of Russian war of aggression against Ukraine. Kosovo will benefit with EUR 75 million in IPA 2023 funding under this package.

Kosovo continues to benefit from support under the IPA multi-country and regional programmes. Additionally, Kosovo participates in three **cross-border cooperation programmes**, and benefits, with IPA support, from participation in some EU programmes. Since 2018, Kosovo joined the following **EU programmes**: Erasmus+, Single Market

²² Official Journal L 330, 20.9.2021

Programme, Citizens, Equality, Rights and Values Programme, Creative Europe, Customs, Fiscalis and Horizon Europe. To facilitate progress on permitting procedures, Kosovo is participating as observer in a pilot project under the Technical Support Instrument.

Kosovo and **Europol** have enhanced their cooperation. Following the signing of the framework Working Arrangement in July 2020, there are three additional agreements/protocols: the Memorandum of Understanding on Secure Communication Line through SIENA, the Arrangement on secondment of Liaison Officers, and the Arrangement on the exchange and protection of classified information. The SIENA connection is fully operational. As of 15 March 2023, Kosovo Police has the first liaison officer to Europol in the Hague.

Since 2008, the **European Rule of Law Mission in Kosovo (EULEX)** has been assisting Kosovo authorities in establishing sustainable and independent rule of law institutions. Under its current mandate extended until 14 June 2025, the Mission continues to undertake monitoring activities and has limited executive functions.

Frontex is deploying its officers to several border-crossing points in Kosovo based on mutually agreed operational plans. Additionally, the agency provides with other border management related support e.g. guidance in the process to establish a National Coordination Centre (NCC).

To date, according to the government, Kosovo has been recognised by 117 countries, including 22 EU Member States.

Following Russia's war of aggression against Ukraine, Kosovo has continued to adopt packages of sanctions against Russia and Belarus by replicating the ones imposed by the EU and the US. Among the measures taken was a suspension of broadcasting activities of Russian media channels in Kosovo and introducing a visa requirement for Russian citizens. As regards Kosovo support to Ukraine, the government allocated EUR 100 000 in humanitarian aid and dedicated funds to shelter 20 journalists from Ukraine. The Assembly passed a resolution expressing a willingness to receive up to 5 000 Ukrainian refugees.

In relation to the escalation in the north of Kosovo in May 2023, the EU urged both Kosovo and Serbia to immediately and unconditionally take measures to de-escalate the situation and to return to the process of normalisation of relations. Due to lack of decisive steps to de-escalate by Kosovo, and in line with the 3 June Statement, the EU decided to take a number of measures.

The work of the Stabilisation and Association Agreement bodies has been put on hold. Programming of funds for Kosovo under the IPA 2024 programming exercise has so far been put on hold. The proposals submitted by Kosovo under the Western Balkans Investment Framework (WBIF) were not submitted for consideration by the WBIF Board. As regards ongoing support, procurement procedures and signing of new contracts were suspended. Kosovo was also not invited to high-level events and bilateral visits were suspended, other than those focused on addressing the crisis in the north of Kosovo and those related to Western Balkans regional integration.

These measures are temporary and reversible depending on the credible, decisive and timely steps taken by Kosovo authorities to de-escalate the situation, return to the Dialogue and implement the commitments made in this context.

STATISTICAL DATA (as of 31/08/2023)
Kosovo

Basic data	Note	2010	2017	2018	2019	2020	2021
Population (thousand)		2 208 s	1 784 s	1 799 s	1 796 s	1 782 s	1 798 s
Total area of the country (km ²)	1)	10 908 w	10 905 w				

National accounts	Note	2010	2017	2018	2019	2020	2021
Gross domestic product (GDP) (million euro)		4 031	6 357	6 672	7 056	6 772	7 958
GDP (euro per capita)		1 826 s	3 564 s	3 709 s	3 930 s	3 800 s	4 426 s
GDP per capita (in purchasing power standards (PPS))		:	:	:	:	:	:
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		:	:	:	:	:	:
Real GDP growth rate: change on previous year of GDP volume (%)		4.9	4.8	3.4	4.8	- 5.3	10.7
Employment growth (national accounts data), relative to the previous year (%)		:	c	c	c	:	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	c	c	c	:	:
Unit labour cost growth, relative to the previous year (%)		:	c	c	c	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		:	c	c	c	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		11.5	9.2	8.1	9.0	8.9	8.6
Industry (%)		23.5	24.1	24.2	23.4	24.1	23.6
Construction (%)		9.3	10.1	10.4	10.1	9.3	10.6
Services (%)		55.6 s	56.5 s	57.2 s	57.5 s	57.7 s	57.2 s
Final consumption expenditure, as a share of GDP (%)		105.7	91.1	91.9	92.6	98.8	95.9
Gross fixed capital formation, as a share of GDP (%)		31.0	30.0	31.7	31.0	29.7	32.9
Changes in inventories, as a share of GDP (%)		2.1	4.7	4.6	3.5	3.7	3.1
Exports of goods and services, relative to GDP (%)		21.7	27.3	29.1	29.3	21.7	33.4
Imports of goods and services, relative to GDP (%)		60.5	53.1	57.3	56.4	53.9	65.2
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2010	2017	2018	2019	2020	2021
Industrial production volume index (2015 = 100)		:	:	:	:	:	:
Number of active enterprises (number)		29 710 pw	34 355 w	31 028 pw	34 615 w	40 056 w	45 468 w
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		13.9 pw	8.7 w	4.8 pw	:	:	:
Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		5.3 w	4.2 w	3.7 pw	4.2 w	2.6 w	:

People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	78.8 sw	78.4 psw	9.6 sw	8.6 sw	7.7 sw
Value added by SMEs (in the non-financial business economy) (EUR million)		:	:	:	:	:	:
Total value added (in the non-financial business economy) (EUR million)		:	:	:	:	:	:

Inflation rate and house prices	Note	2010	2017	2018	2019	2020	2021
Consumer price index (CPI), change relative to the previous year (%)		:	1.5 d	1.1 d	2.7 d	0.2 d	3.4 d
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

Balance of payments	Note	2010	2017	2018	2019	2020	2021
Balance of payments: current account total (million euro)		- 516.1	- 348.6	- 508.8	- 399.5	- 472.2	- 694.6
Balance of payments current account: trade balance (million euro)		- 1 741.6	- 2 464.2	- 2 737.7	- 2 840.2	- 2 573.2	- 3 567.0
Balance of payments current account: net services (million euro)		176.0	827.3	855.8	926.0	391.6	1 034.9
Balance of payments current account: net balance for primary income (million euro)		67.0	127.4	113.1	160.6	164.0	150.9
Balance of payments current account: net balance for secondary income (million euro)		982.5	1 161.0	1 260.0	1 354.1	1 545.4	1 686.2
Net balance for primary and secondary income: of which government transfers (million euro)		319.5	199.7	226.1	236.6	276.6	233.7
**3 year backward moving average of the current account balance relative to GDP (%)		:	- 7.6	- 7.1	- 6.3	- 6.8	- 7.1
**Five year change in share of world exports of goods and services (%)		:	28.3	37.6	37.0	14.9	49.4
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		331.1 w	212.0 w	225.8 w	188.4 w	286.6 w	320.4 w
Foreign direct investment (FDI) abroad (million euro)		37.4 w	43.4 w	46.3 w	66.2 w	59.1 w	100.3 w
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	14.1 w	13.0	6.1	16.5	26.5
Foreign direct investment (FDI) in the reporting economy (million euro)		368.5 w	255.4 w	272.1 w	254.6 w	345.7 w	420.7 w
of which FDI of the EU-27 countries in the reporting economy (million euro)		:	86.1 w	58.7	158.6	152.1	215.6
**Net international investment position, relative to GDP (%)		9.2 w	- 1.8 w	- 6.1 w	- 5.8 w	- 12.3 w	- 11.6 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		14.5 sw	11.9 s	12.0 s	12.1 s	14.5 s	14.5 s

Public finance	Note	2010	2017	2018	2019	2020	2021
General government deficit / surplus, relative to GDP (%)		:	- 0.8 w	- 1.0 w	- 0.5 w	- 5.2 w	:
General government gross debt relative to GDP (%)		5.9 ew	16.6 ew	17.1 ew	17.5 w	21.8 w	:
Total government revenues, as a percentage of GDP (%)		26.8 w	30.2 w	30.1 w	31.5 w	32.6 w	:
Total government expenditure, as a percentage of GDP (%)		28.9 w	28.9 w	29.6 w	30.5 w	34.4 w	:

Financial indicators	Note	2010	2017	2018	2019	2020	2021
Gross external debt of the whole economy, relative to GDP (%)		34.0 sw	32.9 sw	30.5 sw	31.2 sw	37.2 sw	37.4 sw
Gross external debt of the whole economy, relative to total exports (%)		157.0 w	120.2 w	105.0 w	106.4 w	171.2 w	111.9 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		:	:	:	:	:	:
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		:	:	:	:	:	:
Money supply: M3 (M2 plus marketable instruments, million euro)		:	:	:	:	:	:

Total credit by monetary financial institutions to residents (consolidated) (million euro)		1 458.7 w	2 629.5 w	2 939.2 w	:	:	:
**Annual change in financial sector liabilities (%)		:	:	:	:	:	:
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)		:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	2)	14.63 w	6.83 w	6.65 w	6.51 w	6.21 w	5.96 w
Deposit interest rate (one year), per annum (%)	2)	3.70 w	1.04 w	1.31 w	1.46 w	1.49 w	1.33 w
Euro exchange rates: average of period (1 euro = ... national currency)		1 w	1 w	1 w	1 w	1 w	1 w
Trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		612.5 w	683.4 w	769.3 w	863.7 w	900.8 w	1 100.3 w

External trade in goods	Note	2010	2017	2018	2019	2020	2021
Value of imports: all goods, all partners (million euro)		2 158	3 047	3 347	3 497	3 297	4 684
Value of exports: all goods, all partners (million euro)		296	378	368	384	475	756
Trade balance: all goods, all partners (million euro)		- 1 862	- 2 669	- 2 980	- 3 114	- 2 822	- 3 929
Terms of trade (export price index / import price index * 100) (number)		100.0 sw	93.0 sw	91.0 sw	94.2 sw	92.6 sw	101.4 sw
Share of exports to EU-27 countries in value of total exports (%)		45.2 s	22.0 s	27.5 s	33.2 s	34.5 s	31.5 s
Share of imports from EU-27 countries in value of total imports (%)		40.4 s	42.3 s	42.7 s	49.1 s	45.8 s	44.3 s

Demography	Note	2010	2017	2018	2019	2020	2021
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		13.3 b	8.2 e	7.7	6.9	7.4 ep	:
Infant mortality rate deaths of children under one year of age (per thousand live births)		8.8	9.7	10.6	8.7	:	:
Life expectancy at birth: male (years)		:	:	:	:	:	:
Life expectancy at birth: female (years)		:	:	:	:	:	:

Labour market	Note	2010	2017	2018	2019	2020	2021
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		:	49.0 w	46.6 w	45.2 w	42.9 w	43.9 w
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		:	34.4 w	33.2 w	34.2 w	32.3 w	35.1 w
Male employment rate for persons aged 20–64 (%)		:	54.0 w	52.6 w	53.0 w	48.8 w	51.9 w
Female employment rate for persons aged 20–64 (%)		:	14.6 w	14.1 w	15.6 w	16.0 w	18.5 w
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		:	32.7 w	31.5 w	32.2 w	30.9 w	32.1 w
Employment by main sectors							
Agriculture, forestry and fisheries (%)		:	4.4 w	3.5 w	5.2 w	4.8 w	2.8 w
Industry (%)		:	17.4 w	14.3 w	15.1 w	16.3 w	14.8 w

Construction (%)		:	12.9 w	11.9 w	12.6 w	11.1 w	10.5 w
Services (%)		:	65.3 w	70.3 w	67.1 w	67.9 w	71.9 w
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	28.4 w	30.8 w	27.6 w	28.7 w	28.3 w
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	71.6 w	69.2 w	72.4 w	71.3 w	71.7 w
Unemployment rate: proportion of the labour force that is unemployed (%)		:	30.3 w	29.4 w	25.5 w	25.8 w	20.6 w
Male unemployment rate (%)		:	28.5 w	28.3 w	22.4 w	23.4 w	18.9 w
Female unemployment rate (%)		:	36.4 w	33.3 w	34.4 w	32.2 w	24.9 w
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		:	52.7 w	55.4 w	49.4 w	49.1 w	38.0 w
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		:	21.7 w	17.2 w	16.2 w	18.4 w	14.5 w
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		:	32.5 w	35.8 w	28.3 w	30.2 w	27.6 w
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		:	23.4 w	16.8 w	18.0 w	17.0 w	13.7 w

Social cohesion	Note	2010	2017	2018	2019	2020	2021
Average nominal monthly wages and salaries (national currency)		:	431 w	453 w	477 w	466 w	484 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		:	:	:	:	:	:
GINI coefficient		:	:	44	46 w	45 w	:
Poverty gap		:	:	47.4	55.3 w	46.6 w	:
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		:	12.2 w	9.6 w	8.2 w	7.8 w	7.0 w

Standard of living	Note	2010	2017	2018	2019	2020	2021
Number of passenger cars relative to population size (number per thousand population)		90.6 sw	153.6 sw	155.9 sw	162.2 sw	164.4 sw	:
Number of mobile phone subscriptions relative to population size (number per thousand population)		:	1 200.7 ew	1 281.1 ew	1 266.4 ew	1 095.0 ew	1 072.0 ew
Mobile broadband penetration (per 100 inhabitants)		:	65.4 ew	73.9 ew	78.4 ew	84.5 ew	88.4 ew
Fixed broadband penetration (per 100 inhabitants)		:	15 ew	18 ew	20 ew	21 ew	22 ew

Infrastructure	Note	2010	2017	2018	2019	2020	2021
Density of railway network (lines in operation per thousand km ²)	1)	30.3 sw	30.5 sw				
Length of motorways (kilometres)		w	108 w	119 w	137 w	137 w	137 w

Innovation and research	Note	2010	2017	2018	2019	2020	2021
Public expenditure on education relative to GDP (%)		:	4.4 sw	4.5 sw	4.6 sw	4.6 sw	4.3 sw
*Gross domestic expenditure on R&D relative to GDP (%)		:	:	:	:	:	:

Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		:	:	:	:	:	:
Percentage of households who have internet access at home (%)		:	88.8	93.2	93.2	96.4	:

Environment	Note	2010	2017	2018	2019	2020	2021
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		:	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		553.1	409.0	398.1	392.3	413.9	405.0
Electricity generated from renewable sources relative to gross electricity consumption (%)		1.4	3.6	4.2	5.2	5.3	5.4
Road share of inland freight transport (based on tonne-km) (%)		:	:	:	:	:	:

Energy	Note	2010	2017	2018	2019	2020	2021
Primary production of all energy products (thousand TOE)		1 861	1 793	1 822	1 849	1 901	1 937
Primary production of crude oil (thousand TOE)		0	0	0	0	0	0
Primary production of solid fuels (thousand TOE)		1 612	1 412	1 428	1 503	1 562	1 591
Primary production of gas (thousand TOE)		0	0	0	0	0	0
Net imports of all energy products (thousand TOE)		619 s	769 s	757 s	815 s	787 s	942 s
Gross inland energy consumption (thousand TOE)		2 517	2 569	2 585	2 669	2 665	2 888
Gross electricity generation (GWh)		5 168	5 918	5 915	6 351	6 711	6 892

Agriculture	Note	2010	2017	2018	2019	2020	2021
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		100.0 w	112.4 w	108.3 w	119.0 w	100.0 w	95.7 w
Utilised agricultural area (thousand hectares)		406.9 e	417.0	419.5	421.0	421.1	421.2
Livestock numbers: live bovine animals (thousand heads, end of period)		:	259.7	259.7	257.7	261.4	260.5
Livestock numbers: live swine (thousand heads, end of period)		:	41.1	40.2	40.5	45.4	47.4
Livestock numbers: live sheep and live goats (thousand heads, end of period)		:	210.7 s	209.8 s	216.3 s	241.7 s	241.4 s
Raw milk available on farms (thousand tonnes)		:	365.1	334.3	:	:	:
Harvested crop production: cereals (including rice) (thousand tonnes)		430.5	477.9	441.8	459.4	529.1	504.4
Harvested crop production: sugar beet (thousand tonnes)		:	:	:	:	:	:
Harvested crop production: vegetables (thousand tonnes)		158.5	147.8	155.3	177.8	169.4	165.0

Source: Eurostat and/or the statistical authorities in Kosovo

: = not available
b = break in series
c = confidential value
d = definition differs
e = estimated value
n = not significant value
p = provisional
s = Eurostat estimate

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

- 1) The change of the area between 2016 and 2017 reflects measurements made by the Kosovo Cadastral Agency.
- 2) Includes disbursement fee charged by banks.

