



Kosovo Country Strategy 2022-2027

Approved by the Board of Directors on 26 January 2022

PUBLIC



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for Reconstruction and Development

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Glossary of Key Terms

ABI	Annual Bank Investment	POE	Publicly-Owned Enterprises
ASB	Advice for Small Business	PPP	Private-Public Partnership
CoOs	Countries of Operations	PTI	Portfolio Transition Impact
CSR	Corporate Social Responsibility	RSF	Risk Sharing Facility
EE	Energy Efficiency	SOB	State-Owned Bank
EIB	European Investment Bank	SOE	State-Owned Enterprise
ETI	Expected Transition Impact	SSA	Stabilisation and Association Agreement
EU	European Union	TC	Technical Cooperation
E&S	Environmental & Social	TFP	Trade Facilitation Programme
FDI	Foreign Direct Investment	VCIP	Venture Capital Investment Programme
FI	Financial Institution	WB	Western Balkan
GEFF	Green Economy Financing Facility	WBIF	Western Balkans Investment Framework
GET	Green Economy Transition	WiB	Women in Business programme
GHG	Greenhouse Gas	yoy	Year-on-year
GVC	Global Value Chains		
H&S	Health & Safety		
ICA	Industry, Commerce & Agribusiness		
ICT	Information and Communication Technology		
IFI	International Financial Institution		
IPA	Pre-Accession funding		
IPPF	Infrastructure Project Preparation Facility		
LCY	Local Currency		
MEI	Municipal and Environmental Investment		
M&A	Mergers and Acquisitions		
M&S	Manufacturing & Services		
MSME	Micro, Small and Medium Enterprise		
NDC	Nationally Determined Contribution		
NPL	Non-Performing Loans		
PFI	Partner Financial Institution		



Kosovo's commitment to and application of the political principles stated in Article 1 of the Agreement Establishing the Bank has continued since the adoption of the previous country strategy, in line with its efforts towards EU approximation. At the same time many challenges remain. Kosovo shares many key institutional weaknesses common to the Western Balkans countries, including weak rule of law, relatively low capacity of public administration, and an uneven culture of political dialogue and consensus building. These are additionally aggravated by complex inter-ethnic relations within the country and by continuing political controversy in the wider international community regarding Kosovo's status.

As an open and youthful economy situated in the heart of the Western Balkans and at major crossroads of regional infrastructure corridors, Kosovo is well positioned to overcome its landlocked location and small size of the economy through deeper regional integration. Pressing reforms will however be needed to create an environment in which the private sector can thrive beyond the limited domestic market and create employment opportunities for all. Transition gaps are particularly acute in competitiveness (with an economy characterised by informality, high unemployment particularly among youth, and significant gender gaps), green (with extremely high coal dependency, high energy intensity, lack of municipal and environmental infrastructure, and other resource inefficiencies), and integration (with slow implementation of key transport and energy connectivity projects as well as inadequate levels of institutional arrangements for trade and investment at a regional level).

EBRD is well positioned to help strengthen private sector performance in the country, accelerate reform efforts to create quality employment for Kosovo's young and multiethnic population, encourage female participation, and to help 'green' Kosovo's growth by enabling the transition away from coal and address air pollution, through tailored policy and financial instruments. The Bank will continue pursuing its traditional *forte* of helping to deliver on the country's connectivity agenda with enhanced focus on project implementation, and step up its support for municipalities and enlisting them to carry out climate-resilient and greener infrastructure investments. The Bank will pay particular attention to accelerating the implementation of public sector investments and supporting the delivery under the EU's Economic and Investment Plan.

Complementing its five-year, longer-term agenda, the Bank will equally help the country navigate the repercussions of the COVID19 pandemic through stepped up response measures, including for publicly-owned enterprises and municipalities as well as the financial sector as the backbone for economic activity. Throughout, regional integration will remain the lodestar to guide the Bank's investment and policy activities, and special emphasis will be placed on exploring synergies with the Bank's activities in neighbouring economies. Continued strategic partnership with the EU and other IFIs, and donor support in the form of technical assistance, investment grants, and guarantees that can be blended with EBRD's product range will be key for the Bank to deliver on the following strategic priorities in Kosovo in 2022-2027:

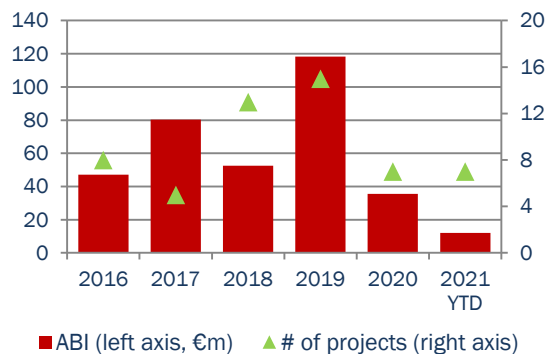
- Develop a More **Competitive** and **Inclusive** Private Sector to Foster Economic Recovery and Growth;
- Support **Green** Economy Transition in Kosovo through a More Sustainable Energy Mix and Greater Resource Efficiency;
- Strengthen Regional **Integration**, Connectivity and Foreign Investment.



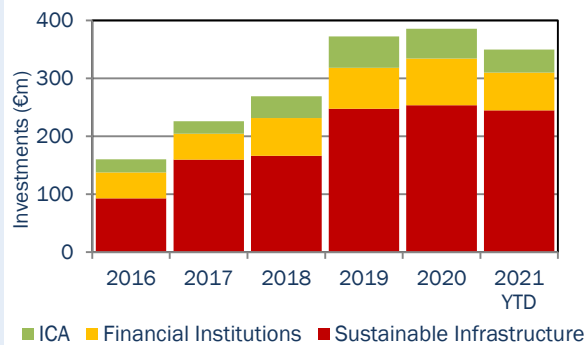
EBRD Investment Activities in Kosovo (as of November 2021)

Portfolio	€350m	Active projects	41
Equity share	3%	Operating assets	€159m
Private Sector Share ¹	61%	Net cum. investment	€545m

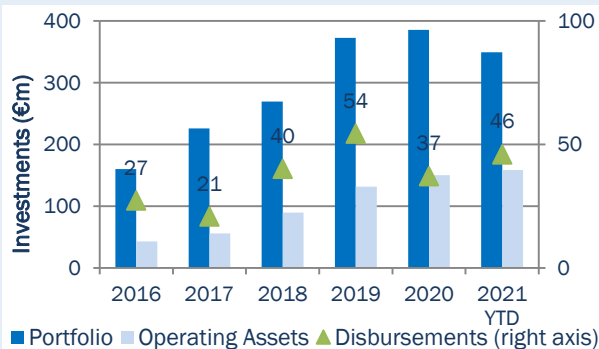
ABI and Operations



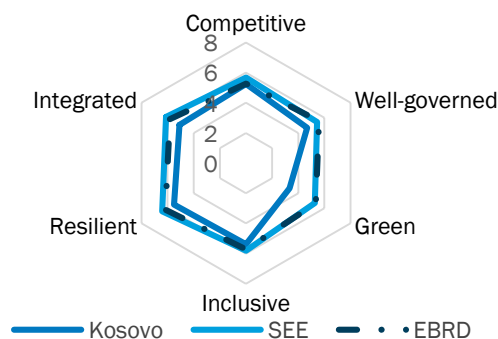
Portfolio Composition



Portfolio Dynamics



Transition Gaps ²



Kosovo Context Figures

	Kosovo	Comparators
Population (million) ³ (2020)	1.8	BIH (3.3) North Macedonia (2.1) Serbia (6.9)
GDP per capita (PPP, USD) ³ (2020)	11,470	BIH (15,231) North Macedonia (16,770) Serbia (19,168)
New Business Density ⁴ (New registrations per 1,000 population, 2018)	4.0	BIH (1.1) North Macedonia (3.6) Serbia (1.9)
Unemployment (%) ⁵ (2020)	26.2	BIH (15.9) North Macedonia (17.2) Serbia (9)
Youth unemployment (%) ⁴ (2020)	49.7	BIH (36.6) North Macedonia (37) Serbia (26.6)
Female labour force participation (%) ⁴ (2020)	17.8	BIH (36.7) North Macedonia (41.8) Serbia (46.5)
Energy intensity (TES/GDP) ⁶ (2019)	0.4	BIH (0.4) North Macedonia (0.3) Serbia (0.3)
Emission intensity/GDP (kgCO ₂ /2015 \$) (2020) ⁶	1.3	BIH (1.2) North Macedonia (0.7) Serbia (1.0)

1 Cumulative Bank Investment: 5 year rolling basis on portfolio.

2 Cf. EBRD Transition Report 2021-2022. 3 IMF WEO. 4 WB Entrepreneurship Survey and database. 5 WB WDI. 6 IEA.

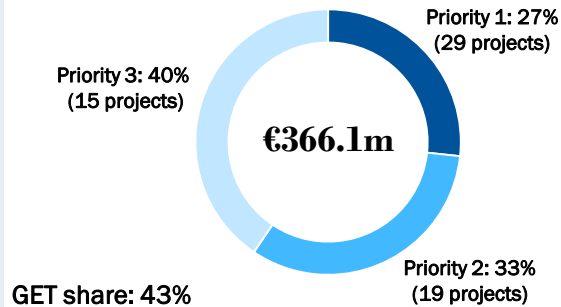


1. Implementation of Previous Strategy (2016-2021)

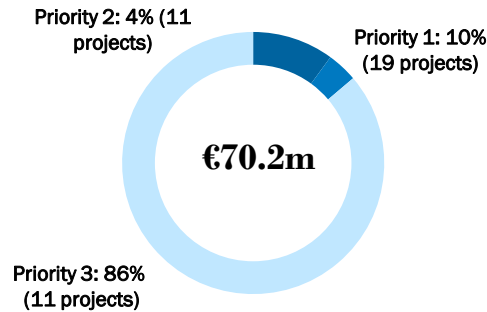
1.1. Key Transition Results Achieved during Previous Strategy

Strategic Alignment 2016-2021

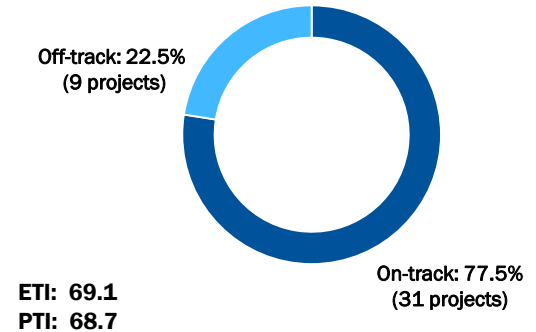
Annual Business Investment (ABI)



Technical Assistance and Investment Grants



Transition Impact Performance*



Priority 1: Support competitive development of the private sector through investments, enhancing internal capacity of companies and improving business environment

Key Quantitative Results

Results Indicators	2020	Since 2016
No. of ASB clients reporting increased productivity	30	144
Volume of MSMEs loans disbursed	€29 m	€299 m
Volume WiB loans disbursed [€m]	€1.2	€12.9

Key Transition Results

- Facilitated access to finance for small businesses via credit lines exceeding €50m with 7 partner banks and microfinance institutions, and signed first leasing line.
- Supported the enhancement of the competitiveness and efficiency of SMEs by providing 186 local consulting and international advisory projects, together with coaching and skill transfer training.
- Supported the expansion of private sector through direct lending (€30m) to a wide range of companies enabling Santefarm (pharmaceutical), REKS (recycling), and Kujtesa (ICT) to expand and upgrade their facilities.
- Launched Women in Business (WiB) programme in Kosovo to support women led SMEs by providing dedicated credit lines and advisory services via TEB Bank.
- Supported the agribusiness industry via direct lending (e.g. Viva fresh and Meridian) and advisory services to help over 40 businesses expand, upgrade their value chains, develop their standards, and analyse market needs to accelerate exports.
- Successfully supported Central Bank of Kosovo in adopting the legal and regulatory framework for factoring and reviewed the legal framework governing bank resolution in Kosovo, aligning with international best practice; together with capacity building and training for stakeholders such as PFIs in each topic.

* Transition impact performance reflects how likely projects are to achieve the transition impact expected of them at signing. Calculated based on active mature (> 2 years) portfolio.

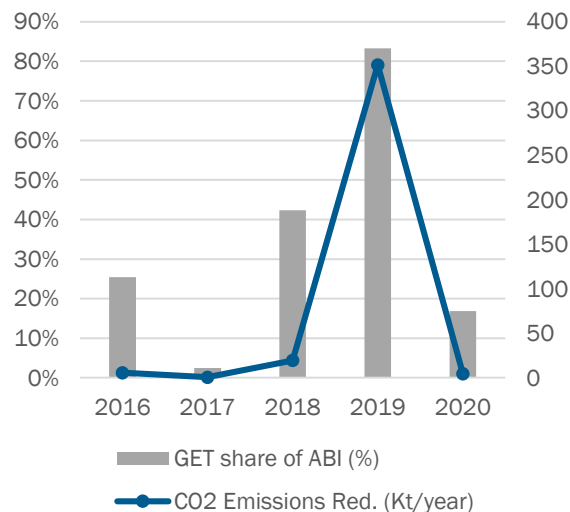
1. Implementation of Previous Strategy (2016-2021)



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1.1. Key Transition Results Achieved during Previous Strategy

Priority 2: Enhance energy security and sustainability by financing investments in the sector, supporting sector reform, promoting energy efficiency and renewable energy



Key Transition Results

- Spearheaded efforts to shift Kosovo's consumption from energy intensive resources to renewables by financing the first two large-scale renewable projects: Bajgora wind farm, the biggest wind farm in the country (€58m), and KITKA wind (€18m) reducing pollution and power disruption.
- Provided advisory services to the authorities to successfully develop a bankable framework, including power purchase agreement, to unlock investments in renewable generation in the country.
- Improved energy efficiency and green technologies across sectors by dedicating credit lines via PFIs and two MFIs to on-lend to residential sector for energy efficiency investments; as well as enabled SMEs to upgrade production facilities and improve environmental protection.
- Trained 295 loan officers in residential and business lending across 3 banks (TEB, AFK, KRK) and 16 EE/RE coordinators received on the job training (under KOSEP).
- Directly financed Kosovo's first plastic recycling facility (REKS €6m) and provided business advice to SMEs to improve their energy efficiency and environmental management.
- Launched the Green Cities Action Plan for Pristina to support the city to take a systematic approach to addressing its key urban environmental challenges, including air pollution.

Priority 3: Support connectivity and regional integration

The Rail Route 10 Rehabilitation



Key Transition Results

- Supported the expansion and rehabilitation of transport links by financing the rehabilitation of Kosovo's only international rail link (Rail Route 10) connecting Kosovo with North Macedonia and Serbia, co-financed with EU WBIF grant and financing the construction of Kijeve-Zahaq highway (€71m).
- Provided comprehensive advisory services to strengthen the authorities' Road Safety Management Capacity Development as well as supporting the development of Road Safety Audit legislation/certification.
- Supported exporters and trade via EBRD Trade Facilitation Program (TFP) by signing six lines with two PFIs (NLB Pristina, and Raiffeisen Bank Kosovo), and successfully restructuring TFP with Banka per Biznes. Through these TFP lines, PFIS funded transactions over €8m.
- Developed the capacity of PFIs by organising trainings with Kosovo Banking Association in trade facilitation and factoring for local banks.

1. Implementation of Previous Strategy (2016-2021)



1.2. Challenges to Implementation and Key Lessons

Context for Implementation

Although Kosovo's declaration of independence in 2008 marked the dawn of a new era, the participation of this new nation in international trade and co-operation is still uneven due to unresolved issues with Serbia and divisions in the wider international community regarding its status. As a small open economy situated at major crossroads of regional infrastructure corridors, Kosovo is uniquely poised to overcome its landlocked location. However, these unresolved issues and complex interethnic relations have compounded key institutional weaknesses, such as a weak rule of law and low capacity of public administration. Kosovo's most pressing issue lies in transitioning towards a sustainable economic growth model, where the private sector can thrive and that offers quality jobs for its sizeable youth.

Kosovo became a country of operations in 2012, which enabled the Bank to significantly step up engagement in both the private sector but also for the first time to begin addressing the significant infrastructure challenges, including the country's transport connectivity agenda. Over the past country strategy period, and in line with its green agenda, EBRD diversified efforts to support Kosovo's transition towards a more sustainable energy mix and stepped up engagement with municipalities. These efforts have been reflected in rising ABI figures, reaching a record year in 2019, complemented by rising disbursements levels.

Implementation Challenges

- Lack of bankable opportunities for direct financing in the corporate and SME sector as result of low capacity to prepare bankable projects, informality especially in accounting practices, weak corporate governance and management quality in addition to integrity issues.
- Banking sector is well-capitalised and highly liquid but characterised by a growing mismatch between assets and liabilities and a lack of innovation, including limited uptake of trade finance and factoring solutions.
- Lack of experience with IFIs and weak administrative capacity to carry out key public infrastructure projects.
- Foreign investment largely limited to real estate investments (two-third of inflows) by the diaspora due to negative perception of business environment and lack of opportunities for investment.
- Kosovo has been slow and indecisive with diversifying energy sources, remaining almost entirely dependent on highly polluting coal, also as a result of low institutional capacity and challenges in attracting investment.

Key Lessons & Way Forward

- Direct lending works when mixed with technical assistance (in particular advice to cultivate long-term relationships and prepare clients for financing) as well as mobilising donor funds to cover high legal costs and support post-investment value creation.
- Blended funds for FI (with TA and investment grant) coupled with advice are a good mechanism to reach underserved areas and provide competitive prices. Champion the trade facilitation programme and support introduction of new financial products.
- Complement public infrastructure investments with increased institutional capacity-building, e.g. project preparation and implementation support at the central and municipal level.
- Increased focus on improving the investment climate, though more effective public-private dialogue, as well as creating more opportunities to attract FDI to the productive sectors of the economy (e.g. through business parks, economic zones).
- Investments in renewable energy require capacity building and practical assistance to set up regulatory support schemes. Assist policy makers to draft a compelling Energy Strategy coupled with EBRD engagement in planning for the Just Transition.

2. Economic Context

2.1. Macroeconomic Context and Outlook for Strategy Period



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Kosovo - Main Macroeconomic Indicators

	2017	2018	2019	2020
GDP growth (% y-o-y)	4.8	3.4	4.8	-5.3
CPI inflation (% avg.)	1.5	1.1	2.7	0.2
Government balance (% of GDP)	-1.4	-2.8	-2.9	-7.8
Current account balance (% of GDP)	-5.7	-7.8	-5.8	-6.7
Net FDI (% of GDP) <i>[minus indicates inflow]</i>	-3.3	-3.4	-2.7	-4.2
External debt (% of GDP)	32.9	30.5	31.2	37.2
Gross reserves (% of GDP)	10.8	11.5	12.2	13.3
General government gross debt (% of GDP)	16.2	17.0	17.6	24.1
Unemployment rate (%)	30.3	29.4	26.0	26.2
Nominal GDP (\$bn)	7.2	7.9	8.0	7.8

Economic growth was mostly consumption-driven over the past decade.

Between 2010 and 2019, growth averaged 3.6 per cent annually and was primarily led by domestic demand, in particular private consumption, while investment contribution was significantly smaller. Conversely, net exports acted as a drag on growth, mostly through rising imports. On the production side, growth was driven mostly by services, primarily trade and tourism-related ones. Despite a fall since 2015, the unemployment rate has remained high, especially for youth.

The economy is recovering strongly following a recession in 2020, helped by the supportive external environment.

Exports was among the main growth drivers in the first three quarters of 2021 due to significant increase in diaspora visits which boosted services revenues as well as strong expansion of goods exports. Robust growth in household consumption was supported by continuously growing remittances inflows. From a sector perspective, recovery is driven by strong growth of domestic trade and manufacturing. Following near stagnation in 2020, inflation was on the rise in 2021 driven by the increased energy and food prices.

The fiscal stance was loosened. To ease the crisis, the government adopted first an emergency package, followed by a recovery package. As a result, public debt increased at end-2020. The expansionary fiscal policy continued in 2021.

The economy is expected to surpass its 2019 level in 2021. Economic growth should be mainly driven by the recovery in consumption, investment and travel and tourism activities related to the country's large diaspora. Risks to the projections are balanced and mainly relate to the potential weaknesses in the external sector and the future course of the pandemic. Further risks lie in the area of the country's public investment management. A swifter recovery would be helped by the acceleration of the hitherto-slow implementation of key infrastructure projects.

2. Economic Context

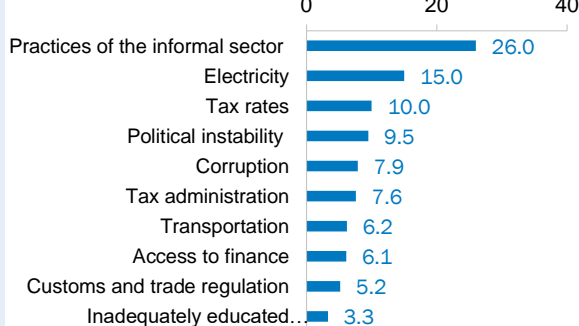
2.2. Key Transition Challenges



Competitive (5.2)

- Economy is dominated by **family-owned micro companies**.
- Widespread informal economy** (estimated to reach up to 40 per cent of GDP): in BEEPS VI, one quarter of firms chose competition from the informal sector as the top obstacle for doing business. The high degree of informality creates unfair competition among firms, makes their access to finance more difficult and prevents firms from growing faster.
- Still **unfavourable business environment** on the back of regulatory and institutional weaknesses, despite significant improvements.
- Low quality of education and skills shortages** weigh down on the competitiveness of the economy.
- Country is at an **early stage of knowledge economy**, lagging behind regional peers.
- State intervention in the form of subsidies** is relatively high (1.8 per cent of GDP in 2017).

Biggest obstacles to doing business (per cent of firms)

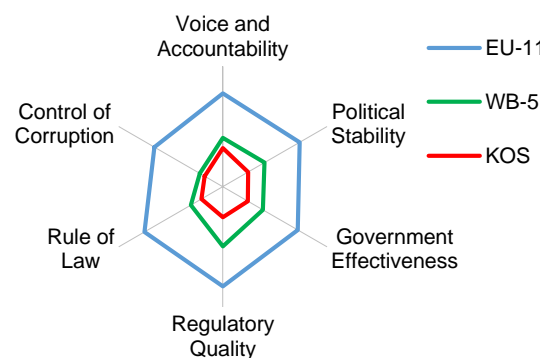


Source: BEEPS VI

Well-governed (4.7)

- Country scores **below regional average on World Bank World Governance Indicators**, performing most weakly in the areas of political stability and absence of violence, and control of corruption.
- Rule of law remains weak** despite significant international efforts over the past two decades. Judicial system is rather slow and inefficient, prone to political interference.
- Insufficiently transparent, efficient and accountable public administration also contributes to a **high prevalence of corruption**. Kosovo ranked 104th out of 180 countries in the 2020 Corruption Perceptions Index.
- Contract enforcement has been made easier** recently, but cost is still relatively high.
- Large informality contributes to **one of the lowest government revenues in Europe**.
- Corporate governance framework is of medium strength**, but SOE corporate governance is weak.

Governance indicators

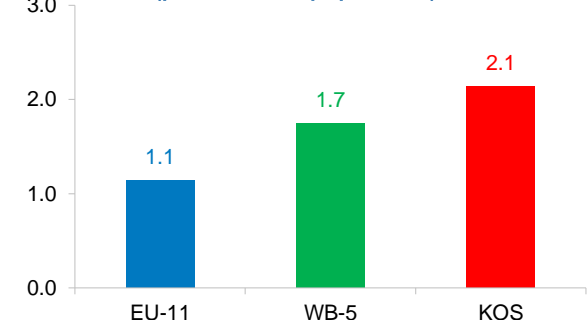


Source: World Bank's Worldwide Governance Indicators 2021

Green (3.3)

- Energy system relies on lignite, a low-energy and highly polluting fuel. Almost all electricity is generated by **two outdated and inefficient coal-fired power plants** (Kosovo A and Kosovo B).
- Uncontrolled air pollution** from the energy sector and household heating remains a serious issue, with a severe health impact.
- Energy intensity is among highest in the region** and almost four times higher than the EU average.
- Main renewable source of electricity are **hydropower plants**, many of which are small ones, often causing environmental damage.
- Water resources are unevenly distributed throughout the country. **Climate change may aggravate the availability and quality of water**, in particular during summer months.
- Waste management system is under-developed and inefficient**, with many illegal landfills and limited recycling; lack of wastewater treatment plants.

PM2.5 premature deaths (per 1,000 of population)



Source: EEA and authors' calculations

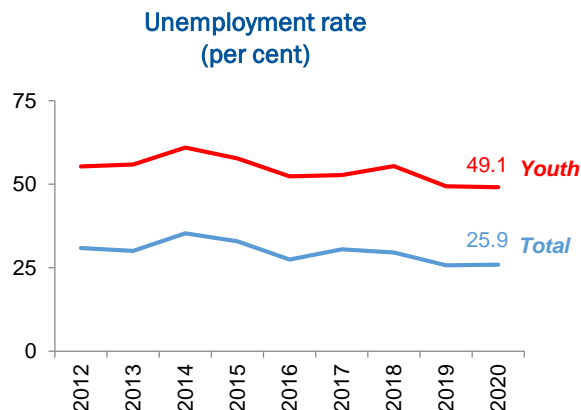
2. Economic Context

2.2. Key Transition Challenges



Inclusive (5.4)

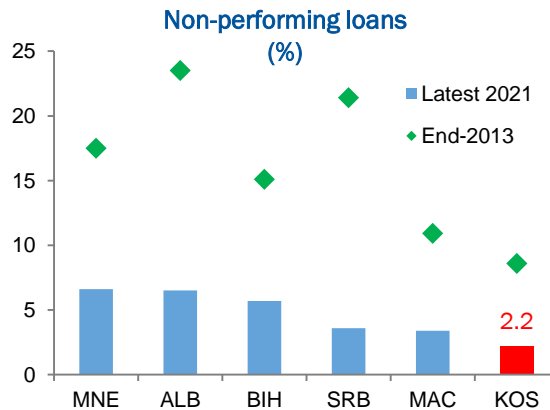
- **Labour market participation is low**, especially for women: around 80 per cent of women are economically inactive.
- **Employment rate is significantly lower for women** than for men (14 per cent vs 43 per cent in 2020) and a large **gender gap in access to finance**.
- Informality in Kosovo is among the highest in Europe with **more than one third of employees working informally**.
- **Persistently high unemployment rate**, especially for youth, and social fragility have contributed to **large emigration**. At least one third of Kosovan population has emigrated. Subsequent large remittances inflow further reduces incentives to work.
- Kosovo has **the youngest population in Europe** with a median age of 29.5 years.
- Education system does not respond sufficiently to private sector needs, hence **skills mismatches**.



Source: Kosovo Agency of Statistics

Resilient (5.5)

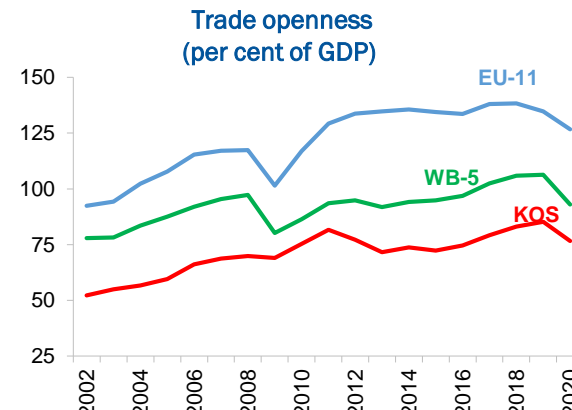
- **Financial system** is dominated by banks, majority of which are foreign-owned (eight out of ten). Microfinance institutions are present as well.
- Banking sector is well-capitalised and liquid, with **lowest share of low quality assets in the region**. NPL ratio stood at 2.2 per cent in Q3 2021.
- There is **room for more financial deepening**. At end-2020, private sector credit was below 48 per cent of GDP.
- **Capital markets remain underdeveloped**. The country has no stock exchange and financial instruments consist of government T-bills and bonds.
- **Electricity sector** has gone through a process of unbundling, but private sector participation remains limited. End-user electricity prices are still regulated and some cross-subsidies remain.
- There is **no established gas market**.



Source: IMF and national authorities

Integrated (5.1)

- At below 80 per cent of GDP in 2020, **trade openness is the second lowest in the region**.
- **Rather negligible goods exports** (around five per cent of GDP) comprise mostly base metals, mineral products and food.
- Despite accounting for a quarter of GDP, **exports of services consist primarily of travel services**, linked to the country's large diaspora
- Kosovo still **lags significantly behind the EU in transport infrastructure**, installed capacity for power generation and telecommunication networks, which potentially distracts foreign investors and limits the country's integration into European supply chains.
- **FDI stock per capita is lowest in the region**, despite Kosovo being the least restrictive country.
- **Power outages are relatively frequent**, causing severe losses to firms (almost four per cent of annual sales, according to BEEPS VI).



Source: WB WDI

3. Government Priorities and Stakeholder Engagement



3.1. Government Reform Priorities

According to the **Government Programme 2021-2025**, the two most urgent priorities are first to manage the pandemic, aiming to minimize public health consequences, and second to alleviate its economic and social impact. Economic recovery priorities include: raising the minimum wage, redirecting the economy towards production and exports, youth employment, diaspora engagement, economic empowerment of women, improved management of strategic state assets, increased support for private sector development, as well as preparing a new National Development Strategy.

The **2021-2023 Economic Reform Programme** published in January 2021 (in line with the current NDS, SAA programme and other strategic documents) focuses on:

Energy: reducing energy consumption through energy efficiency measures, diversifying energy sources.

Agriculture, industry and services: conducting reforms in agriculture, improving manufacturing, tourism and hospitality competitiveness, and trade in services.

Business environment and informality: adopting evidence-based policies, reducing administrative burden, conducting General Inspection Reform, establishing a Commercial Court, reducing informality in the real estate sector but also economy-wide via improving rule of law and economic governance.

Research, development, innovation and digital economy: improving the environment for innovation and entrepreneurship, extending ICT networks and services infrastructure to foster socioeconomic development.

Trade reforms: facilitating trade through reduction of cross-border transaction costs, developing quality infrastructure and market surveillance authorities.

Education and skills: developing early childhood education, implementing new VET curriculum framework, enhancing the quality of higher education.

Employment and labour market: improving and expanding public employment services, increasing employability of vulnerable groups, in particular of youth, women, people in poverty and rural areas.

Social protection and inclusion: improving social and health services and empowering excluded groups.

3.2. EBRD Reform Areas Broadly Agreed with Authorities

- Revive the economy of Kosovo from the impact of the COVID-19 pandemic crisis.
- Strengthen productivity of Kosovo manufacturers, especially their export capacity, and help develop value chains to diversify the economy.
- Enhance trade through improved standards compliance, better logistics, and trade finance.
- Improve the performance and governance of Publicly Owned Enterprises.
- Continue supporting the green economy transition and reduce Kosovo's energy consumption to become more climate resilient, and utilize EBRD JUST transition initiative.
- Support the development of a national policy for foreign investments to increase the flow of FDIs and finance needed infrastructure.

3.3. Key Messages from Civil Society to EBRD

1. Civil society organisations endorsed the Bank's Kosovo strategy priority of developing a more competitive and inclusive private sector. In particular, CSOs consider that EBRD support is needed in the area of facilitating access to the labour market and financing, including for minorities, youth and double marginalised groups such as women within minorities. Also, migration and brain drain are areas of concern for CSOs.
2. CSOs moreover welcomed the Bank's support for the Green Economy Transition through a more sustainable energy mix and greater resource efficiency. They highlighted that waste management, recycling and circular economy are key areas for CSOs, who want to see more action in this field. In addition, CSOs consider that the transition towards gasification and renewable energy needs to be very careful and evidence-based.
3. Civil society representatives further endorsed the Bank's focus on strengthening regional integration, connectivity and foreign investment. According to CSOs, the EBRD should help promote more investments and concerted efforts to attract FDI.

4. Defining Kosovo Country Strategy Priorities



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What needs to change?

(Country Diagnostic)

- Growing vulnerability in the financial sector as a result of asset / liability mismatch, with probability of higher NPLs post Covid.
- Low productivity and limited access to finance.
- High level of informality and regional disparities.
- Low labour participation rate and limited business support for female and youth.
- High rates of unemployment, limited TVET, and skills shortages.
- Challenging business climate.
- Poor performance of state-owned companies.

Can it be changed?

(Political Economy)

- Government efforts and revised strategy to raise awareness to limit informality throughout the economy.
- Increasing female labour market participation is government priority.
- High entrepreneurial potential among Kosovo's youth.
- Commitment to strengthen public-private dialogue to improve the business environment.
- Government's signalling its interest in commercialization of SOEs and improving standards.

What can the Bank do?

(Institutional Capabilities)

- Expertise in strengthening financial resilience through long-term financing and NPL resolution solutions.
- Range of targeted instruments to increase SME competitiveness, skills and financial inclusion (WIB, business advice).
- Tried and tested platforms to facilitate public private dialogue on business environment and investment climate.
- Expertise in supporting SOE commercialisation.
- Experience providing companies finance and advice to improve corporate governance, standards and capacity.

- High air pollution due to residential heating and vehicular emissions, reliance on coal and limited renewables in energy mix.
- State dominance of major services.
- Low level of investments in renewable energy, lack of regulations, and limited PSP.
- High energy usage and carbon intensity in residential and commercial buildings (four times higher than the EU average).
- Poor municipal infrastructure exacerbated by low resource efficiency and water shortages.
- End user electricity prices remain regulated and some cross-subsidies remain.

- Government plans to phase out subsidies on electricity (2017-2026 Energy Strategy).
- Government's willingness to revise energy strategy to align with EU best practices (Green Agenda in Sofia Summit 2020).
- Kosovo and Serbia economic normalisation agreements could pave way to resolve water and energy supply issues.
- Government efforts to build new and advanced power generation capacities.
- Law on strategic investments adopted in 2017 identified the energy sector as a strategic sector to increase investments.

- Implementation of GET 2.1 strategy.
- Experience in sharing and supporting best practices in regulatory and institutional framework for renewable energy across EBRD economies.
- EBRD's expertise in spearheading investments in innovative green technologies.
- Specific tailored financial products to finance green investments (e.g. Green Cities Framework, GEFF credit lines).
- Experience developing financially and environmentally sustainable MEI, including waste and wastewater services.

- Poor quality and connectivity of transport infrastructure, especially roads and railway.
- Weak capacity for project implementation of large-scale infrastructure projects.
- Limited exports and weak integration into GVC for SMEs.
- Low levels of FDI (lowest in Europe and Western Balkans), and heavy focus on the non-productive sector (2/3rd real estate).

- Pan-European Corridors and regional transport connectivity agenda, TEN-T as key anchors.
- Strong gov't interest as laid out in the National Transport Strategy and Action Plan (2015-2025) and commitment to accelerate infra project implementation.
- Opportunities in advancing soft connectivity in view of EU approximation and alignment with regional trade and investment agreements (including Regional Common Market).
- Export and near-shoring potential (EU is largest trading partner), but use of potential is dependent on common regional market development.

- EBRD's strong track record in providing funding to help narrow the infrastructure gap and support implementation of complex infrastructure projects.
- EBRD's strong additionality and experience in driving regional soft connectivity agenda.
- EBRD's expertise in facilitating trade and supporting export-oriented companies.

Strategic Priorities

(2022-2027)

What We Want to see

in 2027

Develop a More Competitive and Inclusive Private Sector to Foster Economic Recovery and Growth

- Strengthen resilience and competitiveness of the private sector post-COVID
- Enhanced inclusive access to finance, skills and entrepreneurship
- Improved governance of POEs and private sector

Support Green Economy Transition in Kosovo through a More Sustainable Energy Mix and Greater Resource Efficiency

- Increased renewable energy capacity and a more diversified energy mix
- Increased energy and resource efficiency
- More sustainable and climate-resilient municipal and urban transport infrastructure and services

Strengthen Regional Integration, Connectivity and Foreign Investment

- Improved connectivity and integration of critical infrastructure
- Enhanced cross-border trade and investment

5. Activities and Results Framework



Priority 1: Develop a More Competitive and Inclusive Private Sector to Foster Economic Recovery and Growth

Key Objectives (Outcomes)	Activities (Outputs)	Tracking Indicators (Outcomes)
Strengthen resilience and competitiveness of the private sector post-COVID	<ul style="list-style-type: none"> Strengthen resilience of the financial sector through a mix of financing (including provision of medium to long-term financing) and regulatory policy support, e.g. corporate governance of banks, bank resolution, deposit insurance, commercialisation of MFIs. Provide direct financing and advice to corporates and medium-sized enterprises to enable their growth, improve corporate governance and value creation. Support local SMEs to innovate, digitise, adopt EU standards and increase productivity through indirect financing and business advice (e.g. SME Competitiveness and Reboot, Advice for Small Businesses). Explore expansion of product range, incl. mezzanine financing, guarantees, risk-sharing facilities. 	<ul style="list-style-type: none"> No. of clients increasing productivity No. of legal/institutional/regulatory improvements to target segment
Enhanced inclusive access to finance, skills and entrepreneurship	<ul style="list-style-type: none"> Support women and youth in business as well as regional and ethnic minorities by scaling up and develop new financing and advisory products, such as youth guarantees, that target underserved market segments. Support technology scale-ups through advice and financing, capacity-building for business accelerators, and development of fintech. Explore opportunities to support the private sector to develop on-the-job training, vocational skills and inclusion programmes, with a focus on youth and women. Continue to expand range of available financing products, such as factoring and leasing, coupled with capacity-building for regulators and financial institutions. 	<ul style="list-style-type: none"> No. of loans disbursed by partner financial institutions to women- and youth-led (M)SMEs No. of individuals enhancing their skills as a result of training
Improved governance of POEs and private sector	<ul style="list-style-type: none"> Policy engagement to accelerate POE reform by aligning legal framework with best practice, updating the state ownership policy, and improving monitoring and oversight capacity. Support commercialisation of current and former SOEs / POEs (financial, operational, corporate governance), through policy advice and investments. Facilitate public-private sector dialogue, through instruments such as the National Council for Economy and Investment to identify and address legal and regulatory obstacles to private sector development. Address selected critical business environment constraints, such as supporting contract enforcement through commercial courts, enforcement services, and strengthening the insolvency legal and regulatory framework, including capacity building for office holders (administrators and judges). 	<ul style="list-style-type: none"> State ownership policy adopted by the government No. of clients implementing commercialisation/restructuring

5. Activities and Results Framework

Priority 2: Support Green Economy Transition in Kosovo through a More Sustainable Energy Mix and Greater Resource Efficiency

Key Objectives (Outcomes)	Activities (Outputs)	Tracking Indicators (Outcomes)
<p>Increased renewable energy capacity and a more diversified energy mix</p>	<ul style="list-style-type: none"> • Combine policy engagement (e.g. enhanced legal and regulatory framework) with direct and indirect financing to further develop and integrate new competitively procured renewable energy projects. • Promote switch to cleaner energy sources to ensure energy security and address acute air pollution and carbon intensity, including support for revising Kosovo’s existing energy strategy and potentially investments in a coal to gas transition but only where consistent with Kosovo’s decarbonisation efforts and low carbon pathway. • Participation in the Just Transition Platform Initiative in support of coal regions in transition in the Western Balkans. • Policy engagement to promote and create incentives for smart grid investment and investments in electricity network infrastructure to absorb intermittent renewable energy. 	<ul style="list-style-type: none"> • Total renewable electricity installed • Legal and regulatory framework for competitive auctioning of renewable supply established
<p>Increased energy and resource efficiency</p>	<ul style="list-style-type: none"> • Provide direct and indirect financing and advisory for energy and resource efficiency of SMEs and corporates (SME Competitiveness Programme, Reboot programme, green trade finance). • Provide indirect financing to improve residential and public buildings energy and resource efficiency, including through GEFF and other green products. • Policy engagement to remove investment barriers in energy and resource efficiency investments. • Support development of a circular economy through investments and advice for resource efficiency solutions. 	<ul style="list-style-type: none"> • Energy saved (GJ/y) • Total CO2 reduced/avoided (ton/year)
<p>More sustainable and climate-resilient municipal infrastructure and services</p>	<ul style="list-style-type: none"> • Enable cities to address air quality issues through finance and TA in, e.g., solar district heating, urban transport projects, where relevant under the Green Cities Frameworks and other targeted EBRD programmes (e.g. ReDeWB). • Support increased efficiency and sustainability in the water sector, including wastewater treatment and water security (e.g. Iber-Lepenci canal), and explore opportunities in solid waste management. • Support cities to develop climate resilience and green action plans and continue capacity-building to strengthen municipal project implementation and digital services. • Promote climate-related disclosure by POEs through corporate climate governance action plans. 	<ul style="list-style-type: none"> • No. of climate resilience and green action plan adopted • Water savings (m3/year)

5. Activities and Results Framework

Priority 3: Strengthen Regional Integration, Connectivity and Foreign Investment

Key Objectives (Outcomes)	Activities (Outputs)	Tracking Indicators (Outcomes)
<p>Improved connectivity and integration of critical infrastructure</p>	<ul style="list-style-type: none"> Strengthen capacity to support project preparation and implementation and explore opportunities for enhancing PPP frameworks. Continue support of railway sector reform, incl. rail infrastructure asset management & track access. Finance and provide advisory for key road corridors and rehabilitation of regional and local roads network (e.g. 'Peace Highway' and Pristina ring road) with enhanced focus on climate resilience. Explore and support transmission cross-border investments (electricity and potentially gas, where consistent with Kosovo's decarbonisation), with focus on interconnections to North Macedonia and / or Albania. Identify opportunities to strengthen telecommunications and digital infrastructure including through financing fixed and mobile communication networks and service upgrades (e.g. broadband, 5G) together with policy engagement on legal and regulatory issues (e.g. competitive licensing scheme). 	<ul style="list-style-type: none"> Target infrastructure network extended as measured by increase in network capacity
<p>Enhanced cross-border trade and investment</p>	<ul style="list-style-type: none"> Support development of regional business platforms (Regional Business Registries) and harmonization of business practices (Business and Financial Data Exchange), and explore further opportunities to support common regional market. Provide business advice and finance to export-oriented businesses serving regional, European and international markets and encourage near-shoring opportunities. Scale up the Trade Facilitation Programme, including capacity-building for intermediaries, awareness among local importers and exporters, and digital trade finance. Finance in-bound FDI, with a focus on value chains integration and technology transfers to local suppliers, together with creating opportunities for FDI through economic zones and business parks. Encourage more diaspora engagement and investment in particular for women. 	<ul style="list-style-type: none"> No. of loans disbursed by partner financial institution for TFP Number of assisted clients/suppliers updating processes, technology, standards or practices as a way to increase exports

6. Mapping of International Partners Complementarity in EBRD Business Areas



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		EBRD Business Areas												
		Sectors						Cross-Cutting Themes						
		Industry, Commerce & Agribusiness			Sustainable Infrastructure		Financial Institutions		Strategic Initiatives					
Indicative average investments/ grants (€m, 2016-2020)		Agribusiness	ICT	Manufacturing & Services	Natural Resources	Property & Tourism	Energy	Infrastructure	Banking	Non-bank Financial Institutions	Green Economy	Inclusion and Gender	Local Currency and Capital Markets	Small Business
WB	39	€P	€P				€P	€P	€P		€P	€P		€P
EIB	27		€P					€P			€P			€P
USAID, MCC & DFC	26	€P					€P	€P	€P		€P	€P		€P
IFC	6	€		€					€P					€
EU	17	€P		€P			€P				€P	€P		€P
GIZ & KfW	0.1	€P			€P		€P				€P		€P	
EBRD	75	€P	€P	€P	€P		€P	€P	€P	€P	€P	€P	€P	€P

€ Area of significant investments
 P Area of significant policy dialogue
 ● Focus mostly on private sector
 ○ Focus mostly on public sector

Areas for future cooperation

Green

- Work with the World Bank, EIB, KfW and US to enable investments in renewables, and increase capacity of partner banks to finance green investments.

Resilient

- Collaborate with IFIs to support the financial sector to spur COVID19 resilience and recovery.

Integrated

- Continue working with EIB and explore opportunities with other IFIs to further advance connectivity agenda.

Well-governed

- Work with IFIs on governance of the financial sector, POEs, infrastructure delivery, and investment climate.

7. Implementation Risks, Environmental and Social Implications



Risks to the Strategy Implementation	Probability	Effect	Risks to Strategy Implementation
<ul style="list-style-type: none"> • Political volatility and lack of consensus regarding Kosovo's status in the wider international community could deter investor confidence. 	●	●	<ul style="list-style-type: none"> • Assessment and Management of E&S Impacts, Stakeholder Engagement: Ensure that direct, indirect, cumulative and transboundary E&S impacts of projects are appropriately assessed and mitigated, meaningful stakeholder engagement is carried out. Continue E&S capacity building through targeted TCs to ensure adoption of best international practice. • Labour and Working Conditions: Ensure that clients' HR policies and labour practices comply with EBRD requirements, address minimum wages and labour conditions requirements, potential discrimination, and promote equal opportunities. • Resource Efficiency and Pollution Prevention and Control: Develop capacity building initiatives in waste management and water sectors; identify and develop water resources efficiency projects and TA initiatives as part of the GET mandate; support waste management initiatives in line with the Kosovo Integrated Waste Management Strategy. Explore capacity building and policy dialogue on Best Available Techniques for industrial pollution prevention and abatement in line with the EU Industrial Emissions Directive. • Health and Safety: Improve occupational and community H&S with specific focus on activities considered a source of common accidents on the EBRD projects. TC support is needed to continue emphasis on road safety at institutional and communities levels. • Land Acquisition, Involuntary Resettlement and Economic Displacement: Ensure that any project requiring acquisition of land comply with EBRD's compensation and livelihood restoration requirements, with special attention on informal land users and vulnerable groups. Continue institutional capacity raising w.r.t adoption of international practice. • Biodiversity Conservation and Sustainable Management of Living Natural Resources: Ensure robust biodiversity assessments of projects to minimise potential impacts, esp. on areas rich with biodiversity which might require additional TC support • Cultural Heritage: Work with clients to identify potential cultural heritage issues on Bank's projects as well as avoid and mitigate impacts on sensitive heritage by consulting with key stakeholders in accordance with the Bank's policy. • Financial Intermediaries: Ensure that FI partners have adequate E&S capacity and risk management procedures in place. • Monitoring and supervision: Work with clients to monitor E&S performance and address legacy issues associated with the Bank's portfolio. TC support is needed to continue capacity raising on contractor's management and project monitoring among infrastructure clients.
<ul style="list-style-type: none"> • Weak administrative capacity could delay reform implementation as well as critical large-scale infrastructure projects. 	●	●	
<ul style="list-style-type: none"> • Insufficient donor co-financing and grant levels could undermine competitiveness of key EBRD products. 	●	●	
<ul style="list-style-type: none"> • Prolonged covid-19 crisis will delay economic recovery, threaten viability of businesses, and deter long-term investment by both private and public sector 	●	●	
<ul style="list-style-type: none"> • Asset / liability mismatch in the banking sector could undermine financial sector resilience. 	●	●	

8. Donor Co-Financing Assessment



8.1. Grant Needs Assessment for the New Country Strategy Period

Donor funding will be needed to achieve the strategic objectives of the Country Strategy, including for:

- Advice and capacity building for SMEs, including to enable more inclusive access to economic opportunities and promote entrepreneurship.
- State-ownership policy activities and corporate governance engagements with selected Publicly-Owned Enterprises.
- Grants to promote investments in energy and resource efficiency.
- Technical assistance to enable and integrate renewable energy projects.
- Co-investment grants and TA to enable large-scale infrastructure investments, improve project implementation capacity and support investments in sustainable municipal infrastructure.
- Policy dialogue and reforms to improve investment climate, including through support for the National Council for Economy and Investment.

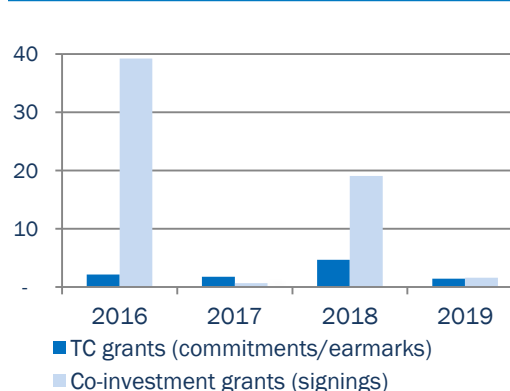
8.2. Potential Sources of Grant Funds

- Western Balkans Investment Framework (WBIF): A joint platform of the EU, bilateral donors, DFIs/IFIs as well as Western Balkan countries. TC and co-investment grant support is available for priority investments in transport, energy, environment, digital, social and private sector development projects. The EU's Western Balkans Guarantee Facility can mitigate risks in both public and private sector investments.
- In addition to funds channelled through the WBIF, national EU Instrument for Pre-Accession funding (IPA) may also be available. Priority areas for Kosovo under IPA II include infrastructure, governance, legal reform, energy, employment and social policies, competitiveness, agricultural & rural development, and regional cooperation. IPA III will start to be deployed in 2021.
- Bilateral donors such as Luxembourg, Switzerland, Sweden, and the UK can provide funds and support as partners in select priority areas.
- The Bank's Shareholder Special Fund can bridge mismatches between unmet needs and available support from donors (particularly infrastructure project implementation, policy reforms and governance)

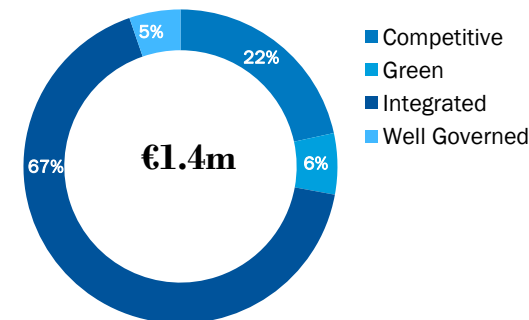
Selected Affordability Indicators

		EBRD regional percentile rank ¹
GDP per capita (PPP, current. \$) ²	11,839	19 th
ODA Country	Yes	N/A
ODA as share of Gross National Income (%) ³	4.29	80 th
ODA per capita (\$ - current prices) ³	187.04	80 th

Donor finance during last strategy (€m)⁴



Use of grants in 2018-19⁵



PUBLIC

1. Simple percentile rank reported as the share of EBRD economies that are represented below Kosovo. 2. Source: WDI (2019 or most recent year)
 3. 2016-2019 TC data is based on earmarks at the project level. Co-investment grant amounts are based on client signings.
 4. Based on the primary Transition Quality of grants earmarked (for TC grants) or signed with clients (for co-investment grants) in 2018 and 2019.



Annexes

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Kosovo's commitment to and application of the political principles stated in Article 1 of the Agreement Establishing the Bank has continued since the adoption of the previous country strategy, in line with its efforts towards implementation of the comprehensive EU reform agenda. At the same time many challenges remain. Kosovo shares many key institutional weaknesses common to the Western Balkans countries. They are additionally aggravated by complex inter-ethnic relations within the country and by continuing political controversy in the wider international community regarding Kosovo's status.

Kosovo proclaimed independence in 2008. The question of legality of this act was considered by the International Court of Justice (ICJ), to which it had been referred by the United Nations General Assembly (UNGA). The ICJ issued its decision on 22 July 2010, ruling that the Declaration of Independence "did not violate any applicable rule of international law".¹ Although this decision constituted an Advisory Opinion, which, as such, is not binding for any country, it was reinforced in September 2010 by the Resolution of the UNGA, which "acknowledged the contents of the decision of the ICJ". While many countries do not recognise Kosovo, and this will remain a political matter for each member of the international community to decide upon, the number of bilateral recognitions as of 2021 exceeds 100. Continuing political controversy, stemming from different positions in the wider international community regarding Kosovo's status, affects assessments of the situation in Kosovo produced by different international actors.

The constitutional and legislative framework for a pluralistic parliamentary democracy, the separation of powers and checks and balances in the political system, the guarantees for fundamental rights and protection of minorities, and for the meaningful role of civil society are in place in Kosovo and are largely in line with international and European standards.

Kosovo's key weaknesses, which are common to the Western Balkans countries, include weak rule of law, the relatively low capacity of public administration, especially at the local level, and uneven culture of political dialogue and consensus building. The progress in

these areas has been slow.

Efforts towards EU approximation remain the main external anchor for comprehensive reforms. The EU has repeatedly stressed that Kosovo shares the European perspective of the rest of the Western Balkans. Kosovo signed the Stabilisation and Association Agreement with the EU in October 2015. It was approved by the European Parliament on 21 January 2016 and formally entered into force on 1 April 2016.

Kosovo and Serbia have engaged in an EU-facilitated Dialogue aimed at normalising their relations, which remains important in order for both to move forward on their respective European paths. Despite a number of agreements concluded as part of this dialogue, there has so far been little progress in the practical implementation. For most part of the previous strategy period there was, for various reasons, a stalemate in the high-level part of the Dialogue.

Free Elections and Representative Government

Free, fair and competitive elections

The existing legal framework, which is largely based on two pieces of legislation (Constitution of 2008 and the Law on General Elections adopted the same year), enables democratic elections, provided the authorities and political parties exercise sufficient will to implement it. Since 2010, there have been several unsuccessful attempts to change the electoral system, which failed due to lack of consensus among the key stakeholders.

Elections in Kosovo generally allow for competition between different political parties and free choice for voters. The candidates are able to campaign freely. The Central Election Commission (CEC) is an independent permanent body, appointed by the parliament for a four-year mandate, and operates in an efficient and transparent manner. The Electoral Code provides for domestic and international election observation at all levels of election administration.

The last general elections, which took place in February 2021, were the

1. Accordance with International Law of the Unilateral Declaration of Independence in Respect of Kosovo. Advisory Opinion, I.C.J. Reports 2010.



fifth since the declaration of independence and the fourth held throughout the country, including in the majority Serb-populated northern Kosovo. All of these elections were held early. The pandemic did not make it possible to organise a full-fledged election observation mission (EOM) by EU as in the past, but the shared view of expert election teams deployed on the ground was that the elections, particularly the election day, were orderly and peaceful, although some long-standing issues remain. Previous reports by EOM assessed the elections as generally well organised and administered, transparent, and with no major incidents or violations, with vibrant and competitive campaign, except for Kosovo Serb majority areas, where there is lack of competition. While voting unfolds reasonably well, the credibility of the post-election process is often negatively affected by a lack of timely decisions by CEC and by the inefficient handling of complaints and delayed certification.

Among other long-standing problems of Kosovan elections is the credibility of the voter list, which includes more voters than the country's estimated resident population. Another long-standing issue is procedures for out-of-country voting. Previous reports by EOM noted also the tendency to call early elections at extremely short notice and shorten the official electoral campaign. The reports by the EOM recommended as priority improving the accuracy of the voter list, providing a minimum of two months' notice for elections, and include clear provisions on challenging results at all levels.²

Separation of powers and effective checks and balances

The constitutional and legislative framework for a parliamentary democracy, underpinned by the separation of powers and checks and balances in the political system, independent legislature and procedures of legislative oversight in prescribed domains of decision-making, is in place in Kosovo and largely in line with international and European standards. The Constitutional Court is independent and is playing an increasingly important role. Over the last years, it has issued a number of decisions with strong political impact.

The single-chamber parliament, which is the primary legislative institution directly elected for a four-year mandate, is composed of 120 seats, including

20 seats reserved for political entities representing ethnic minorities. The scope of powers of the legislature to hold the government to account and to exercise parliamentary oversight is largely in line with international standards, although in practice the oversight of the executive branch of power remains weak. There is space for improvement in strengthening supervision of independent institutions, regulatory authorities and agencies, with suitable reporting and accountability mechanism. The overall efficiency of the work of the parliament needs improvement as it is undermined by frequent lack of quorum and by lack of constructive political dialogue.

The main remaining challenges include a relatively weak professional expertise at the local level, budgetary constraints and overall absorption capacity.

Effective power to govern of elected officials

Kosovo has established institutional, legal, and financial arrangements for elected officials to exercise effective power to govern and they are not constrained by any non-democratic veto powers or other undue influences.

Kosovo stands out in the region due to significant international presence, although this presence nowadays plays a limited role. The UN Security Council Resolution 1244 (UNSCR 1244), which in 1999 established the United Nations Interim Administration Mission in Kosovo (UNMIK), is still formally in force and serves as the basis for the status-neutral international presence both of the UNMIK and the European Union Rule of Law Mission (EULEX).

EULEX, established in 2008, was the largest civilian mission ever launched under the European Security and Defence Policy. Its aim is to assist the Kosovan authorities in the area of the rule of law, specifically in the police, judiciary and customs. EULEX' responsibilities have been gradually reduced, as well as its staff (from more than 3,000 in 2008 to less than 500 in 2020). Its current mandate expires in June 2023. Kosovo has also NATO-led foreign military presence - Kosovo Force (KFOR) - which, in accordance with UNSCR 1244, has been leading a peace support operation in Kosovo

2. EU Election Observation Mission. Early legislative elections in Kosovo 6 October 2019. Final Report.



since June 1999. Today, a significantly reduced KFOR (about 5,000 troops) continues to contribute towards maintaining a safe and secure environment and freedom of movement for all citizens.

Civil Society, Media and Participation

Scale and independence of civil society

There is a satisfactory legal framework for civil society organisations (CSOs). As elsewhere in the Western Balkans, CSOs remain heavily dependent on foreign funding and problems with funding are the greatest obstacle for their functioning. Many CSOs are project-based, and relatively narrowly specialised. However, in contrast to many other Western Balkan countries, CSOs in general are spread evenly throughout the country, including the rural areas. In April 2019, the Assembly adopted a new Law on Freedom of Association in Non-Governmental Organisations, which improved the legal protection of CSOs by aligning it to the best international standards. The Government Strategy for Cooperation with Civil Society for 2019-2023 was adopted through a broadly participatory process, with a focus on improving participation in community-based CSOs and securing the financial sustainability of the sector. The assessment of the implementation of the previous country strategy demonstrated some progress achieved in the area of public consultations and transparency in public funding.

In 2018, an annual report on the government's consultations was released for the first time. Public consultations by the governments are improving, including through an increased use of online consultations. While many public bodies have for the first time conducted open calls and consultations in accordance with legal requirements, capacity remains uneven.

Independence and pluralism of media operating without censorship

Pluralism in the media, which operates broadly freely and without censorship, and access to public information have increased in recent years. The legal framework is largely in place and in line with international standards. Broadcast media are regulated through by-laws issued by the audio-visual

regulatory body, the Independent Media Commission. The Press Council of Kosovo, which is a self-regulatory body for the print media, helps to promote freedom of speech, the right of citizens to be duly informed and the respect for the Press Code of Kosovo. At the same time, more needs to be done to ensure that freedom of expression and media, which are guaranteed by the Constitution, are respected in practice, since there is a widespread perception among Kosovan citizens that media is over-politicised and are under pressure from political parties. Media ownership structures remain unclear. Although media are obliged to submit ownership reports on an annual basis, if they are not registered as companies and do not pay taxes, they are not compelled to disclose their ownership to anyone.

The main sources of information are television, online media, and social networks, especially for Kosovo's significant young population. The public broadcaster (RTK) has four channels and two radio stations. There are five private TV channels, which attract a considerable audience. Recent years witnessed explosive growth in internet access, making the internet penetration rate in Kosovo comparable to EU countries. Social media is playing an increasingly important role with Facebook being the main platform used by Kosovans (roughly half of the population).

Multiple channels of civic and political participation

Multiple channels of civic and political participation are in place. The government reports annually on implementation of its key strategic documents. The right to access public information is regulated by law. The parliament has improved its outreach activities in the last few years, including public hearings. The Government has put in place a mechanism for consultations with civil society for the new draft bills.

Freedom to form political parties and existence of organised opposition

The freedom to form political parties is both guaranteed by the Constitution and implemented in practical terms, as highlighted by the existence of a



significant opposition able to campaign freely and oppose government initiatives. 25 political entities participated in the last general elections, and 14 different political parties are represented in the national parliament.

Rule of Law and Access to Justice

Supremacy of the law

Necessary legislative and institutional safeguards for the supremacy of the law are in place. Over the past few years, Kosovo has adopted legislation for major judicial reform, and the core legal and institutional framework to ensure that the rule of law is in place. Citizens have the right to a free and fair trial and are free from arbitrary arrest or detention. Kosovan authorities have committed to cooperate with EULEX, including its Special Investigative Task Force, which investigated the war crimes allegations raised by Resolution 1782 of PACE adopted in January 2011, and later on with the newly established Kosovo Specialist Chambers and Specialist Prosecutor's Office (KSC/SPO). In 2020, the serving President of Kosovo, ex-Speaker of the parliament and the leader of one of the largest political parties voluntarily surrendered to KSC/SPO following the confirmed indictment against them. Both have resigned from their state and political functions. Previously, in 2019, a serving Prime Minister answered the call of KSC/SPO for questioning and resigned consequently.

Independence of the judiciary

The independence of the judiciary is guaranteed by the Constitution and key safeguards are in place to ensure its impartiality, although enforcement is uneven. Strengthening the independence and efficiency of the judiciary has been, according to the EU, which provides significant assistance to Kosovo in this area, one of the main objectives of the on-going comprehensive reforms. The EU has assessed that some progress has been achieved to this end, mainly in the area of legislative reforms in the rule of law area. However, the judiciary remains vulnerable to undue political influence.³

Government and citizens equally subject to the law

The right to access public information is provided by law, with the number of unanswered or refused requests being relatively low. The laws on the declaration of assets and on preventing conflicts of interest were adopted by the parliament. The initial reforms in public administration create conditions for the gradual establishing of a stable and professional civil service, which should be an important avenue to prevent abuse of authority and ensure that government and citizens are equal to the law. The reforms included the adoption of a law on civil service, establishment of the Ombudsperson (Ombudsperson Institution of Kosovo), and adoption of the new law on Ombudsperson.

Effective policies and institutions to prevent corruption

The legal framework for the fight against corruption is in place and is largely in line with international standards. Although Kosovo, due to the status issues explained in the Preamble to the Annex 1, is not a party to international anti-corruption conventions, it has made efforts to align its legislation with these conventions. The new Criminal Code, which entered into force in 2019, harmonised its provisions with EU's best practices.

As regards organisation, there are currently almost twenty different anti-corruption institutions in Kosovo. Coordination between them is weak and their responsibilities overlap. However, the decision of the government, in October 2020, to abolish one of such institutions, the special anti-corruption task force within the police, has been criticised by the EU as undermining the authorities' commitment to fighting high-level corruption.

According to the 2020 Transparency International Corruption Perception Index (CPI), Kosovo's ranking has been deteriorating in the last few years, and it is currently placed as 104th out of 180 countries, on par with Albania. The latest progress Report on Kosovo by the EC notes that limited progress has been achieved in the fight against corruption, particularly high-level corruption. Since it has been established, the Anti-Corruption Agency sent more than 1,000 cases to the prosecution.

3. Kosovo 2020 Report, European Commission, 6 October 2020.

4. *ibid*



Since the adoption of the previous country strategy, more than 60 cases pertaining to high-level corruption and organised crime have been subject to monitoring by the newly established track record mechanism, but only eight ended with guilty verdicts. The situation in the north of Kosovo with respect to organised crime continues to pose challenge to law enforcement agencies.⁴ The Council of the EU stressed in its Conclusions of 18 June 2019 the need to “resolutely address” corruption and organised crime.⁵

Civil and Political Rights

Freedom of speech, information, religion, conscience, movement, association, assembly and private property

Kosovo has a solid legal basis for the protection of fundamental rights and freedoms, which are enshrined in the new Constitution adopted in 2008. The Constitution lists the main international instruments, including the Universal Declaration of Human Rights, the European Convention for the Protection of Human Rights and Fundamental Freedoms and its Protocols, which are all directly applicable in Kosovo and, in case of conflict, take precedence over national laws. This is an important mechanism, especially given that Kosovo is not a member of the UN or of the Council of Europe with their monitoring instruments and is not a signatory party to any international instrument on human rights.

The Constitution provides citizens with the right to refer violations of their rights and freedoms guaranteed by the Constitution to the Constitutional Court. This can also be done by the Ombudsperson. Over the last few years, various additional structures were set up both at the central and local level to assist with the protection and enforcement of fundamental rights. The international community continues to be involved in the capacity building in this area.

Since Kosovo is not a member of the UN, it is not subject to assessment in the framework of the Universal Periodic Review (a process through which the human rights record of the UN Member States is periodically reviewed). The International Human Rights Working Group, established by UNMIK in September 2015, assisted in the implementation of human rights

mechanisms and frameworks by the relevant Kosovo institutions, including in reviewing the draft of Kosovo Human Rights Strategy (2016-2020).⁶

While fundamental rights are broadly enforced by the state institutions and respected, the latest EU reports pointed to remaining deficiencies, including a lack of coordinating mechanisms for the efficient implementation of strategies for the promotion and enforcement of human rights. The weaknesses in the consistent enforcement of the guaranteed rights include also the unresolved fate of persons missing after the conflicts of the 1990s, and the integration of persons with disabilities.

Political inclusiveness for women, ethnic and other minorities

As a result of its history of inter-ethnic conflict, as well as continuing differences of opinion in the wider international community regarding the status of Kosovo, the issues related to the rights of ethnic minorities in Kosovo are particularly sensitive. Six ethnic communities are specifically mentioned in Kosovo’s Constitution. According to the last (2011) Census, ethnic Albanians are 93 per cent of the population; ethnic Serbs 1.5 per cent; ethnic Turks 1 per cent; Roma, Ashkali, and Egyptians (RAE) 2 per cent; Gorans 0.6 per cent; Bosniaks 1.5 per cent. It should be noted, however, that ethnic Serbs boycotted the 2011 Census in northern Kosovo and their participation in the Census elsewhere was uneven. Unofficial estimates derived from the data used for practical purposes by the international presence in Kosovo put an estimated share of ethnic Serbs in the total population of Kosovo at 5-7 per cent. During the general elections in Serbia, Serbian electoral administration uses the number of about 100,000 of Kosovo residents registered to vote in these elections, but not all of them are necessarily ethnic Serbs.

The legislative framework for the protection of ethnic minorities is in place in Kosovo. Their rights are guaranteed by the Constitution and by the Law on the Protection of the Rights of Minorities. The Council of Europe Framework Convention for the Protection of National Minorities is directly applicable in Kosovo and takes precedence over Kosovo legislation.

5. Council Conclusions, Enlargement and Stabilisation and Association Process, Council of the European Union, 18 June 2019.

6. Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo, 1 February 2016.



The interests of minority ethnic communities are protected by a complex mechanism in place at the central level.

By regional standards, minorities are well represented in the national Parliament and in the government. In the parliament, there are 20 seats set aside for minorities out of the 120 MPs, of which 10 seats are specifically set aside for ethnic Serbs. The 20 “guaranteed” seats are enshrined in the Constitution. The 2014 elections were the first when the system of “guaranteed” seats replaced the provisional system of “reserved” seats, which in practical terms allowed minorities in the past to have 25 MPs rather than 20 as in the current Parliament. Two of the five Deputy Speakers of the Parliament represent non-majority communities.

The current governing coalition includes overwhelming majority of the political parties representing ethnic minorities, including ethnic Serbs. Serbian is one of the two official languages in Kosovo, alongside Albanian. Efforts have been made to improve the situation at the local level, including through the establishment of municipalities specifically to accommodate the interests of ethnic minorities, including better access to basic services. Out of the total of 38 municipalities, ten have either a majority or considerable ethnic Serbian population. One of the key elements of the 2013 EU-brokered agreement between Pristina and Belgrade on the principles for normalisation of their relations envisaged the establishment of the Association/Community of Serbian majority municipalities, which remains subject of heated debates, including as regards the Dialogue between Belgrade and Pristina. The EC recommended, among specific measures related to human rights, establishing a special body enabling direct consultation on the promotion and protection of religious and cultural heritage with minority communities.

The lack of trust between the Kosovan Albanian and some of the Kosovan minority communities persists. Various agencies report occasional incidents motivated by ethnic and religious hatred and cases of discrimination, as well as physical attacks against ethnic minorities. The authorities will have to do more to ensure the genuine integration of ethnic minorities. More also remains to be done to protect smaller ethnic minorities, particularly the most vulnerable RAE community. Several measures have been taken, notably to

address the issue of persons without documents and to integrate internally displaced persons (IDPs) and Roma refugees from Kosovo. Education projects have continued to lead to a certain increase in the enrolment rates of Roma children in secondary education. However, high unemployment rates persist, while access to unemployment benefits remains problematic. Stereotyping against RAE persists, including in the media.

The key legislative elements for gender equality, including constitutional provisions and a specific law on gender equality, are in place in Kosovo. By regional standards, women have an impressive representation in the national parliament, exceeding 30 per cent. Since the adoption of the previous country strategy two Presidents of Kosovo (counting the current President) have been women.

On the local level, however, women remain underrepresented at the decision-making level. There is not a single woman among mayors in Kosovo. There are also very few ethnic minority women that have senior political positions. Discriminatory customs and stereotypes are still present in the rural areas, undermining women’s basic rights. A remarkable 14 per cent of rural women, according to UN data, are illiterate, compared to four per cent of rural men.

Freedom from harassment, intimidation and torture

Constitutional guarantees against harassment, intimidation, and torture are in place and are upheld in practice. Through amending the law on the Ombudsperson, Kosovo has aligned with the requirements of the Optional Protocol to the Convention Against Torture. A delegation of the Council of Europe’s Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) last visited Kosovo in 2015. Particular attention was paid to the treatment and conditions of detention of persons in police custody and the situation in penitentiary establishments (including the regime for juvenile offenders, remand prisoners and inmates held in a new high-security prison and the provision of health). According to EC’s latest progress report on Kosovo, the situation remains “satisfactory”.⁷