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**ANNEX IV**

**to the Commission Implementing Decision approving the Reform Agendas and the  
multiannual work programme under the Reform and Growth Facility for the Western  
Balkans**

**REFORM AND GROWTH  
FACILITY FOR THE WESTERN  
BALKANS**

**REFORM AGENDA OF KOSOVO (Final Version of 06/09/2024)**

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## LIST OF ACRONYMS

ACA	Automatic Case Assignment
AFCOS	Anti-Fraud Coordination Service
AGE	Agency for Gender Equality
AIS	Agency of Information Society
ALPEX	Albanian Power Exchange
CAO	Chief Administrative Officer
CECT	Council of Experts on Curricula and Textbooks
CERT	Computer Emergency Response Team
CFO	Chief Financial Officer
CFSP	Common Foreign and Security Policy
CIT	Corporate Income Tax
CMIS	Court Management Information System
COFOG	Classification of the Functions of Government
CRA	Civil Registry Agency
CSA	Cybersecurity Agency
CSIRT	Computer Security and Incident Response Team
CSOs	Civil Society Organisations
CVD	Coordinated Vulnerability Disclosure
DCO	Development Cooperation Office
DEIPC	Departments of European Integration and Policy Coordination
DMPO	Department for the Management of Public Officials
DSO	Distribution System Operators
DTU	Digital Transformation Unit
EC	European Commission
ECE	Early Childhood Education
ECEC	Early Childhood Education and Care
EE	Energy Efficiency
IDAS	Electronic Identification and Trust Services
ENQA	European Network for Quality Assurance in Higher Education
EPBD	Energy Performance of Buildings Directive
ERA	European Reform Agenda
ERO	Energy Regulatory Office
ERP	Economic Reform Program
ERTMS	European Rail Traffic Management System
ESIA	Environmental and Social Impact Assessment
ETI	Educational and Training Institution
EU	European Union
FCR	Frequency Containment Reserve
FDI	Foreign Direct Investment
FEC	Final Energy Consumption
GDP	Gross Domestic Product
GEO	Gender Equality Office
GFCF	Gross Fixed Capital Formation
GFS	Government Finance Statistics

GG	Government Gateway
GHG	Green House Gas
HEI	Higher Education Institution
HEMIS	Higher Education Management Information System
HFC	Hybrid Fiber-Coax
HRM	Human Resources Management
HRMIS	Human Resources Management Information System
IA	Internal Audit
IAU	Internal Audit Unit
ICT	Information and Communication Technology
INTOSAI	International Organization of Supreme Audit Institutions
IPA	Instrument for Pre-accession Assistance
ITS	Intelligent Transport Systems
KAS	Kosovo Agency of Statistics
KCGF	Kosovo Credit Guarantee Fund
KEDS	Kosovo Electricity Distribution System
KEPA	Kosovo Environmental Protection Agency
KESP	Kosovo Education Strategic Plan
KFMIS	Kosovo Financial Management Information System
KJC	Kosovo Judicial Council
(K)NAO	(Kosovo) National Audit Office
KOSTT	Kosovo Transmission, System and Market Operator
KPC	Kosovo Prosecutorial Council
LOFSAIA	Law on the Organisation and Functioning of State Administration and Independent Agencies
MCEI	Ministerial Council for European Integration
MEAT	Most Economically Advantageous Tender
MED	Medical Education Institute
MESPI	Ministry of Environment, Spatial Planning and Infrastructure
MESTI	Ministry of Education, Science, Technology and Innovation
MFLT	Ministry of Finance, Labour and Transfers
MIA	Ministry of Internal Affairs
MRVA	Monitoring, Reporting, Verification and Accreditation
MSME	Micro, Small, and Medium Enterprises
MTEF	Medium Term Expenditure Framework
MVA	Manufacturing Valued Added
NCEI	National Council for Economy and Investments
NDP	National Development Plan
NDS	National Development Strategy
NDSP	National Development Strategy and Plan
NECP	National Energy and Climate Plan
NIPAC	National IPA Coordinator
NIS	Network and Information Systems
NPEI	National Programme for European Integration
NPISAA	National Programme for Implementation of the Stabilisation and Association Agreement
NQA	National Qualifications Authority
NQF	National Qualifications Framework

OCCTR	Organised Crime and Corruption Track Record
OCSAP	Office of Coordination of the Stabilisation and Association Process
OECD	Organisation for Economic Co-operation and Development
OE CIM	Office of Economic Criteria and Internal Market
OPC	Office of Political Criteria
OPM	Office of the Prime Minister
OSP	Office of Sectorial Policies
PAM	Policy and Measure
PAR	Public Administration Reform
PARMC	PAR Ministerial Council
PARS	Public Administration Reform Strategy
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIFC	Public Internal Financial Control
PFMS	Public Finance Management Strategy
PG	Policy Guidance
PIP	Public Investment Program
PIT	Personal Income Tax
POE	Public Owned Enterprises
PP	Public Procurement
PPC	Penal Procedure Code
PPP	Public-Private Partnership
PPRC	Public Procurement Regulatory Commission
PRB	Procurement Review Body
RAEPC	Regulatory Authority of Electronic and Postal Communications
RES	Renewable Energy Sources
RM	Reform Measures
SAA	Stabilisation and Association Agreement
SAC	Stabilisation and Association Council
SAPC	Stabilisation and Association Parliamentary Committee
SBS	Sector Budget Support
SCs	Subcommittees
SEA	Strategic Environmental Assessment
SGs	Special Groups
SMEs	Small and Medium-sized Enterprises
SMIA	Education Information Management System
SPO	Strategic Planning Office
SWGEI	Sectorial Working Groups for European Integration
TAK	Tax Administration of Kosovo
TEN-T	Trans-European Transport Network
TPD	Teacher Professional Development
UNCITRAL	United Nations Commission on International Trade Law
VAT	Value Added Tax
VET	Vocational Education and Training
WB6	Western Balkans 6
WCEI	Working Committee for European Integration

# PART 1: OBJECTIVES AND COHERENCE OF THE REFORM AGENDA

## 1. MAIN CHALLENGES

Kosovo, a parliamentary republic and upper-middle-income country, is a potential candidate for accession into the European Union (EU). The Stabilisation and Association Agreement (SAA) with the EU is in force since 1 April 2016. In 2023 Kosovo adopted the National Development Strategy 2030 and regularly updates mid-term planning documents such as the National Programme for European Integration and the Economic Reform Programme as part of the Economic and Financial Dialogue with EU. Kosovo applied for EU membership on 15<sup>th</sup> of December 2022 and pursues dynamic and ambitious EU accession reforms.

The pace of socio-economic convergence between Kosovo and EU is slower than desired. At present, the Kosovo GDP per capita in purchasing power standard stands at 27% of the EU average. Hence, Kosovo welcomes the **Reform and Growth Facility for the Western Balkans for the period 2024-2027** as complementary instrument to the IPA III. It is also encouraging to have in place a Growth Plan that aims to improve convergence within the WB6 and with the EU through boost of economic integration, getting closer to European Union Single Market, strengthening regional cooperation and acceleration of fundamental reforms. As such, it will boost economic growth, strengthen regional stability and contribute to speed up the accession process of Kosovo to the EU.

Kosovo has developed rapidly in this recent decade, it has ensured continuous economic growth, improved living standards and taken important steps in building democratic institutions and free market economy. Economic growth in past five years was steady: 2018 (3.4%), 2019 (4.8%), 2020 (-5.3%), 2021 (10.7%), 2022 (4.3%) and 2023 (3.3%). According to the World Bank, in the past three years, Kosovo's economy has on average grown by 6.2%. Kosovo is continuing to implement reforms aimed at improving the business making environment, attracting FDIs, reducing corruption, strengthening contract enforcement, rebalancing towards higher investments and exports, reducing import dependence and increasing labour force participation. The medium-term outlook remains stable and positive, with growth expected to grow bringing the level of economic activity closer to Kosovo's potential. However, continued uncertainties related to slowdown in Europe, distorted chains of supply and the global crises entail significant challenges.

Kosovo's economic projections reflected in the Mid-term Expenditure Framework and Economic Reform Programme foresee economic growth to pick up, mainly based on a robust rebound in private and public investments. Yet, there are many challenges that pose a risk to this prediction. The Government of Kosovo acknowledges Commission's independent analysis of Kosovo's economy, which identified the main structural challenges to competitiveness and inclusive growth. The main structural challenges to competitiveness and inclusive growth, drawing on Kosovo's ERP, are grouped on three most significant challenges:

- *Improving energy security and sustainability by reforming the energy sector, transitioning to renewables and tapping energy saving potential;*
- *Encouraging sustainable employment by improving quality education and labour market needs; and*
- *Reduction of the informal economy and improving the environment for doing business.<sup>1</sup>*

To address these challenges Kosovo has identified structural reform priorities, which are aligned with policy reform proposals for the Growth Plan.

Kosovo has experienced steady economic progress since the declaration of independence, with a nearly 50% increase in per-capita income and a 35% reduction in the poverty rate.<sup>2</sup> It has successfully transitioned away from a growth model based on high dependence on foreign aid inflows, outperforming peer countries of similar per-capita income thanks to a steady expansion in consumption

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<sup>1</sup> Page 14 [https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-05/Kosovo%202023%20ERP%20assessment%20SWD\\_2023\\_107.pdf](https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-05/Kosovo%202023%20ERP%20assessment%20SWD_2023_107.pdf).

<sup>2</sup> <https://www.worldbank.org/en/country/Kosovo/overview#1>.

and investment, with a strong impetus from diaspora inflows, public investment in infrastructure, and financial deepening, amid a stable fiscal prudence and an environment of low inflation.

Kosovo's economic policies among other focused on providing policy support to cushion the impact of high energy prices, elevate the pandemic consequences and gradually return to the established fiscal buffers. To continue to grow, Kosovo needs to unleash productivity gains and create more, better paid and quality jobs. This will require addressing infrastructure bottlenecks, public administration reform, strengthening rule of law, respond to the needs of green and digital transition, prioritizing human capital investment, and creating an environment more conducive to private sector development.

The unemployment level, although still high, has decreased considerably in the last two years. With measures that target employment and formalization of the labour market implemented by the Government of Kosovo, according to official statistics of Kosovo Agency of Statistics, the unemployment level has decreased from 25.9% in 2020 to 10.7% in the second trimester of 2023. Further, addressing the current unemployment level requires targeted policies to enhance education, vocational training, and reducing the skills mismatch in the labour market.

The economy has started to diversify especially in terms of the sectors that contribute to export, nevertheless for the economy to be competitive in the region and European markets these trends of diversification need to continue at an increasing rate to ensure economic resilience especially in tackling risks associated with external shocks and market fluctuations.

Further improving infrastructure, including energy and digital connectivity, is necessary to unleash full potential for economic growth. Investing in these areas is crucial for enhancing competitiveness and attracting foreign direct investments.

With the aim to address these challenges and respond to objectives of the Growth and Reform Facility for even more alignment with EU fundamentals and progressing towards convergence of our economy with the region and that of the EU, the specific reforms in five policy areas have been designed. An ambitious yet realistic set of quantitative and qualitative steps within this Reform Agenda have been agreed both at political and technical level with all line ministries, including responsible units, as well as independent agencies for their implementation in next 3-4 years.

### **Problem analysis - Governance, PAR and PFM**

While Kosovo has made notable progress in governance, public administration reform, and public finance management, several challenges remain. Addressing these issues requires sustained commitment, enhanced coordination, and continuous support from international partners to build a more efficient, accountable, and transparent government.

Kosovo's governance structure struggles with inefficiencies and a lack of accountability. Coordination among different government bodies is often weak, leading to fragmented policy implementation. The European Commission has noted that while Kosovo has made progress in rationalizing agencies, there is still a need to strengthen inter-ministerial coordination and ensure consistent policy objectives across all levels of government. The Office of Prime Minister and Ministry of Finance, Labour and Transfers have successfully strengthened the centre of government coordination of policy planning and European Integration functions. This robust framework ensures that all line ministries are aligned in their efforts, contributing to a cohesive and strategic approach to governance.

One major issue in Kosovo's public administration is the professionalization of the civil service. Although steps have been taken towards merit-based recruitment and performance assessments, implementation remains inconsistent. The European Commission has urged Kosovo to expedite the organization of centralized civil service recruitment and finalize job classifications. Additionally, there is a significant administrative burden due to outdated procedures and overlapping responsibilities among agencies, which hampers efficient service delivery. The ERP highlights significant strides in public administration reform through open and participatory approach with stakeholders. The government's commitment to continuous improvement in public administration is evident from the structured and methodical approach taken in preparation of ERP.



The Republic of Kosovo has a well-established public finance management system compliant with the international standards and best practices. Allocation of resources is adequately managed, controlled and monitored based on the legal provisions and procedures in place. Mid-term fiscal and expenditure framework backed by macroeconomic and fiscal projections supports the implementation of policies based on a predictable and stable fiscal strategy. The budget classification system is consistent with international GFS/COFOG standards. Sufficient transparency measures are in place with relevant budget documentation being shared with the public. Financial management and reporting is supported by electronic data management systems with appropriate levels of control. The Treasury operations are supported by Kosovo Financial Information Management System (KFMIS), whereas the public investment operations are hosted in PIP (Public Investment Programme) system.

The recent EU Sector Budget Support to PFM has contributed to further consolidation of public finances. A Public Finance Management Strategy 2022-2026 guides the PFM reforms. The overall objective is to contribute to sound fiscal management and improved service delivery through improved fiscal discipline and strategic allocation of resources. The document outlines strategic priorities concerning the budget planning, budget execution, internal and external control as well as procurement.

The 2022 Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report highlights a number of areas for improvement including better implementation of audit recommendations, full compliance of government finance statistics with GFS 2014 standards and the progress towards developing a fully-fledged MTEF appears slow. Further work is needed on internal control systems according to the assessment.

The World Bank has highlighted the need for better budget transparency and enhanced revenue collection mechanisms to ensure fiscal stability. Kosovo's ERP underscores a solid fiscal strategy aimed at maintaining stable public finances through increased tax revenue and improved tax compliance, capital expenditures expected to stimulate economic activity and comprehensive debt sustainability analysis and ensuring long-term financial stability. Ensuring effective use of public funds and improving the predictability and transparency of public expenditures are crucial steps for Kosovo's economic health.

In the area of strategic allocation of resources, the monitoring does not ensure that risks are adequately identified, hence relevant management of risk mitigation measures cannot be made. Monitoring of public investments during all stages of implementation and asset maintenance are not comprehensive nor covering all Government owned assets. The fiscal risks for the operations of public corporations are monitored and reported but later than international practice.

The budget process is clear and with set rules and deadlines in place. Nonetheless, better planning of capital expenditure spending would result in more efficient use of resources and more accurate budget projections. Similarly, inaccurate budget projections may lead to fiscal risks stemming from underspending of capital expenditures. Under-performance of capital expenditure has a significant role in public investment and may affect the revenue projections. There are insignificant deviations for revenue outturn. In preparing its macro-fiscal analysis, the Government of Kosovo estimates a rate of under- performance for capital expenditure, nevertheless risks continue to be present.

### **Problem analysis - Green and Digital Transition**

While Kosovo has begun its journey towards a green transition, achieving sustainable energy security and environmental health necessitates overcoming substantial technical, economic, and social barriers. Continued commitment to policy reform, investment in renewable energy, and inclusive workforce development will be crucial in addressing these challenges effectively.

The green transition in Kosovo faces significant challenges despite recent strides towards sustainability. Key issues include the reliance on outdated and highly polluting energy sources, particularly brown coal/lignite, which account for a substantial portion of the country's energy mix. This reliance not only contributes to severe environmental degradation but also poses risks to energy security, as the energy sector remains undiversified and fragile. It has also negative health impact, particularly in winter when fuelwood use is high for heating homes. Additionally, the high dependency on imports to balance energy supply and demand during peak periods exacerbates economic vulnerabilities.

Kosovo has made some progress, notably with the endorsement of the Green Agenda for the Western Balkans and the development of a national energy strategy for 2022-2031. Renewable energy sources, including hydropower, wind, and solar, have been gradually introduced, accounting for over 5% of the electricity supply. However, this is still insufficient given the country's targets and the potential for renewable energy exploitation.

Efforts to improve energy efficiency and promote renewable energy have included initiatives such as the Energy Efficiency Fund, which supports retrofitting public buildings and subsidizing efficient heating equipment for households. Moreover, the introduction of new block tariffs aims to incentivize energy efficiency among consumers. Despite these initiatives, significant obstacles remain, including regulatory challenges, a slow permitting process for renewable projects, and the need for substantial investment in infrastructure.

The socio-economic impact of transitioning to a green economy is another critical challenge. The shift requires not only technological and infrastructural changes but also significant investment in human capital. Training, re-skilling, and up-skilling the workforce, particularly those currently employed in traditional energy sectors, are essential to ensure a just transition that does not leave segments of the population behind.

Kosovo is making significant strides in its digital transition, highlighting both progress and opportunities for improvement. One key achievement is Kosovo's constructive engagement in regional dialogue on digital transformation and its role in implementing the Regional Roaming Agreement since July 2021. Hosting the Western Balkans Digital Summit in Prishtina in September 2022 further underscores Kosovo's commitment to digitalization.

However, the uptake of e-commerce among SMEs has decreased, with only 17% of Kosovo companies using the internet to sell goods and services in 2021, down from 30% in 2019. This indicates that while e-commerce programs are being implemented, their adoption needs to be more widespread.

To address this, Kosovo is focusing on developing the necessary legal framework and infrastructure to stimulate e-commerce and facilitate international electronic payments. The rollout of e-governance services is still at an early stage, indicating a need for a comprehensive policy framework for digital transformation and better coordination of digital service delivery.

In the realm of cybersecurity, Kosovo is improving its legislation to ensure the security of network and information systems. However, the implementation of these measures requires more financial and human resources.

The extension of ICT infrastructure is a major reform measure aimed at socio-economic development, enhancing public services, and digitalizing the education system. This well-planned measure, which includes various policy actions and a detailed implementation plan, is expected to make substantial progress if executed properly. The budgeting for this measure is planned through a combination of national and IPA funds, which indicates strong financial backing and potential for success.

Overall, Kosovo is on a positive trajectory in its digital transition. With continued focus on enhancing e-commerce adoption, improving cybersecurity, and expanding ICT infrastructure, Kosovo is poised to achieve significant advancements in digitalization, thereby boosting its economic development and integration into the regional digital economy. Addressing these issues is essential for Kosovo to fully realize the benefits of the digital transition.

### **Problem analysis - Private sector development and business environment**

While the challenges to private sector development in Kosovo are substantial, they are not insurmountable. Through strategic reforms, investment in education and financial infrastructure, and a commitment to transparency and the rule of law, Kosovo can create a vibrant and dynamic business environment that supports sustainable economic growth.

Private sector development in Kosovo faces several challenges, but with a positive outlook, these can be transformed into opportunities for growth and improvement.

Investments in Kosovo's private sector and foreign direct investments face several issues. Key problems include an unstable political environment, inadequate infrastructure, productivity inefficiencies and weaknesses in contract enforcement and rule of law hamper economic development. The business climate is further challenged by regulatory unpredictability and a lack of skilled labour. These factors collectively discourage both domestic and foreign investments, hampering economic development.

Another significant challenge is the limited access to finance. Small and medium-sized enterprises (SMEs), which are crucial for economic growth, often struggle to secure the necessary funding to expand their operations. By fostering stronger financial institutions and creating targeted support programs for SMEs, the government will stimulate private sector growth. Additionally, developing alternative financing options, such as venture capital and microfinance, will provide the necessary capital for innovative start-ups. However, addressing these issues through comprehensive reforms can create a more conducive environment for private sector development.

The skills gap in the workforce is another barrier. Many businesses report difficulties in finding employees with the appropriate skills and qualifications. Addressing this through targeted educational reforms and vocational training programs can ensure that the workforce meets the demands of the modern economy. By investing in education and training, Kosovo will develop a more competitive and capable workforce, which in turn will attract more investment and drive private sector growth.

Public-owned enterprises (POEs) in Kosovo face several issues, including inefficiency and lack of competitiveness. They suffer from poor governance, and weak financial performance, leading to substantial fiscal risks. Additionally, there is a lack of transparency and accountability, resulting in mismanagement and corruption. The inadequate regulatory framework further exacerbates these problems, preventing necessary reforms and modernization. Consequently, POEs can further improve the provision of quality public services and contribute effectively to the economy.

### **Problem analysis- Education and labour market**

Kosovo education system and labour market face critical challenges hindering socio-economic progress and EU convergence. Despite positive employment trends, with formal employment rising by 4.9% and unemployment decreasing to 10.7% in the 2<sup>nd</sup> trimester of 2023, high inactivity rates, particularly among women (78%), persist. The labour market exhibits significant gender disparities: male employment at 49.4% contrasts sharply with female employment at 18.4%. Nevertheless, some more light will be shed onto these figures once the new census statistics come in, feeding the decision-making process with accurate data for policy formulation.

A major issue is the mismatch between the labour force skills and market demands. Many young people struggle with transitioning from education to employment, contributing to a youth unemployment rate of 21.4%. The economy, driven by sectors like hospitality, agriculture, trade, and construction, suffers from a lack of skilled professionals. This skill gap is underscored by employers' reports: around 50% indicate that general education fails to equip students with necessary skills, and 75% face difficulties hiring qualified managers, professionals, and technicians. The mismatch between the skills taught in schools and those demanded by the labour market exacerbates the problem. Moreover, there is a lack of effective vocational education and training (VET) programs that can bridge this gap. The result is a workforce that is not equipped with the skills needed for modern economic activities, leading to high unemployment rates among young people and graduates. Despite some progress, including partnerships between VET schools and employers and the introduction of dual education in 12 profiles, these initiatives remain limited. The government has established task forces and initiated reforms, but broader implementation and sustainability are needed. Active labour market measures are inadequate. There is a high supply-demand mismatch, with the labour market unable to absorb the surplus of job-seekers.

The labour market in Kosovo faces several structural problems. Besides high unemployment rates, particularly of youth and women, the informal economy is leading to precarious working conditions and inadequate social protection for many workers.

Digitalization in education faces issues like inadequate infrastructure, lack of digital literacy among teachers and students, disparities in access, and insufficient funding. These challenges hinder effective

integration of digital tools, resulting in unequal learning opportunities and impeding overall educational progress.

Early childhood education in Kosovo faces several challenges, including inadequate infrastructure, insufficient funding, and a lack of qualified staff. These issues hinder the provision of quality education and limit access for many children. Moreover, the participation of women in the labour market is affected by these early education shortcomings. Women often bear the primary responsibility for childcare, and without reliable early childhood education options, they struggle to maintain continuous and full-time employment. This situation exacerbates gender disparities in the workforce, limiting economic growth and perpetuating cycles of poverty and inequality.

The interplay between education and the labour market issues is critical. The ineffective education system leads to a workforce that lacks essential skills, which in turn hampers the labour market's ability to absorb new entrants effectively. This creates a cycle of unemployment and underemployment, particularly affecting vulnerable groups, youth and women. To break this cycle, comprehensive reforms are needed in both education and labour market policies. These reforms should focus on aligning educational outcomes with market needs, enhancing vocational training programs, and creating a more inclusive and formalized labour market.

### **Problem analysis - Fundamentals/Rule of Law**

The judiciary in Kosovo faces several significant issues. There are concerns about the efficiency and effectiveness of judicial processes, often plagued by lengthy proceedings and case backlogs. Corruption and external tendencies to influence decisions further undermine the judiciary's independence and impartiality. Additionally, there are challenges related to the implementation and enforcement of laws, with limited resources and inadequate training for judicial personnel exacerbating these problems. Public trust in the judiciary remains low, reflecting broader governance and rule-of-law issues within the country.

Corruption in Kosovo remains a challenge, hindering economic progress and EU integration efforts. The European Commission's assessment highlights persistent issues with high-level corruption and a lack of effective judicial responses. The report points to weaknesses in the rule of law and enforcement mechanisms, as well as insufficient political will to tackle corruption comprehensively. Kosovo government will enhance anti-corruption mechanisms and enforce greater transparency in public institutions to build trust and foster economic development.

Organized crime in Kosovo impedes socio-economic convergence with the EU through undermining the rule of law, deterring foreign investment, and hindering economic development. Strengthening law enforcement, judicial independence, and anti-corruption measures are crucial for Kosovo's progress towards socio-economic alignment with EU standards.

Challenges also include media freedom and protection of minority rights. These deficiencies undermine public trust and inhibit effective governance, which are crucial for economic stability and growth. Reforms aim to enhance democratic institutions, enforce human rights protections, and ensure transparency in governance, essential for Kosovo's integration and alignment with EU values and human rights standards.

## 2. OBJECTIVES OF THE REFORM AGENDA

Accelerating Kosovo's socio-economic convergence with the EU requires a concerted effort to overcome multifaceted challenges. Therefore, the main objective of this Reform Agenda is to serve as a roadmap in strategically addressing governance, economic diversification, labour market reforms, infrastructure development, rule of law and social inclusion. All the while continuing to reform the public administration, digitalizing public services and the economy to meet the needs of citizens and businesses, and ensuring energy supply in meeting rapidly growing demand especially in the face of energy insecurity in Europe.

Reforms are also planned to be undertaken in the key sectors such as Education, Business Environment, Gender Equality, Environment and Transport. The purpose in the field of Education is to improve the quality and relevance of the education system to increase employment and reduce skills mismatches. While informality and a weak business environment remain a key structural challenge for Kosovo's economy that is why the reforms that will be undertaken are facilitating investment, start up support, export profile enhancement, legislation updates, and introducing intelligent transport systems. In addressing gender equality, the implementation of the legislation and the strategic framework on the protection against domestic and gender-based violence and on the rights of non-majority communities will be strengthened. Additionally, in terms of environmental challenges the decarbonisation policy will be introduced in the next four years.

### **Contribution of Reform Agenda to the achievement of the general objectives of the Reform and Growth Facility**

The contribution of this Reform Agenda to the general objectives of the RGF is twofold. Firstly, it brings Kosovo closer to the EU in its individual integration path and its progress in economic development in coming closer to the EU average. Kosovo's strategic reforms aspire to align with EU values of human dignity, freedom, democracy, equality, rule of law, and human rights through comprehensive and transparent governance, green and digital transition, private sector development, human capital enhancement, and adherence to fundamental rights. Through these reforms, Kosovo aims to uphold and cultivate EU values, fostering a stable, democratic society with robust human rights protections and an open free market economy.

Secondly, this reform agenda contributes to the horizontal and regional aspect of the RGF instrument. It introduces many reforms which will be highly relevant to achieving economic convergence within the six countries in the Western Balkans. Each policy area and within it sectoral reforms contribute to (1) aligning with EU values, laws, rules, standards, policies, and practices, (2) creating a robust framework for economic development, aligning with EU standards, and progressively integrating into the regional and EU single market, (3) fostering a more transparent, efficient, and inclusive socio-economic environment, accelerating its convergence with the EU, and (4) contributing to fostering regional cooperation.

The contribution of reforms to the general and specific objectives of the Facility (Art.3) is as follows:

#### *1. Governance, PAR and PFM.*

**Strengthening administrative capacities** - filling vacancies in public administration regularly and reducing the number of open positions enhance transparency and efficiency, ensuring a competent, accountable administration and better resource management.

**Transparent remuneration system and streamlined organization of line ministries and subordinated bodies for an accountable administration** - establishing a fair and transparent pay system improves accountability and morale within the public sector.

**Public finance management** - completing the legal framework for public procurement and reforming public investment management ensure that public funds are used efficiently, adhering to international standards.

## *2. Green and Digital Transition*

**Digitalisation of public services** - user-friendly digital public services reduce administrative burdens and improve accessibility, fostering transparency and efficiency in governance and reducing burdens. Developing secure digital infrastructure, including rural broadband and 5G security tools, will enhance connectivity and economic opportunities.

**Cybersecurity and digital infrastructure** - establishing a secure digital infrastructure, including rural and mobile broadband, supports equitable access to technology, strengthen institutional capacities and safeguards against cyber threats.

**Clean energy and decarbonisation** - implementing the Clean Energy Package and National Energy and Climate Plan promotes environmental sustainability and aligns with EU green policies. Transparent procedures for renewable energy deployment and adherence to energy efficiency directives will foster a green economy.

**Energy efficiency and renewable** - implementing energy efficiency directives and developing competitive procedures for renewable energy deployment will drive sustainable energy use.

## *3. Private Sector Development*

**Business environment and investment** - facilitating private sector investments, supporting start-ups and MSMEs in ICT and green technologies, and improving the export profile of strategic sectors encourage economic growth, diversification and innovation. Implementing bankruptcy legislation aligned with EU acquis will streamline insolvency processes.

**Public Enterprises and Transport Systems** - Improving governance and efficiency of Publicly-Owned Enterprises (POEs) and deploying Intelligent Transport Systems (ITS) will enhance economic contributions and transport efficiency.

**Financial inclusion** - enhancing access to finance and integrating payment systems through improved payment systems and supportive legislation to boost economic participation, entrepreneurial growth and stability.

## *4. Human Capital Development and Retention*

**Education Reform** - Digitalizing education, improving early childhood education, and enhancing teacher quality to ensure a skilled workforce aligned with market needs and promote employability.

**Labour market inclusion** - Increasing the participation of women, youth, and vulnerable groups in the labour market through public employment service restructuring and aligning education with labour market needs to promote equality and social cohesion.

## *5. Fundamentals/Rule of Law*

**Judiciary improvements** - Enhancing judicial performance, integrity, and accountability ensure fair and efficient legal processes, strengthening the rule of law and boosting public trust.

**Anti-corruption measures** - improving anti-corruption strategies enhances trust in public institutions and governance.

**Combating organized crime** - implementing strategic approaches to tackle organized crime ensures safety and legal integrity.

**Protecting fundamental rights** - strengthening protections against domestic and gender-based violence and ensuring the rights of non-majority communities in fostering human dignity and equality.

**Democratic processes** - improving legislative processes and oversight capabilities of the Assembly ensures democratic governance and accountability.

## **Contribution of Reform Agenda to a progressive and continuous alignment with Union Common Foreign and Security Policy**

The reforms outlined in Reform Agenda contribute to a progressive and continuous alignment with the European Union Common Foreign and Security Policy (CFSP) by enhancing Kosovo's capacity to preserve peace, strengthen international security, promote international cooperation, and develop and consolidate democracy, the rule of law, and respect for human rights and fundamental freedoms.

Russia's war of aggression against Ukraine has further underlined the need for unity and solidarity among the EU and its closest partners and thus the importance of common foreign and security policy (CFSP) alignment in the enlargement process. Alignment with CFSP of Kosovo is in line with our strategic choice for EU accession. Kosovo will continue its unilateral alignment as a confirmation of its strategic direction towards the EU.

Kosovo is fully committed to aligning its foreign policy with that of the European Union. On October 24, 2022, the Ministry of Foreign Affairs and Diaspora (MFAD) established the Inter-Institutional Working Group to coordinate the implementation of international sanctions. This working group is fully operational and has just recently recommended the government to adopt the 12th and the 13th package of EU sanctions against Russia. We actively engage with EU institutions and member states to learn from their experiences and address the possible challenges we may face in the internal coordinating the implementation of the sanctions. We are dedicated to continue aligning our foreign policy with the EU, and we are willing to further advance our cooperation with the EU institutions in this matter including application of sanction regimes, alignment with EU positions and capacity to contribute and participate in EU lead missions and operations.

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In regards to visa policy alignment, Kosovo continues its progress towards EU visa policy alignment. Following visa free travel for Kosovo passport holders as of 1st of January 2024, Kosovo institutions, are very closely monitoring the implementation as well as rate of foreign visitors to Kosovo for which visas are required to enter the EU. Kosovo has an active inter-institutional coordination group which regularly analyses and assesses Kosovo's current visa policy based on number of visitors (entry/exit), strategic interests, mutual visa policy and bilateral relations and gives recommendations for government decisions. The latest decision is taken by Kosovo government on 14th August, 2024 whereby visa regimes are imposed for three countries for which visas are required to enter the EU. In this regard, Kosovo will continue to increase visa policy alignment with the EU acquis and commits to introduce additional security measures to better screen visa-free arrivals, and to gradually terminate visa-free regimes with countries that are not on the EU visa-free regime list, in particular towards those presenting irregular migration or security risks to the EU.

### 3. CONSISTENCY WITH THE OVERALL POLICY FRAMEWORK

Kosovo's Reform Agenda encompasses a wide range of reform policy areas aimed at addressing various socio-economic and political challenges facing the country. While specific priorities may evolve over time, common themes in this Reform Agenda include 17 sectors across 5 areas.

Aligning these reform policy areas in the Reform Agenda with the overall Kosovo Policy Framework including the Economic Reform Programme, the Joint Policy Guidance and the Enlargement Policy framework is crucial for ensuring coherence, synergy, and effectiveness in driving economic growth, development, and it is essential for maximizing the impact of reform efforts and addressing cross-cutting challenges. The reforms foreseen in the Reform Agenda of the Growth Plan are aligned with the priorities foreseen in:

#### ***Consistency with the Economic Reform Programme (ERP) 2024-2026***

Kosovo's Reform Agenda responds to the challenges identified in the Structural Reforms of the Economic Reform Programme in all three Priority Areas including 6 proposed measures in the ERP.

The first Priority Area of the ERP 2024-2026, *Competitiveness* consist of 2 Reform Measures (*RM1*: Enhancing the business environment by decreasing the informal economy and administrative burden and *RM2*: Increase of Investments and Export Promotion), these measures are very much aligned with policy area 2 (*Green and Digital Transition*) and 3 (*Private sector development and business environment*) of the Reform Agenda, respectively with the Digitalization of public services and infrastructures and Business environment sectors.

In the second Priority Area of the ERP 2024-2026, *Sustainability and Resilience* has also 2 Reform Measures (*RM3*: Decarbonizing the energy sector through clean energy transition and smart infrastructure to implement the Green Deal and *RM4*: Improvement, development and maintenance of broadband electronic communications infrastructure, for socio-economic development, advanced public services, as well as digitization of systems of national importance), these measures are in consistency with Policy Area 2 (*Green and Digital Transition*) and 4 (*Human capital development and retention*) of the Reform Agenda, respectively with the Market reforms, Decarbonisation policy, Renewables deployment, Energy Efficiency, Digitalization of public services and infrastructures, Cybersecurity and Education sectors.

In the third Priority Area of ERP 2024-2026, *Human Capital and Social Policies* includes also 2 Reform Measures (*RM5*: Increasing employment level, strengthening employability and workers' rights through the improvement of employment and education policies and *RM6*: Improving social well-being through the enhancement of social protection services and health-care services) which are consistent with Policy Areas 2 (*Green and Digital Transition*) and 4 (*Human capital development and retention*) of the Reform Agenda, respectively *Digitalization of Public Services and Infrastructures* and *Labour Market* sectors.

The following table shows the consistency between ERP 2024-2026 Structural Reforms and Growth Plan Reform Agenda.



*Table 1: Consistency between the Economic Reform Programme 2024-2026 Structural Reforms and the Growth Plan Reform Agenda*

Structural Reforms of ERP		Reform Agenda of Growth Plan	
Priority Area	Reform Measure	Component (Sector)	Reform
1. Competitiveness	1. Enhancing the business environment by decreasing the informal economy and administrative burden	2.1 “Digitalization of public services and infrastructures”	2.1.1 Ensure user friendly digital public service delivery through administrative burden reduction and improved quality and increased number of services available online
	2. Increase of Investments and Export Promotion	3.1 Business environment	3.1.1 Facilitate investments of private sector and improve mechanisms to attract FDI in strategic sectors promoting adoption of higher value-added products and services and innovation
2. Sustainability and Resilience	3. Decarbonizing the energy sector through clean energy transition and smart infrastructure to implement the Green Deal	2.3 Market reforms	2.3.1 Transposition and implementation of the Clean Energy Package
		2.4 Decarbonisation policy	2.4.1 Implementation of climate and energy actions as per the National Energy and Climate Plan (NECP)
		2.5 Renewables deployment	2.5.1 Development of transparent and competitive procedures for deployment of renewable energy.
		2.6 Energy Efficiency	2.6.1 Implementation of the Energy Efficiency Directive and the Energy Performance in Buildings Directive
	4. Improvement, development and maintenance of broadband electronic communications infrastructure, for socio-economic development, advanced public services, as well as digitization of systems of national importance	2.1 Digitalisation of public services and infrastructures	2.1.2 Establish a secure, resilient and sustainable digital infrastructure including rural and mobile broadband and 5G roll-out, with strict compliance to the EU 5G Toolbox of mitigating measures to address security risks
			2.1.1 Ensure user friendly digital public service delivery through administrative burden reduction and improved quality and increased number of services available online
		2.2 Cybersecurity	2.2.1 Comprehensive framework for cyber resilience (introducing requirements of NIS2 Directive and strengthening relevant institutions)
		4.1 Education	4.1.1. Based on Education Strategy 2022 – 2026, introduce a digitalised education system by implementing digital infrastructure in schools, providing digital learning materials and developing the digital skills of teachers
3. Human Capital and Social Policies	5. Increasing employment level, strengthening employability and workers' rights through the improvement of employment and education policies	4.2 Labour market	4.2.2 Align education, with labour market needs through close cooperation with the business community and through revising the legal framework on VET and adult education and increasing work-based learning in VET schools
			4.2.1 Increase labour market participation of women, young people and vulnerable groups through the ongoing restructuring and improved administrative capacity of public employment services
	6. Improving social well-being through the enhancement of social protection services and health-care services	2.1 Digitalisation of public services and infrastructures	2.1.1 Ensure user friendly digital public service delivery through administrative burden reduction and improved quality and increased number of services available online

### ***Consistency with the Joint Policy Guidance of the 2023 Economic and Financial Dialogue***

Kosovo’s Reform Agenda responds to the challenges identified in the joint conclusions of the economic and financial dialogue between the EU and Kosovo in 4 out of 6 joined policy guidance.

Sectors such as Business environment and Public Finance Management responds to the challenges in the second policy guidance identifying reforms such as Improve the governance, efficiency, and accountability of Public-Owned Enterprises (POEs) to enhance their contribution to the economy and Reform of the public investment management, encompassing the regulatory framework on public investments, the administrative set-up and the unified methodological approach to ensure compliance

with the best international standards and allow for a more transparent and efficient implementation of the capital projects.

Sectors like: Market reforms, Decarbonisation policy, Renewables deployment and Energy Efficiency responds to the challenges in the fourth policy guidance of the Joined Conclusions identifying reforms like: Transposition and implementation of the Clean Energy Package, Implementation of climate and energy actions as per the National Energy and Climate Plan (NECP), Development of transparent and competitive procedures for deployment of renewable energy and Implementation of the Energy Efficiency Directive and the Energy Performance in Buildings Directive.

Business environment sector and Digitalization of public services and infrastructures responds to the challenges in the fifth Policy Guidance identifying reforms like: Facilitating investments of private sector and improve mechanisms to attract FDI in strategic sectors promoting adoption of higher value-added products and services and innovation and Ensuring user friendly digital public service delivery through administrative burden reduction and improved quality and increased number of services available online and lastly, Labour Market responds to the challenges in the sixth Policy Guidance identifying reforms like: Increasing labour market participation of women, young people and vulnerable groups through the ongoing restructuring and improved administrative capacity of public employment services and Alignment of education, with labour market needs through close cooperation with the business community and through revising the legal framework on VET and adult education and increasing work-based learning in VET schools.

The following table shows the consistency between the Economic and Financial Dialogue 2023 Joint Policy Guidance and Growth Plan Reform Agenda.

*Table 2: Consistency between the 2023 Economic and Financial Dialogue Joint Policy Guidance and the Growth Plan Reform Agenda*

2023 Economic and Financial Dialogue Joint Policy Guidance (PG)	Growth Plan Reform Agenda	
	Component (Sector)	Reform
1. If needed, use the available fiscal space in the 2023 budget to provide well-targeted and temporary energy crisis-related support to vulnerable households and businesses whilst ensuring compliance with the 2% deficit ceiling of the fiscal rule as envisaged by the ERP. Ensure that spending on war veteran pensions as well as public-sector salaries according to the new wage law comply with the prescribed legal ceilings. Undertake and publish a comprehensive review of tax expenditure quantifying the size of the revenue forgone from all exemptions, preferential rates and special regimes.	N/A	N/A
2. Increase the execution rate of capital spending by implementing the recommendations made under the IMF's Public Investment Management Assessment. Improve financial oversight and accountability of Public-Owned Enterprises (POEs), including by approving and publishing their annual performance report. Review the options paper on the establishment of an independent body for fiscal oversight and inform the Commission about the follow-up.	3.1. Business Environment	3.1.5 Improve the governance, efficiency, and accountability of Public-Owned Enterprises (POEs) to enhance their contribution to the economy
	1.2. Public Finance Management	1.2.2 Reform of the public investment management, encompassing the regulatory framework on public investments, the administrative set-up and the unified methodological approach to ensure compliance with the best international standards and allow for a more transparent and efficient implementation of the capital projects
3. Continue to carefully assess and analyse price developments and stand ready to use the limited tools available under the chosen monetary framework to ensure price stability. Continue efforts to ensure that core areas of the central bank, including financial stability and banking supervision, are adequately staffed to deepen the central bank's analytical and technical capacities. Strengthen further the reporting and risk management frameworks across the banking system to ensure an accurate reporting of asset quality, further reduce remaining obstacles to NPL resolution and reduce data gaps in particular as regards the real estate sector.	N/A	N/A
4. In line with the Green Agenda for the Western Balkans, enhance energy resilience and transition by completing the legal framework and launch the pilot auction on renewables. Implement the 2023 Energy support action plan including energy efficiency measures. Improve system resilience, modernize the electricity grids and operationalise the wholesale day-ahead and intra-day electricity price markets on the path toward retail electricity market liberalisation.	2.3. Market Reforms	2.3.1 Transposition and implementation of the Clean Energy Package
	2.4. Decarbonisation Policy	2.4.1 Implementation of climate and energy actions as per the National Energy and Climate Plan (NECP)
	2.5. Renewables Deployment	2.5.1 Development of transparent and competitive procedures for deployment of renewable energy.
	2.6. Energy Efficiency	2.6.1 Implementation of the Energy Efficiency Directive and the Energy Performance in Buildings Directive
5. Increase the implementation rate of the action plan of the 2019–2023 National Strategy for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes. Continue to incentivise formalisation of employment and businesses and address tax evasion in identified high-risk sectors through better inter-institutional cooperation. Simplify the system of licenses and permits, and complete the restructuring of SME and investment promotion agencies and ensure adequate resources.	3.1. Business environment	3.1.1 Facilitate investments of private sector and improve mechanisms to attract FDI in strategic sectors promoting adoption of higher value-added products and services and innovation
	2.1. Digitalisation of Public Services and Infrastructures	2.1.1 Ensure user friendly digital public service delivery through administrative burden reduction and improved quality and increased number of services available online
6. Develop a roadmap for the implementation of key reforms of the education system, including the recommendations under the ETF Rapid Education Diagnosis. Align education, particularly higher education programmes and vocational education and training, with labour market needs by closely cooperating with the business community, to further develop the employment barometer and skills barometer. Speed up the ongoing restructuring of public employment services and significantly increase their capacity to provide relevant services in particular in view of the implementation of the Youth Guarantee and the delivery of relevant active labour market measures for the unemployed and those at risk of becoming unemployed.	4.2 Labour Market	4.2.1 Increase labour market participation of women, young people and vulnerable groups through the ongoing restructuring and improved administrative capacity of public employment services
		4.2.2 Align education, with labour market needs through close cooperation with the business community and through revising the legal framework on VET and adult education and increasing work-based learning in VET schools.

***Consistency with the latest macroeconomic and fiscal policy framework submitted to the Commission in the context of the Economic and Financial Dialogue with the EU***

The macro-fiscal framework for the current and medium-term period is outlined in the Economic Reform Programme 2024-2026, alongside the structural reforms part, which was submitted to the European Commission in January 2024. Based on the peer-review and European Commission assessment of the ERPs, the Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey were approved at the high-level meeting of the ECOFIN Council with finance ministers of the candidate countries in May 2024. The conclusions regarding Kosovo emphasized the progress the Kosovo has done in terms of fighting informality and strengthening public finances, while at the same time pointing out existing structural obstacles to competitiveness and inclusive growth.

Some of the obstacles and weaknesses were reflected in country-specific policy guidelines issued as part of the Joint Conclusions, as in the following:

- i. *Implement the foreseen shift in the 2024 budget spending structure from current to capital expenditure while ensuring compliance with the fiscal rules. Increase budgetary transparency by further reducing blanket allocations. Enhance the revenue side by reducing loopholes and exemptions through amendments to tax legislation, including personal income tax (PIT), corporate income tax (CIT) and value added tax (VAT).*

With regard to the first set of the joint conclusions, Kosovo has already made some progress. Compared to the 2023, **blanket allocations** foreseen in the Budget 2024 are reduced to €112 million (1.1 percent of GDP, well below the SBA indicative ceiling of 2 percent of GDP). Blanket allocations in the 2024 budget aim to create room for a faster-than-expected implementation of capital projects, address unforeseen contingencies, and mitigate the materialization of other downside risks, including higher-than-projected international commodity prices. However, in order to foster transparency on use of these resources, treasury quarterly reports started in July (2023) to include a section describing their use, intended impact, rationale, and beneficiaries.

With regard *supporting formalization and strengthening the tax base*, the World Bank DPF is supporting measures under the Amendments to the Personal Income Tax (PIT) Law, Corporate Income Tax (CIT) Law and Value-added Tax (VAT) Law. The review of these laws will draw from the recommendations of the IMF General Diagnostic of the Tax System (2021) and the results from the tax expenditures analysis currently being carried out with World Bank support. Amendments are expected to include: (a) adjustments to the current PIT minimum taxable income liability threshold and intermediate brackets to reflect changes in economic and enhance progressivity; (b) streamlining selected tax expenditures under the current CIT, VAT and PIT regimes; (iii) measures to facilitate the digitalization of VAT administration.

- ii. *To undertake and publish a review of tax expenditure quantifying the size of the revenue forgone from all exemptions, preferential rates and special regimes. To improve the execution rate of capital spending including by establishing the linkages between the e-procurement and Kosovo Financial Management Information System (KFMIS) systems, following the recommendations made under the IMF's updated Public Investment Management Assessment. To improve financial oversight and accountability of Publicly Owned Enterprises (POEs) by approving and publishing their annual performance report; adopt amendments to the POEs' Law to improve their corporate governance.*

Progress is being made in the implementation of the second set of joint conclusions. The Ministry of Finance, with the support of the World Bank, is currently undertaking a thorough tax expenditure review. The complete report on tax expenditure is almost finalized and is expected to be published soon.

Furthermore, the latest actions taken by the government will support the continued acceleration of public investment implementation observed in 2023 to persist in 2024 and over the medium term. Starting in 2024, budget organizations are required to plan ahead expropriations costs of respective capital projects in as part of their project envelopes. Additionally, efforts are underway to integrate the e-procurement platform with KFMIS (Kosovo Financial Management Information System), ensuring that Budget Organizations have the necessary budget allocation as precondition to publish a tender.

Furthermore, attempts are being made to ensure that that technical evaluation and documentation on new externally-financed projects is finalized before signing the corresponding financial agreements.

In terms of enhancing **financial oversight and accountability of Publicly Owned Enterprises (POEs)**, it is noteworthy to mention that Kosovo, for the first time, published a standalone fiscal risk assessment which includes a detailed POE section, meeting the IMF's structural benchmark in November 2023, as part of the precautionary SBA. While acknowledging the remaining work required to enhance POE oversight, the MFLT is progressively allocating more technical resources and political commitment to this area.

### ***Consistency with the National Development Strategy and Plan 2030 (NDSP)***

Kosovo's Reform Agenda responds to the challenges identified in the National Development Strategy and Plan 2030 in 16 sectors across 5 policy areas. NDSP is a long-term strategic document which provides the vision for the sustainable development of the country. It contains four pillars of development, which address the main challenges and obstacles of the country, focusing on economic development, social welfare, quality education, clean environment, legal security and effective institutions. Reforms foreseen in the Reform Agenda of the Growth plan derives and are in consistency with NDSP.

The following table shows consistency between the National Development Strategy 2030 and National Development Plan and Growth Plan Reform Agenda.

*Table 3: Consistency between the National Development Strategy 2030 and National Development Plan and the Growth Plan Reform Agenda*

<b>Growth Plan Reform Agenda</b>		<b>National Development Strategy 2030 and National Development Plan</b>	
<b>Component (Sector)</b>	<b>Reform</b>	<b>Strategic Goals</b>	<b>Strategic Measures</b>
1.1. Public Administration Reform	1.1.1. Strengthen administrative capacities by filling regularly vacancies in the public administration and reducing number of open vacancies and acting positions, while improving the management and evidence-based monitoring of human resources.	10.2. Increasing the efficiency of public services and responsibility in public administration	10.2.1 Development of the legal framework for the civil service
	1.1.2. Establish a transparent remuneration system and streamlined organization of line ministries and subordinated bodies for an accountable administration.	10.2. Increasing the efficiency of public services and responsibility in public administration	10.2.1 Development of the legal framework for the civil service
			10.2.3 Applying the principles of professionalism, meritocracy, efficiency, and equal opportunities in public service
1.2. Public Finance Management	1.1.2. Creating a fair, transparent and equal system for salaries		
	1.2.1. Complete the legal and institutional framework for the Public Procurement system	10.6. Further increase in allocative efficiency	10.6.1 Strengthening the link between strategic planning and budgeting
	1.2.2. Reform of the public investment management, encompassing the regulatory framework on public investments, the administrative set-up and the unified methodological approach to ensure compliance with the best international standards and allow for a more transparent and efficient implementation of the capital projects.	10.6. Further increase in allocative efficiency	10.6.1 Strengthening the link between strategic planning and budgeting
2.1. Digitalisation of Public Services and Infrastructures	2.1.1. Ensure user friendly digital public service delivery through administrative burden reduction and improved quality and increased number of services available online.	10.1. Increasing the quality of policies and providing services to citizens and businesses	10.1.13 Reduction of the administrative burden at the central level
	2.1.2 E-signature and deployment of digital identity wallet		
	2.1.3. Establish a secure, resilient and sustainable digital infrastructure including rural and mobile broadband and 5G roll-out, with strict compliance to the EU 5G Toolbox	2.6. Development of high-quality broadband electronic communication networks and services	2.6.1 Harmonization of the legal and policy framework with EU legislation and support of the ICT sector

	of mitigating measures to address security risks		
2.2. Cybersecurity	2.2.1. Comprehensive framework for cyber resilience (introducing requirements of NIS2 Directive and strengthening relevant institutions)	8.1. Strengthening capacities for defence and security in cooperation with Euro-Atlantic partners	8.1.1 Advancement of policies and operationalization of mechanisms for Cyber Security
2.3. Market Reforms	2.3.1. Transposition and implementation of the Clean Energy Package.	2.1. Improving energy supply security, sustainability and affordability	2.1.6 Improving the policy framework and legislation
2.4. Decarbonisation Policy	2.4.1. Implementation of climate and energy actions as per the National Energy and Climate Plan (NECP)	3.1. Integrated waste management and increased circulation of resources	3.1.1 Improving policies for environmental protection, radiation protection and nuclear safety 3.1.2 Improving the reporting process and strengthening the environmental information system
2.5. Renewables Deployment	2.5.1. Development of transparent and competitive procedures for deployment of renewable energy	3.3. Increasing the share of renewable sources in the energy mix	3.3.1 Increasing the capacities of RES in energy production
2.6. Energy Efficiency	2.6.1. Implementation of the Energy Efficiency Directive and the Energy Performance in Buildings Directive	3.4. Improving energy efficiency	3.4.1 Improving energy efficiency in buildings
3.1. Business Environment	3.1.1. Facilitate investments of private sector and improve mechanisms to attract FDI in strategic sectors promoting adoption of higher value-added products and services and innovation.	1.1. Building a fair, adaptable and competitive business environment	1.1.8 Strengthening the legislation and ensuring the implementation of the legal framework for state aid
		1.6. Increase in export-oriented investments	1.6.1 Encouraging investments through the advancement of policies, the regulator, the increase of production and processing capacities in priority industrial sectors, as well as the increase of economic zones
	3.1.2. Support the creation and scaling up of start-ups and MSME's specialised in ICT and green and circular economy, as well as the uptake of green technologies, through the Innovation Fund and business incubators	1.2. Acceleration of digital transformation and innovation in SMEs and start-up businesses	1.1.2 Designing policies and supporting innovative projects 1.2.3 Accelerating digital transformation in manufacturing
		1.4. Mobilization of industry towards the circular economy	1.4.1 Support enterprises to increase recycling and circulation in production 1.4.2 Support of green products for consumption
		1.3. Development of the industry towards products and services with added value	1.3.1 Increasing the participation of local inputs in production 1.3.2 Strengthening links with local industry-related service providers
		1.5. Internationalization of enterprises and reduction of excessive dependence on imports	1.5.1 Increasing the quality and certification of internationally recognized products 1.5.2 Reducing trade barriers and improving trade policies in order to increase exports and import substitution 1.5.3 Export promotion focusing on EU countries and finding new markets in the global market
		1.6. Increase in export-oriented investments	1.6.1 Encouraging investments through the advancement of policies, the regulator, the increase of production and processing capacities in priority industrial sectors, as well as the increase of economic zones
	3.1.4. Implement bankruptcy legislation through alignment with EU acquis, simplification of procedures, insolvency policy measures and streamline processes through digital tools.	N/A	N/A
	3.1.5. Improve the governance, efficiency, and accountability of Public-Owned Enterprises (POEs) to enhance their contribution to the economy	10.4. Improving the performance and financial management of public enterprises	10.4.1 Improving the monitoring of POEs and their accountability

	3.1.6. Deploy Intelligent Transport System (ITS) and e-freight fully aligned with ITS Directive.	2.3. Improvement of transport infrastructure and services	2.3.3 Drafting of policies in the field of infrastructure and transport as well as revision of the legal framework
		3.6. Promotion of digital and sustainable mobility	3.6.1 Smart and sustainable transport
3.2. Access to Finance	3.2.1. Enhance the access to finance, payment system integration/services and financial inclusion, articulated in different law proceedings.	1.1. Building a fair, adaptable and competitive business environment	1.1.6 Further development of the legal framework for financial services and financial markets
4.1. Education	4.1.1. Based on Education Strategy 2022 – 2026, introduce a digitalised education system by implementing digital infrastructure in schools, providing digital learning materials and developing the digital skills of teachers.	2.6. Development of high-quality broadband electronic communication networks and services	2.6.2 Development of infrastructure and human capital in the field of ICT and the Digital Economy
			4.2.5 The development of digital competence in all parties in function of the successful digital transformation of education and general social development
			4.2.6 Providing opportunities for effective use of information and communication technology (ICT) in IEAA and HEIs
			4.2.7 The creation of institutional mechanisms that enable the implementation of digitization and the use of technology in the field of education in an effective and efficient manner
	4.1.2. Increase enrolment in and quality of the early childhood education by improving access to and quality of care system and services, promoting holistic development of children, and as a result also facilitate the participation of women in the labour market.	4.1. Increasing children's participation in quality education and early childhood care	4.1.1 Creating healthy environments with adequate conditions for EFH and providing human resources
			4.1.2 Improving the legal infrastructure and providing quality services in EFH
	4.1.3. Enhance the quality of education and teaching profession, by improving quality and relevance of continuous professional development of teachers, implementation of the system for teacher licensing, undertaking quality review of textbooks, and improving efficiency of school performance evaluation.	4.2. Improvement of inclusive access and digitization of educational services	4.2.1 Fully operationalizing the teacher licensing system and increasing opportunities for professional development and advancement of teachers based on teaching standards
			4.2.3 Providing quality textbooks, resources, tools and teaching materials in harmony with the relevant curriculum and standards
			4.2.4 Strengthening mechanisms and capacities for the implementation of the quality assurance system
			4.2.8 Increasing inclusion and active participation of students from marginalized groups
			4.2.12 Increasing inclusion and active participation of children/students with special needs
4.2. Labour Market	4.2.1. Increase labour market participation of women, young people and vulnerable groups through the ongoing restructuring and improved administrative capacity of public employment services	5.1. Developing skills and competences and narrowing the gap in the labour market	5.1.1 Reform of public employment services
	4.2.2. Align education, with labour market needs through close cooperation with the business community and through revising the legal framework on VET and adult education and increasing work-based learning in VET schools	5.1. Developing skills and competences and narrowing the gap in the labour market	5.1.3 Reforming the vocational training system
		4.3. Better alignment of education with the needs of the labour market	4.3.1 Improving the governance, financing and information management system of vocational education and training and adult education 4.3.3 Harmonization of qualifications in education and professional training, in accordance with the requirements of the labour market
5.1. Judiciary	5.1.1. Improve the performance, integrity, accountability and efficiency of the judiciary, including by implementing the Joint Commitment Statement	9.1. Timely justice	9.1.1 Development of policies and legislation to ensure timely justice
		9.2. Professionalism, impartiality (integrity) and responsibility	9.2.1 Development of policies and legislation for the promotion of professionalism in justice sector
5.2. Fight against Corruption		8.3. Fight against crime and corruption	8.3.10 Increasing the efficiency of the Kosovo Police for handling corruption cases

	5.2.1. Improve the efficiency to fight corruption through prevention and repression and by improving the strategic framework		8.3.11 Capacity building of integrated financial investigations
5.3. Fight against Organised Crime	5.3.1. Effectively implement police organizational structure allowing for intelligence-led approach to fight organized crime, implement strategic approach to fighting organized crime and improve multi-disciplinary cooperation in complex cases, leading to increase in convictions	8.3. Fight against crime and corruption	8.3.8 Strengthening integrity in the Kosovo Police 8.3.11 Capacity building of integrated financial investigations
5.4. Fundamental Rights	5.4.1. Strengthen implementation of the legislative and strategic framework on the protection against domestic and gender-based violence and on the rights of non-majority communities	8.4. High security in the community	8.4.10 Preventing and combating domestic violence and violence against women through education and awareness 8.4.11 Institutional empowerment for protection and treatment of victims
5.5. Democracy	5.5.1 Improve the Assembly's performance in law making and oversight through improved planning, internal management and development.	N/A	N/A
5.6 Visa policy	5.6.1 Increase visa policy alignment with the EU <i>acquis</i>	N/A	N/A

### ***Consistency with the EU Accession Framework***

Kosovo is a potential candidate country for accession into the European Union (EU). It has been implementing its Stabilisation and Association Agreement (SAA) with the EU. The SAA was concluded on 27 October 2015 and entered into force on 1 April 2016. The joint EU – Kosovo institutional structures established by the SAA – the Stabilisation and Association Council, the Committee, subcommittees (SCs) and special groups (SGs), and the Stabilisation and Association Parliamentary Committee (SAPC) – have been formally established and are operational.

Following that, Kosovo has fulfilled on time all formal legal obligations specifically stipulated under the SAA to be fulfilled in the first phase of its implementation, specifically during the first three to five years of its implementation. Another significant development in this context is the conclusion of implementation of two rounds of key priorities agreed between the EU and Kosovo, namely of two phases of the European Reform Agenda, the first one consisting of 22 such priorities and the second one of 15 of them. In this context, Kosovo successfully implemented key economic reforms, strengthened the rule of law, consolidated good governance, and aligned with EU standards in the areas of employment, education and healthcare.

In addition, immediately upon the entry into force of the SAA, Kosovo upgraded its already existing national strategic framework for EU accession reforms into the *acquis*-based one. This framework is centred on the National Programme for European Integration (NPEI), previously (from 2016 to 2022) titled the National Programme for Implementation of the Stabilisation and Association Agreement (NPISAA). In its function as the national programme oriented towards the adoption of the *acquis* into the national legislation and implementation of the legislation aligned. NPEI is comprehensive in its scope, setting out short-term reforms for the current year and medium-term priority objectives to fulfil obligations arising from the SAA and other EU integration mechanisms. The planning system and practice for this programme based on annual cycles focused on designing short-term measures and updating medium-term priorities. NPEI primarily addresses reforms agreed with the EU under the joint institutional structures established by the SAA – the Stabilisation and Association Council, the Committee and subcommittees and special groups – and findings and recommendations of the European Commission's annual country report on Kosovo. NPEI has been and is in line with Government Programmes, currently the National Strategy Development Strategy 20430 and the National Development Plan (NDP) implementing it, and also reflects the content of main sectoral documents.

On 15<sup>th</sup> December, 2022 Kosovo has submitted its EU membership application. The following table shows consistency between the Growth Plan Reform Agenda and the National Programme for European Integration (2024 – 2028).



*Table 4: Consistency between Growth Plan Reform Agenda and National Programme for European Integration*

Growth Plan Reform Agenda		National Programme for European Integration	
Policy Area	Component (Sector)	Blocs	Chapters
1. Governance, Public Administration Reform and Public Finance Management	1.1. Public Administration Reform	1. Political Criteria	1.1.2. Public Administration Reform
	1.2. Public Finance Management	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.5. Public Procurement 3.32. Financial Control
2. Green and Digital Transition	2.1. Digitalisation of Public Services and Infrastructures	1. Political Criteria	1.1.2. Public Administration Reform
	2.2. Cybersecurity	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.24. Justice, Freedom and Security
	2.3. Market Reforms	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.15. Energy
	2.4. Decarbonisation Policy	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.27. Environment 3.15. Energy
	2.5. Renewables Deployment	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.15. Energy
	2.6. Energy Efficiency	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.15. Energy
3. Private Sector Development and Business Environment	3.1. Business Environment	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.20. Enterprise and Industrial Policy 3.8. Competition Policy 3.1. Free Movement of Goods 3.6. Company Law 3.14. Transport Policy
		2. Economic Criteria	2.1. Existence of a Functional Market Economy
	3.2. Access to Finance	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.9. Financial Services 3.20. Enterprise and Industrial Policy
4. Human Capital Development and Retention	4.1. Education	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.26. Education and Culture
	4.2. Labour Market	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.26. Education and Culture 3.19. Social Policy and Employment
5. Fundamentals / Rule of Law	5.1. Judiciary	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.23. Judiciary and Fundamental Rights
	5.2. Fight against Corruption	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.23. Judiciary and Fundamental Rights
	5.3. Fight against Organised Crime	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.24. Justice, Freedom and Security 3.23. Judiciary and Fundamental Rights
	5.4. Fundamental Rights	3. European Standards – Approximation of Kosovo’s Legislation with the EU Acquis	3.23. Judiciary and Fundamental Rights
	5.5. Democracy	1. Political Criteria	1.1.1. Constitution, Assembly and Election System
	5.6 Visa policy	1. Political Criteria	3.24. Justice, Freedom and Security

As the table above shows, the Growth Plan Reform Agenda will contribute to implementation of key reforms in all three blocks of the National Programme for European Integration in the next four years. Specifically, these reforms are consistent with and will contribute to reforms in 17 chapters of NPEI, of which 14 chapters belong to the bloc of EU *acquis*, two are part of the bloc on political criteria and one of the one on economic criteria.

### ***Consistency with the EU Economic and Investment Plan for the Western Balkans***

Priorities identified under the Reform Agenda, as well the investments which will be implemented through WBIF are directly linked with the priorities of the EU Economic and Investment Plan for the Western Balkans, including the respective flagships.

Indicative investments under the transport sector directly will correspond with the Flagship 2 Connecting north to south.

Indicative investments under the energy sector directly correspond with the Flagship 4 – Renewable energy.

Under the policy area 2. *Green and digital transition*, Kosovo commits to implement the Building Renovation Strategy and to increase the total rate of building renovation and street lighting, contributing to the Flagship 6 – Renovation wave.

Measures under the policy area 3. *Private sector development and business environment*, include increased access to finance for SMEs, increase of guarantee capacity supporting investments and increased institutional support for innovation, contributing to the Flagship 9 – Investing in the competitiveness of the private sector.

Reform Agenda also foresees, under policy area 4. *Human capital development and retention*, section 4.2, measures which will reform labour market, aiming to ensure increased participation of young people and align education with labour market needs, contributing to the Flagship 10 – Youth guarantee.

### ***Consistency with the National Energy and Climate Plan***

The reforms outlined in the Growth Plan are consistent with the National Energy and Climate Plan (NECP), considering overarching goals and specific targets for the coming years. In more concrete terms, the majority of GHG emissions in the country, around 87%, are generated by the combustion of fossil fuels in the energy sector, particularly in energy transformation, industry, and transportation. Therefore, a key objective foreseen in this plan, align with the NECP decarbonisation objective of promoting the shifting to low-carbon technologies in the energy sector by increasing the use of renewable energy sources in the energy generation mix, implementing energy efficiency measures in all sectors, and gradually phasing out the use of fossil fuels.

The decarbonisation aspect aims to deploy policies and actions across sectors to lower GHG emissions and increase the share of renewable energy sources sustainably. Energy efficiency dimension lies in taking utmost account of cost-efficient energy efficiency measures in shaping energy policy and making relevant investment decisions. The majority of measures within this dimension focus on building renovations aimed at improving energy efficiency. In the field of the energy market, as it is known, the level of power system interconnectivity is one of the basic preconditions for electricity market development and integration. Therefore, the reforms are focused on market liberalization and regional integration, which are expected to ensure mitigation effects in terms of the supply problem, albeit there being significant challenges to be addressed in order to ensure a sustainable electricity supply.

Kosovo does not aim to portray itself as a leader in the development of ground-breaking technologies that facilitate a revolutionary decarbonisation of economic activities through the NECP or through the Growth Plan. Nevertheless, Kosovo's NECP objective is to establish a research and innovation system capable of identifying the most suitable technologies that its industries need to implement, staying abreast of technological advancements, and discovering inventive approaches to effectively integrate the most viable technologies. This objective is partially addressed through the reforms such as aligning education, with labour market needs through close cooperation with the business community and through revising the legal framework on VET and adult education and increasing work-based learning in VET schools.

## **4. KEY POLICY PRIORITIES**

### **4.1. Fundamental Sectors**

The objective is to further strengthen the core principles of the enlargement process, including rule of law, democracy, fight against corruption and organized crime, and promotion and protection of fundamental rights and freedoms, through measures that will contribute to, i) improve the performance, integrity, accountability and efficiency of the judiciary, through legislative amendments, in accordance with the Venice Commission recommendations, ii) advancement of legislation to ensure a unified and codified implementation of civil law, iii) a solid legal and institutional framework to support a coherent policy on preventing and combating corruption, organised crime and iv) to ensure peace, democracy, equality, respect for human rights and rights of minorities, the rule of law, non-discrimination, the right to property, the protection of environment, social justice, pluralism, separation of state powers, and a market economy, as guaranteed by EU legislation and the Charter of Fundamental Rights. Another objective is to improve the Assembly's performance in law making and oversight through improved planning, internal management and development.

### **4.2. Digital Transformation and Digital Security Issues**

Kosovo has placed a high priority on advancing digital transformation in the government and the economy, which aim to increase accountability and transparency in the government, provide better services for citizens and businesses, improve the business environment, enhance competitiveness, and contribute to economic growth. In this regard, the key policy priorities are the following: enhancing user-friendly digital public services by reducing administrative burden, improving service quality, increasing availability and accessibility of online services, establishing a robust digital infrastructure, including rural and mobile broadband and 5G deployment, and making sure that these transformation is carried out safely and securely while addressing cyber security and data privacy concerns and strictly adhering to the EU's 5G Toolbox for managing security risks.

In terms of digital services, Kosovo faces capacity issues, limited practical implementation of “once-only” principle, lack of service design standards, and lack of functional eID system. Objectives involve legislative review for administrative burden reduction, full implementation of electronic identification, strengthening interoperability between government systems, and offering at least 50% of public services online by 2027. Implementation involves inter-institutional cooperation, coordination and involvement of various government bodies.

With regard to establishment of a sustainable digital infrastructure, challenges include limitations in broadband access, outdated mobile network infrastructure and poor network quality. Objectives and steps envisaged include advancing public networks, aligning with the Gigabit Infrastructure Act, complying with the EU 5G Cybersecurity Toolbox, and rolling out 5G networks to at least 20% of households by 2027.

With regard to cybersecurity, challenges include fragmented institutional capacities, adoption and implementation of cybersecurity legislation, lack of comprehensive risk assessments and limited technical capabilities. Objectives and steps include establishing the Cybersecurity Agency, making the national and government CERTs fully operational, adopting a new cybersecurity legislation aligned with NIS2, introducing frameworks aligned with NIS2 by 2027 and upgrading the Cybersecurity Agency based on NIS2 requirements.

### **4.3. Education, Training, Employment and Social Objectives**

The key education, employment and social reforms of the Growth Plan have been prepared to contribute to Government's overall human capital objectives. They are in line with the general and specific objectives of the Facility for accelerating the socio-economic convergence to the EU reflected in article 3.1.c, article 11 and article 13 of the Regulation establishing the Growth Facility for the Western Balkans. These measures are designed to have a significant social impact through improvements in the education system and targeted measures in the labour market aiming to strengthen linkages between education and market needs and improve job prospects. This agenda will also contribute to meeting the principles of European Pillar of Social Rights, including the principles on education, training and life-

long learning, equal opportunities and help in getting a job, childcare and support to children, and rights of people with disabilities.

Key initiatives in the Plan that will contribute to education objectives include measures to introduce a digitalised education system, increase quality and enrolment rate in the early childhood education and enhance the quality of education and teacher development.

Digitalisation of teaching curricula and tools will result in increased quality of teaching and learning processes. Digitalisation and integration of data and education processes will contribute to better quality services and well-informed decision-making in education. The early childhood education (ECE) is closely linked to health and social welfare services. The plan foresees a doubling of enrolment in childcare for children age 0 to 2 years and an increase of more than 20% for children aged 3 to 5 years by 2027. Achievement of objectives will produce significant gains for children with special needs. An increase of enrolment rate to 55% of children with special needs is planned for compulsory Education. Provision of enhanced access to children in ECE will contribute to the development and achievement of the full potential of children and have a positive impact on the employment prospects and labour productivity of mothers. Consolidation of quality assurance mechanisms, revision of pre-university curricula and development of adequate training programmes for vocational education teachers will have a positive impact in boosting the quality of education, training, reskilling and upskilling of youth and supporting employment policies.

Measures that target improvements of the administrative capacity and management of public employment services are designed to have a positive social impact by increasing the labour market participation of women, young people and vulnerable groups. The Plan envisages dedicating 50% of Active Labour Market Measures to target women, youth (aged 15-29), people with disabilities, people living in rural areas and ethnic minority groups.

#### **4.4. 'Do No Significant Harm' Principle**

During the implementation of the reforms foreseen, Kosova is committed to ensure that these reforms do not cause significant harm to environmental objectives within the national environmental legal framework and in line with Article 17 of the EU Taxonomy Regulation. Most of reforms planned contribute towards improvement of the environment through shifting towards more sustainable use of natural resources and promotion of new technologies ensuring climate change mitigation measures and contribute to enhance adaptation capacities. Thus, reforms will consider the potential effects in climate change mitigation and adaptation efforts, as well as the pollution prevention and control principle. Regarding sustainable use and protection of water, actions that harm the quantity, quality or ecological potential of water bodies (including surface water and groundwater) will be considered. Kosova is currently prioritising the improvement of waste management so that the potential long-term environmental harm from waste disposal and inefficiencies in material use can be minimized and prevented, and facilitate the transition towards a circular economy in a long run. Planned reforms and investments in all economic areas such as transport or digital infrastructure will ensure the proper application of laws and procedures related to environmental protection, including Strategic Environmental Assessment (SEA) at the policy and strategy planning stages, Environmental and Social Impact Assessment (ESIA), and public consultations. Finally, reforms, and steps and investments will also be reflected upon their potential of damaging ecosystem condition, resilience, or negatively affecting the conservation status of habitats and species, in order to protect and restore biodiversity.

## 5. MAINSTREAMING

### *Gender mainstreaming*

Kosovo has reflected the aspect of gender mainstreaming during the process of identification and planning of reforms within its Growth Facility Reform Agenda and will attempt to do so during its implementation by striving to make sure that benefits of these reforms are shared equally between women and men, girls and boys.

On the one hand, several reforms foreseen are expected to contribute to improving gender equality. In the policy area of *human capital*, we will work toward increasing the participation of women in the labour market through active labour market measures. In the policy area of *private sector development and business environment*, we will work towards enhancing women's access to finance through the Kosovo Credit Guarantee Fund (KCGF) and by directly supporting SMEs and start-ups owned by women. Thirdly, in the policy area of *fundamental rights and rule of law*, we will focus our efforts in strengthening enforcement of the legislative and strategic framework on protection against domestic and gender-based violence, drafting of the Kosovo regulatory framework for gender responsive budgeting, implementation of the ex-ante gender impact assessment in all new regulator frameworks, and the preparation of the new Kosovo Gender Equality Program, the whole-of-government effort to advance gender equity and equality for all in Kosovo. In the policy area of *public administration reform*, we will, through regular recruitment processes, make efforts to increase gender equality in public institutions, in particular in management and decision-making positions.

On the other hand, we will cooperate during implementation of these reforms with relevant stakeholders that are involved in the implementation process and that benefits of such reforms in terms of growth are shared equally among target groups belonging to both genders and/or proportionally with their needs. This good practice was already started during consultation with civil society organisations (CSOs) dealing with gender equality and women empowerment in May 2024. Their analytical insights and expertise brought by several of the most active CSOs dealing with gender equality and women empowerment will be useful in the implementation of these reform. This forward-looking process will also involve continuous monitoring by CSOs dealing with gender equality and women empowerment, aiming at ensuring effective gender mainstreaming throughout this ambitious reform process.

### *Human rights-based approach*

The Reform Agenda aligns with a *human rights-based approach*, focusing on several policy areas for improvement of citizen-based rights in Kosovo. Specifically, in fundamental rights and the rule of law, efforts will be made to enhance citizens' access to a fair trial within a reasonable timeframe. This includes initiatives to expedite the resolution of cases, particularly those related to corruption and organized crime, aiming for a disposition time of one year, and ensuring greater accountability in the judicial system. In the realm of public administration reform and digitalization, strides will be taken to uphold citizens' right to good administration. The transition towards green energy will prioritize support for vulnerable groups through a just transition roadmap and the establishment of national objectives aimed at assisting energy-poor households and vulnerable consumers.

Within the domain of human capital, reforms will be geared towards ensuring equal access to early childhood and compulsory education, including the provision of digital tools and vocational education, with a special focus on addressing the needs of vulnerable groups through active labour market measures. Furthermore, the Reform Agenda will actively promote the rights of persons with disabilities. For instance, reforms in the human capital policy area will target improvements in the lives of disabled individuals through tailored active labour market measures. Additionally, enhancements in public administration reform and digitalization will aim to increase their access to services and infrastructure, employing more inclusive approaches and fostering their representation in public institutions and society at large.

### *Environmental mainstreaming*

In addition, the Reform Agenda will significantly *accelerate Kosovo's green transition in alignment with the 2020 Green Agenda for the Western Balkans*. It reinforces environmental protection and

biodiversity conservation through the integration of the energy market, notably with the common power exchange (ALPEX), and the coupling of the Albanian and Kosovo electricity markets. This integration optimizes resource use and minimizes environmental impacts by reducing congestion and price discrepancies, ultimately supporting sustainable energy use.

The agenda's emphasis on clean energy infrastructure and renewable energy sources, such as wind and solar, aligns with climate change mitigation goals. By implementing the Clean Energy Package and setting ambitious targets for reducing greenhouse gas emissions and increasing renewable energy consumption, Kosovo demonstrates a strong commitment to a low-carbon economy. The projected 16.3% reduction in GHG emissions by 2030 and the goal of 32% RES in final energy consumption underscore this commitment.

Additionally, enhancing energy efficiency, particularly in building renovations, and promoting energy savings directly contribute to reducing carbon footprints and increasing resilience to climate change. By developing a Just Transition Roadmap and supporting vulnerable energy consumers, the reforms ensure an equitable transition. Ultimately, these measures foster regional cooperation, strengthen energy security, and support Kosovo's integration into the EU market, contributing to the broader objectives of the CFSP.

The legislative framework supporting these reforms involves amending key energy laws to comply with the EU Clean Energy Package, facilitating the deployment of renewable energy technologies. The introduction of competitive processes for determining guaranteed purchase prices for renewable energy and the development of transparent and competitive procedures for renewable energy deployment will attract investment and encourage the adoption of clean technologies.

## **PART 2: DESCRIPTION OF POLICY AREAS AND RELATED REFORMS**

*This section of the Reform Agendas includes a comprehensive presentation of the measures (qualitative and quantitative steps) that Kosovo shall implement over the duration of the implementation of the Reform and Growth Facility in line with the detailed specifications and timetable in Annex I to the Reform Agenda.*

*The timetable of the planned implementation of measures is established over six-month periods starting on 31 December 2024 and ending on 31 December 2027. According to Regulation (EU) 2024/1449, the final implementation date of 31 December 2027 for the fulfilment of the payment conditions related to the final set of measures includes the time necessary for the Commission to evaluate the successful fulfilment of the payment conditions concerned and the subsequent adoption of the release decision by the Commission. Accordingly, and as prescribed by Article 13(1), point (i) Regulation (EU) 2024/1449, Kosovo must implement the agreed qualitative and quantitative steps by 31 August 2027 at the latest, and submit a duly justified request for the release of funds in respect of fulfilled payment conditions related to these quantitative and qualitative steps without delay.*

*Pursuant to Article 21(5) Regulation (EU) 2024/1449, in case the Commission has negatively assessed the fulfilment of the payment conditions, the Kosovo may take the necessary measures to ensure satisfactory fulfilment of the corresponding conditions within a period of 12 months from the initial negative assessment referred to in Article 21(4) Regulation (EU) 2024/1449. During the first year of implementation, a deadline of 24 months applies, calculated from the initial negative assessment. In any event, and as established in Article 21(6) Regulation (EU) 2024/1449, any amount corresponding to payment conditions that have not been fulfilled by 31 December 2028 shall not be due to Kosovo.*

### **6. POLICY AREA 1: GOVERNANCE, PUBLIC ADMINISTRATION REFORM AND PUBLIC FINANCE MANAGEMENT**

#### **1.1. Public Administration Reform**

*1.1.1. Strengthen administrative capacities by filling regularly vacancies in the public administration and reducing number of open vacancies and acting positions, while improving the management and evidence-based monitoring of human resources*

##### **Challenges**

Kosovo has established a solid legislative and strategical framework on the sector of public administration reform. The legislation has been revised and the strategic framework has been complemented with the approval of the National Strategy on Public Administration and Public Finance Management Strategy, resulting in a strong commitment of the Government on investing in a competent, reliable and efficient public administration focused on the needs of citizens. However, the EU Commission report 2023 has stated that Kosovo has some level of preparation and made no progress with regard to public administration reform during the reporting period. According to the report, some progress was made with harmonising sectoral laws with the Law on general administrative procedures and in digitalising public services, while the overall pace of public administration reforms remained insufficient to deliver tangible results in the reporting period.

Institutions have been facing high number of vacancies during the last years. Since November 2023, public institutions have with the aim of reducing the vacant positions have opened more than 890 recruitment procedures for civil servants. However, the functioning of the HRM is facing challenges such as: (1) lack of the adoption of a monitoring report on HRM to provide evidence on functionality of HRM, (2) the lack of adoption of the recruitment plan in order to plan open vacancies across civil service (3) the difficulty of organising recruitments due to lack of professionalism of HR officers and low productivity. The process of internal organisation of line ministries including the complex structures are still being reviewed and positions are still being readapted and aligned to the job classification in civil service.

The efforts made in the field of accountability in the public administration need to be further intensified, despite the approval of the legal framework on organization and operation of the state administration and independent agencies. Only 35% (2024) of ministries and agencies within the state administration have approved and implemented the regulations on a new internal organization in line with LOFSAIA. On the other hand, currently only 30% of job positions correspond to the new job classification in the civil service.

## **Objective**

The objective under this component is to strengthen the effectiveness of public administration and support transparency, accountability, structural reforms and good governance at all levels. This will be achieved through improvement of (1) monitoring and planning human resources, (2) reorganisation of line ministries by reassessing the functions of ministries and creating links between functions of line ministries, positions and classification of civil service, and (3) ensuring the filling of vacancies through implementation of the annual recruitment plan and reduction of acting positions

The overarching goals are to strengthen the administrative capacities and to improve the merit-based recruitment system in civil service in order to ensure a highly transparent, competent and functioning civil service that will contribute to improving the efficiency of the public administration and enable a refocusing of the public administration towards the needs of the citizens.

In addition, the Government of Kosovo will work on amending the Law on Salaries in Public Sector, in line with the Decision of the Constitutional Court. The same will apply to other laws that are currently awaiting Constitution Court ruling.

The reforms foreseen under this component will address the challenges and recommendations of the Country Report (2023), to improve the functioning and accountability of the public administration.

## **Qualitative and Quantitative Steps to be taken under this reform**

- *Adopt an annual monitoring report on human resource management based on the new methodology and continue adopting and publishing this report on a regular annual basis; 95% of ministries and agencies within the state administration have approved and implemented the regulations on a new internal organisation in line with LOFSAIA; Each relevant department of the Ministry of Internal Affairs and HRM units in line ministries are established and adequately staffed and trained to perform key tasks, including HRM as relevant. December 2025*
- *95% of job positions correspond to the new job classification in the civil service and 95% of these positions are systematised fully in line with the new internal organisation of line ministries. June 2026*
- *80% planned open vacancies in the annual recruitment plan for state administration institutions are successfully filled through regular organisation of centralised recruitments and acting positions reduced to 20%. December 2026*

## **Description of implementation**

As a direct beneficiary of this reform will be the public state institutions, whereas in the long run the reform will serve the needs of the citizens, by promoting good administration and better service provision for businesses and citizens. The stakeholders involved during the drafting of this reform are line ministries, the Department for the Management of Public Officials (DMPO) as a central HRM structure in the public administration, and the Ministry of Internal Affairs. The same are responsible for the implementation of the reform. The draft Reform Agenda of Kosovo Growth Plan was consulted with the stakeholders that fall under this reform.

The reform aims to strengthen administrative capacities by filling regularly vacancies in the public administration and reducing number of open vacancies and acting positions, while improving the management and evidence-based monitoring of human resources.

The first step aims to adopt an annual monitoring report on human resource management based on the new methodology, and continue adopting and publishing this report on an annual basis. Kosovo authorities will send the methodology for comments for quality review prior to adoption. Once the methodology is agreed, MIA will draft and publish the annual report on HRM every year. This step is foreseen to be completed by December 2025 for the report of 2024.



In order to strengthen the accountability, transparency and functioning of the state administration, it is foreseen that 95% of ministries and agencies within the state administration have approved and implemented the regulations on a new internal organization in line with LOFSAIA (baseline 35%). During 2023, four (4) ministries (Ministry of Internal Affairs, Ministry of Finance, Labour and Transfers, Ministry of Economy and Ministry of Justice, and six (6) executive agencies and one (1) regulatory agency have adopted internal regulations, all of them in line with DMPO recommendations. During the period of January – March 2024, three (3) ministries (Ministry of Education, Science, Technology and Innovation, Ministry of Regional Development and Ministry of Environment, Spatial Planning and Infrastructure) five (5) executive agencies and one (1) regulatory agency have adopted their regulation on internal organization, all in line with DMPO recommendations. Three (3) other ministries (Ministry of Health, Ministry for Return and Communities and Ministry for Public Local Governance), five (5) executive agencies and one (1) independent agency have received the opinion on compliance with LOFSAIA by DMPO and are in the process of approval. The objective under this reform is to achieve a target of 95% of ministries and agencies within the state administration that will have approved and implemented the regulations on a new internal organization in line with LOFSAIA. This step is foreseen to be completed by December 2025.

Each relevant department of the Ministry of Internal Affairs and HRM units in line ministries should be established and adequately staffed and trained to perform key tasks, including HRM as relevant. This step is foreseen to be completed by December 2025. Currently DMPO has 22 officials, while there are still 8 vacant positions. Some of these positions will be filled by young cell scheme beneficiaries starting from August 2024, as one of the specific sectors in XIII and XIV rounds was Public Administration and Human Resources Management. The other positions will be filled by open recruitment procedures. Same will apply to the HRM units in all line ministries. In addition, HRM units in line all line ministries will receive training on implementation of the Law on Public Officials, Performance Appraisal, Job Classification and other topics on Human Resources Management.

The Law No. 08/L-196 on Salaries in Public Sector entered into force in February 2023. The aim of the law is to create a uniform system of salaries in the public sector, which includes the principles and rules for determining the salary in the public sector, as well as to create a transparent and manageable system of salaries and bonuses where the main element is the basic salary. In line with the Decision of the Constitutional Court, the Government will work on amending the Law on Salaries in Public Sector. The reform aims to achieve a target of 95% of job positions that will correspond to the new job classification in the civil service and 95% are systematized fully in line with the new internal organization of line ministries [baseline 2024: 30%]. The assessment of job positions against the new job classification as well as the alignment with the new internal organization of ministries will be conducted through the restructuring and systematisation process, that will be leaded by DMPO in line with the provisions of the LPO and the Regulation on Transfer of Civil Servants. During this process, the responsible commission established by DMPO will assess essential requisites such as job descriptions, required qualifications, skill aligned with the position as well as the qualifications of employees. Each position will undergo evaluation to ensure conformity with these criteria. This means that after the adoption of the internal organisation regulations, all institutions will go through the restructuring procedure, which will result with all officials being systematized in their new positions as foreseen in the regulation. This step is foreseen to be completed by June 2026.

Another challenge that will be addressed by this reform is reducing the number of vacant positions within the public service, by filling 80% of open vacancies as part of the annual recruitment plan for state administration and reducing the number of acting positions to 20%. This step is foreseen to be completed by December 2026.

*1.1.2. Establish a transparent remuneration system and streamlined organization of line ministries and subordinated bodies for an accountable administration*

### **Challenges**

The Law No. 08/L-196 on Salaries in Public Sector entered into force on February 2023. The aim of the law is to create a uniform system of salaries in the public sector, which includes the principles and rules for determining the salary in the public sector, as well as to create a transparent and manageable

system of salaries and bonuses where the main element is the basic salary. In addition to the law, the Government has adopted 13 sub legal acts in order to improve the implementation of the law. However, the EC Country Report 2023 for Kosovo has stated that 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 transparent remuneration system. With regard to rationalization, despite the progress achieved by the adoption of the first and second wave of the Law on rationalisation and establishment of accountability lines of independent agencies, implementation remains slow. The Government has also approved the 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. Based on EC Country Report 2023, 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.

## Objectives

The objective under this reform is (I) to improve the remuneration system by creating a transparent salary system that retains, attracts and motivates professionals in the public service. The objectives to be reached include the linkage of the HRMIS with Kosovo Financial management information system, publication of data on salaries and alignment of salary grids with the job classifications.

The overarching results achieved through this objective will enable proper functioning of the salary system which retains, attracts and motivates the staff as well as contributes to an efficient and professional public service focused towards the needs of the citizens.

Also, (II) the establishment of a streamlined organization of line ministries and subordinated bodies will enable greater accountability of public institutions towards citizens as a precursor to good administration directed towards citizens. Public institutions will provide full access to public documents to citizens, and will also publish relevant information on mandate, functions, budget, expenditures, plans and annual performance reports to the public.

## Qualitative and Quantitative Steps to be taken under this reform

- *Rationalisation for an accountable administration*
- *All line ministries and subordinated agencies function efficiently based on the new performance management methodology. December 2026*
- *As per National Development Strategy, all policy sectors are reviewed in accordance with the LOFSAIA and the rationalisation methodology, leading to sector-specific actions of organisational rationalisation (i.e. Action Plan(s)). The defined rationalisation action plans and related regulations and operative steps are implemented fully and comprehensively. December 2027*
- *Remuneration*
- *70% of automation of payment of salaries for civil service by linking HRMIS with Kosovo Financial management information system. December 2025*
- *Data on salaries in the public service according to the new job classification regulation are published annually, easily accessible and broken down into categories, classes and positions. June 2026*
- *All salary grids are aligned with job analysis, qualification and correspond to the job description and job classification for the reclassified positions in the civil service according to the new internal organisation of line ministries. June 2027*

## Description of implementation

Line institutions and public service will benefit from a transparent remuneration system that will contribute to increase the overall performance of the state administration, but at the same to citizens right to good administration and efficient service delivery. The stakeholders involved during the drafting of this reform are line ministries, the Department for the Management of Public Officials (DMPO) as a central HRM structure in the public administration, and the Ministry of Internal Affairs. While monitoring and evaluation of the implementation of the reform of the remuneration system will be one of the measures that will be continuously undertaken by the responsible institutions such as

Ministry of Internal Affairs and Ministry of Finance. The draft Reform Agenda of Kosovo Growth Plan was consulted with the stakeholders that fall under this reform.

This reform is compound of two main steps: improving remuneration, –but also streamline / rationalize subordinated agencies across public administration that will contribute to promotion of the overall performance of the state administration, supported with the use of a performance management framework, focused on policy outcomes. Establishing and linking sectoral and institutional objectives with the National Development Objectives will also increase institutional accountability for its performance and results.

The first step is related to the rationalisation for an accountable administration, all line ministries and subordinated agencies will function efficiently based on the new performance management methodology. This step is foreseen to be completed by December 2026.

As per National Development Strategy, all policy sectors are reviewed in accordance with the LOFSAIA and the rationalization methodology, leading to sector-specific actions of organizational rationalization (i.e. Action Plan(s)). The defined rationalization action plans and related regulations and operative steps are implemented fully and comprehensively.

**Effective governance** will be achieved through proper planning and coordination of results-oriented policies aimed at ensuring more effective governance through better planning, monitoring and supervision of the performance of the state administration. The overall performance of the state administration will be promoted and supported with what is important for performance management focused on policy results.

(1) The methodological aspect followed in this process is a combination of the sectoral approach (selection and consolidation) followed through the Methodology for Preparing the Proposal for the Establishment, Merger and Dissolution of Agencies, and meetings with ministers from various sectors. A total of six (6) information meetings were held with political representatives-ministers, and three (3) sectors were selected. Meetings were conducted with the Industry, Entrepreneurship and Trade; the Economy sector, Culture, Justice sector; Internal Affairs; Finance, Labour and Transfers. The program/ action plan includes and addresses the first three (3) sectors selected and agreed to be addressed in this phase.

In addition to sector meetings and internal meetings, was conducted a scan of the situation through data collection based on four areas/pillars: **a)** Institutional organization within the sector (current state); **b)** Plans of sector ministries for the future; **c)** Relevant EU *acquis* in this area; and **d)** Practices of EU countries regarding institutional organization in this area.

Regarding the consolidation aspect within the sector, a model followed is to reduce the number of agencies through four (4) principles as follows: **1)** merging/consolidating agencies; **2)** reinstating agency functions to ministries; **3)** withdrawing from the performance of specific functions that lead to the merger of agencies; or **4)** delegating these functions to other bodies through regular reporting lines.

The approach followed through combined meetings with representatives at the political level and professional civil staff (over 20 meetings held), with 6 Ministries met and 3 sectors selected. The duration of the Program/ Action Plan is two (2) years.

(2) Explicitly, all the work and focus oriented in this Program/ Action Plan have identified 3 selected sectors, 37 public agencies or public bodies, and consolidated and rationalized through the Program/ Action Plan.

(3) Based on the Methodology for Preparing the Proposal for the Establishment, Merger and Dissolution of Agencies, and analysing the current situation, work background, and issues, steps have been prepared and defined to be followed in preparing proposals for the rationalization of current agencies. These steps can also be used in cases of evaluating proposals from ministries for the establishment of new agencies, depending on the assessment of the situation and needs.

With the drafting and approval of the Methodology for the Preparation of the Proposal for the Creation, Merger and Extinction of Agencies, the path to the process of organizing the state administration has

been clarified, with special emphasis on the process of rationalization of agencies. This document serves as the Government's methodology for the rationalization of current agencies including their merger, division and eventual creation under LOFSAIA.

Together with the approval of the Methodology, the regulation no. 12/2023 on the Performance Management System for State Administration Agencies as well as the Performance Management System Guide for Agencies have been approved.

This process, both in content and action, is closely linked to other framework laws on public administration reform, such as the Law on the Organization of State Administration and Independent Agencies, the Law on the Status of Public Officials, and the Law on Salaries in the Public Sector.

The work and focus on this process align with the government's goals and vision. Increasing efficiency in implementing the government's goals from top to bottom, from the Government to Ministries, departments and agencies, is aimed at ensuring a cascade of government objectives from the high level to the agency. In this regard, several official documents highlight the need for the rationalization of agencies and the objectives of this process are presented as follows:

- *National Development Strategy 2030 and National Development Plan;*
- *Public Administration Reform Strategy (PARS 2022-2027), and Action Plan 2022-2024;*
- *Government Program/Work Plan;*
- *National Program for the Implementation of the SAA (NPISAA) broken down into the National Plan for European Integration (NPEI 2024 - 2028);*
- *Financial agreement on supporting the budget sector (SBS) Financial agreement on supporting the budget sector (SBS) between the Government and the European Commission through which the EC is committed to financially supporting public administration reform.*

The reflection of this Program/ Action Plan through key strategic documents in the country has been done in such a way that for each priority area, a general medium-term objective has been set defining the main direction of the reforms. In this regard, the general PARS objectives are also strategic objectives outlined within the Good Governance pillar of the National Development Plan (NDP) 2030 and serve the implementation of the NDP. Each general objective is aggregated into specific objective groups in the same priority area. The general and specific PARS objectives and their links to the strategic NDP objectives are illustrated below. The baseline(s) is 9 % (2024), while the Source(s) of verification are the Public Administration Reform Strategy- PARS 2022-2027, and Action Plan 2022-2024.

**General Objective:** Increasing the level of accountability and transparency in public administration

**Specific Objective 1:** Improving the organization of the state administration with clear lines of accountability within and between institutions. This step is foreseen to be completed by December 2027.

With the aim to improve the remuneration system in the public service by creating a transparent and fair salary system that retains, attracts and motivates professionals in the public service, the steps foreseen under *Remuneration*, aim for a target of 70% of automation of payment of salaries for civil service by linking HRMIS with Kosovo Financial management information system. Currently such linkage is not existent [baseline 2024: 0%] and this step is foreseen to be completed by December 2025. This step will be achieved by technically advancing the HRMIS and the KFMIS.

To increase the transparency and provide more information on salaries in the public sector, data on salaries in the public service according to the new job classification regulation will be published annually, easily accessible and broken down into categories, classes and positions. This step is foreseen to be completed by June 2026.

Jobs classification is a prerequisite for effective implementation of the salaries system, therefore all salary grids will be aligned with job analysis, qualification and correspond to the job description and job classification for the reclassified positions in the civil service according to the new internal organization of line ministries and the procedure of classification foreseen in the Regulation (GoK) No. 06/2024 on Job Classification in Civil Service. This step is foreseen to be completed by June 2027.

## **1.2. Public Finance Management**

### *1.2.1. Complete the legal and institutional framework for the Public Procurement system*

*1.2.2. Reform of the public investment management, encompassing the regulatory framework on public investments, the administrative set-up and the unified methodological approach to ensure compliance with the best international standards and allow for a more transparent and efficient implementation of the capital projects*

### **Challenges**

The Republic of Kosovo has a well-established public finance management system compliant with the international standards and best practices. Allocation of resources is adequately managed, controlled and monitored based on the legal provisions and procedures in place. Mid-term fiscal and expenditure framework backed by macroeconomic and fiscal projections supports the implementation of policies based on a predictable and stable fiscal strategy. The budget classification system is consistent with international GFS/COFOG standards. Sufficient transparency measures are in place with relevant budget documentation being shared with the public. Financial management and reporting is supported by electronic data management systems with appropriate levels of control. The Treasury operations are supported by Kosovo Financial Information Management System (KFMIS), whereas the public investment operations are hosted in PIP (Public Investment Programme) system.

The recent EU Sector Budget Support to PFM has contributed to further consolidation of public finances. A Public Finance Management Strategy 2022-2026 guides the PFM reforms. The overall objective is to contribute to sound fiscal management and improved service delivery through improved fiscal discipline and strategic allocation of resources. The document outlines strategic priorities concerning the budget planning, budget execution, internal and external control as well as procurement.

The Public Finance Management Strategy (PFMS) 2022-2026 is the main policy document of the Government of Kosovo to address Public Administration Reform and specifically the Public Finance Management system of Kosovo. The main goal of the PFMS is to further develop sound financial management and improve service delivery through enhanced fiscal discipline and strategic allocation of resources. The PFMS has identified four major areas for further improvement to be addressed through four (4) Strategic Objectives:

- *Ensuring sustainable fiscal discipline (Strengthening macro fiscal projections by aligning them with fiscal risk assessments, strengthening revenue collection and measuring the tax, striving for sound tax expenditure);*
- *Enhancing further Allocation efficiency (Strengthening the link between strategic planning and budgeting and strengthening multi annual contractual commitment recording);*
- *Further Improvement of Operational Efficiency (Improving efficiency and effectiveness of public procurement processes, strengthening internal control, further consolidation of the independent external audit function in line with INTOSAI framework resulting with high quality audits, Expanding and professionalizing Internal Audit); and*
- *Human capital and ICT Infrastructure Strengthened to Support Digital and Transparent PFM System in Kosovo.*

The 2022 Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report highlights a number of areas for improvement including better implementation of audit recommendations, full compliance of government finance statistics with GFS 2014 standards and the progress towards developing a fully-fledged MTEF appears slow. Further work is needed on internal control systems according to the assessment.

Public procurement in the Republic of Kosovo is regulated by Law No. 04/L-042 and the relevant secondary legislation which consists of a considerable number of sub-legal acts, including a common guiding document called “Rules and Operational Guidelines for Public Procurement”.

The law contains the main principles of good governance in line with the EU acquis, including the principle of transparency, accountability, non-discrimination, cost-effectiveness and efficiency etc. It also reflects the principles of public procurement such as value for money, free competition, transparency, equal treatment, mutual recognition and the principle of proportionality. The legal

framework is partially in line with the EU acquis. The institutional framework in place consists of a regulatory body – Public Procurement Regulatory Body, an independent remedy body – Procurement Review Body and a centralised unit in the Ministry of Finance, transfers and Labour. There are procurement units in all budget organisations. A comprehensive electronic procurement platform has been in use since 2016 where all bid opportunities and contract awards are published. The size of public procurement varies from year to year depending on the public investment dynamics. In 2022, this amounted to 6.5% of GDP.

Nonetheless, the procurement system faces challenges such as inadequate planning and excessive use of the lowest price criterion, need for further alignment with EU acquis and lack of adequate controls over multi-year commitments, therefore, an update of the legal framework is needed.

The Law No. 04/L-045 on Public-Private Partnerships (hereafter PPP) provides a framework for transparent and competitive awarding of PPPs and concessionary contracts. The revision and further alignment with EU acquis will contribute positively to the practical implementation of PPP legislation in and strengthen linkages with the general budgetary and procurement framework.

According to the European Commission's 2023 Country Report, 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. The public investment programme (PIP) does not offer recording of multi-annual commitments. Interoperability between Kosovo Financial Management Information System and e-procurement is not in place.

Infrastructure has played an important role in the emergence of Kosovo, its institutions and its economy. The post-war period brought a need for new and rebuilt infrastructure and required the rapid building of public institutions that could support that public investment. Following independence in 2009, infrastructure investment levels have not been sufficient to maintain estimated levels of capital stock relative to the size of the economy, which continue to be low by regional standards.

Under the PIM framework, the failure to undertake robust and consistent feasibility studies prior to project initiation is a key weakness, leading to delays and problems in project execution. Some feasibility studies have been undertaken to meet the requirements of development partners, but a process that requires these to be done consistently and reviewed by national experts, and that generates ownership of detailed design of the projects, is lacking. Also, the regular monitoring of project progress is inconsistent and not applied across the board leading to delays in timely identification of issues and remedy action. As a result, it is not uncommon for the technical aspects of projects in implementation to be inadequately understood and verified within government prior to embarking on project implementation. Robust gatekeeping is needed to give effect to the intent behind the project selection criteria introduced in 2019 to ensure that projects are ready for funding decisions when they are formally budgeted and approved. Failure to do so leads to inefficiencies in project delivery and implementation, which complicates budget management and delays the delivery of needed infrastructure.

## **Objectives**

In line with the Public Finance Management Strategy objectives, the aim of this reform is to improve the efficiency and effectiveness of public procurement, public-private partnerships, execution rate of capital spending by further aligning the methodological approach to ensure compliance with the best international standards and strengthen the multi-annual contractual commitment recordings of capital projects. Revision of legal framework is necessary to address some of the identified challenges. Further alignment with EU acquis, in particular with the Classical Directive, the Utilities Directive and the Concession Directive will contribute to strengthening the e-procurement system, improving the award procedures for large project through increased use of price-quality criterion and addressing unnecessary delays in review procedures.

### *1.2.1. Complete the legal and institutional framework for the Public Procurement system*

#### **Qualitative and Quantitative Steps to be taken under this reform**

- *Adoption by the Assembly of the new primary laws on Public Procurement and Public Private Partnership aligned with the latest EU acquis and EU standards. December 2025*
- *The organisation and composition of the Public Procurement Review Body is fully aligned with the new PP law; All procurement procedures processed through the upgraded e- procurement platform following the new PP Law [June 2026]*
- *Annual performance audit on procurement activities in line ministries in high-risk areas to detect and prevent corruption and irregularities. June 2027*
- *10% of large public procurement contracts are awarded with the use of best price-quality ratio as the contract award criterion. December 2027*

### *1.2.2. Reform of the public investment management, encompassing the regulatory framework on public investments, the administrative set-up and the unified methodological approach to ensure compliance with the best international standards and allow for a more transparent and efficient implementation of the capital projects*

#### **Qualitative and Quantitative Steps to be taken under this reform**

- *E-procurement system and Kosovo Financial Management Information System (KFMIS) are fully interoperable. Multi annual contractual commitment recordings are provided. June 2025*
- *At least 75% of large-scale project appraisals are reviewed by the central project review function established at the Ministry of Finance, Labour and Transfers (MFLT) for review of the application of methodologies and guidelines from line ministries - by either setting up a new division or tasking existing staff, for major projects covering all sources of funding June 2027*
- *The project appraisal and selection guidelines and methodologies, which are in line with best international standards, are systematically applied to all capital projects by all budget organizations. Indicator: increased execution rate of capital spending to at least 80%. December 2027*

#### **Description of implementation**

The reforms under this component aim to strengthen the public procurement system and public investment management. In the area of procurement and public-private partnerships, the reform consists of measures to consolidate the legal and institutional framework. New primary laws on Public Procurement and Public Private Partnership will be drafted by the Government according to its legal norms and best practice for alignment with the EU acquis. Consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance. Both laws are at draft version within the Legal Department of the Ministry of Finance for final legal review. Both laws will be soon sent to internal consultations and public consultations.

This aims to ensure further alignment with Directive 2014/24/EU (Classical Directive), Directive 2014/25/EU (Utilities Directive) and Directive 89/665/EEC, as amended by Directive 2007/66/EC (Review Procedures Directive) with the focus on areas of contract thresholds, Single Procurement Concept, social and innovative procurement procedure. Accordingly, the organisation and composition of the Public Procurement Review Body will be aligned to the new PP legal provisions. This entails both a revision of the regulation on the organisational structure of PRB and any eventual changes to the composition that will have to be done via vacancy procedures and voting of new members and/or Chair of PRB Board.

Upon adoption of the new public procurement law, all procurement procedures will be processed through the upgraded e- procurement platform. In parallel to drafting the PP law, PPRC has also worked on developing appropriate implementation guidelines and Instructions on the use of Most Economically Advantageous Tender Criterion (MEAT). These will be essential in increasing the use of best price-quality ratio (MEAT criterion) to at least 10% of large procurement contracts. In the period 2018-2022 the percentage of tenders using MEAT criterion stood at an average of 1.736% of all procured tenders with an increase to 3.5% in year 2022 [the baseline year for the 2027 target]. The following shall be considered as a large value contract<sup>3</sup>: 1. a supply contract or a service contract the estimated value of which is equal to or greater than, or can reasonably be expected to be equal to or greater than one

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<sup>3</sup> Article 19 of Law on Public Procurement

hundred twenty five thousand (125.000) EUR; or 2. Works contracts the estimated value of which is equal to or greater than, or can be reasonably expected to be equal to or greater than, five hundred thousand (500.000) EUR.

When the contracting authority has specified that the award of a public contract shall be made to the economic operator submitting the economically most advantageous tender (MEAT criterion for best quality ratio), such contracting authority shall specify in the contract notice and the tender dossier the criteria for determining the winning tender and the weighting assigned to each criterion. According to Article 27 of Regulation No. 001/2022 on Public Procurement, when MEAT criterion is applied, the contract must be awarded to the tender which best meets the relevant criteria which must be weighted according to their relative importance. In addition to price, the contracting authority may include other criteria relevant to the subject matter of the contract, such as:

- a. *Quality characteristics*
- b. *Operating, maintenance and other lifetime costs*
- c. *Functional, technical, environmental, aesthetic or similar characteristics*
- d. *After-sales service and technical assistance.*

To ensure appropriate accountability, prevent corruption and irregularities in the use of public funds, procurement activities in high-risk areas of certain line ministries will be audited annually by a performance audit. Those high-risk areas will be defined periodically by the audit sampling standard methodology of National Audit Office in line with the legal provisions and international standards and communicated clearly upon any such audit. The risk areas for procurement procedures are of dynamic nature and can be subject to changes. The National Audit Office considers that defining the high-risk areas in advance, poses a risk to this process altogether.

The reform of the public investment management aims to achieve a more efficient and transparent implementation of capital projects. This encompasses changes in the regulatory framework on public investments and administrative aspects to create a unified methodological approach consistent with international standards.

The first step consists of establishing interoperability between the E-procurement system and Kosovo Financial Management Information System (KFMIS). Full interoperability means the connection of the budgeting, commitment, procurement, and spending process where a contracting authority cannot advertise a tender in e-procurement platform if the budget for the duration of that tender is not available in KFMIS. In turn, that committed budget cannot be used for other activities. This will allow authorities to record Multi annual contractual commitment and monitor their implementation dynamics, and it allows for a better budget planning for the following years. This way, authorities have a better overview on the progress of project implementation and can intervene on time when delays and/or issues are noticed.

Second, at least 75% of large-scale project appraisals are reviewed by the central project review function established at the Ministry of Finance, Labour and Transfers (MFLT) for review of the application of methodologies and guidelines from line ministries. Successful implementation of this step requires securing the appropriate human resources in the central ministry responsible by either setting up a new division or tasking existing staff, for major projects covering all sources of funding. Accordingly, the developed appraisal and selection methodologies will be applied systematically, meaning it will be applicable to all budget organisations and all capital projects through adoption of a bylaw (Administrative Instruction), with the aim of increasing their execution rate to at least 80% at the end of 2027.

Citizens and the government budget are the direct beneficiaries of this reform. The business sector, contracting authorities and the wider economy also benefit directly or indirectly from a more efficient use of public funding spent through the public procurement system. Effective implementation will require the engagement of a wide range of actors from central and local level authorities, procurement units, economic operators and other stakeholders. While the burden of revising legislation falls on public institutions, there is an important role to be played by the business community and other non-government actors in the implementation of measures following the adoption of planned legislation.



## **7. POLICY AREA 2: GREEN AND DIGITAL TRANSITION**

### ***2.1. Digitalisation of Public Services and Infrastructures***

*2.1.1. Ensure user friendly digital public service delivery through administrative burden reduction and improved quality and increased number of services available online*

#### **Challenges**

In the recent years, Kosovo has made serious strides towards simplification and digitalization of public administration services. Tax declaration services have been fully digitalized, and the business registration services have been digitalized to the large extent. In 2021, the e-Kosova portal has been launched and more than 155 online services are today offered through this portal.

The “once-only” principle has been adopted as one of the key principles in the Law on the General Administrative Procedures, and the interoperability platform of Kosovo based on Government Gateway (GG) launched in 2018 has created the key technological enabler for this principle. Today, 31 central government institutions and 19 local government institutions are connected to GG, and 48 government systems and 52 e-Kiosks exchange data through it. The number of transactions that have been processed through GG in 2023 was over 16 million, which is 26% increase compared to the previous year.

The Administrative Burden Prevention and Reduction process has also yielded significant results. In the last three years, 152 services have been simplified at central and local levels, and 64 other services have been eliminated at the local level, in three municipalities. According to the measurements made through the Standard Costing Model, more than 2 million Euros have been saved in the process.

However, major challenges remain. Public institutions struggle to use scarce resources effectively, attract qualified experts to the civil service and co-operate with private sector for exploiting all opportunities available in Kosovo’s economy. Many of the implemented services do not take into account the user perspective, and online services are still scattered across several government portals.

Considering the current catalogue of 700 public services for citizens and businesses, currently only 14% of those services are provided online through e-Kosova. The “once-only” principle is still not fully implemented in practice as specific legislations still require re-submission of information from citizens. In addition, many government systems and registries are still not connected to the interoperability platform. The Tax Administration systems are not connected to the business registry and other registries through the interoperability platform, and the civil registry is not connected to the address registry.

The implementation of hardware-based fiscal registers has helped reduce the fiscal evasion to some extent, however, it has also created a financial burden on businesses that have had to incur significant set up and maintenance costs for them.

#### **Objectives**

The recently adopted e-Government strategy 2023-2027 introduces substantial reforms in digital governance in Kosovo. The strategy emphasises the need for a more cohesive approach, focusing on e-Government coordination, cybersecurity, attracting and retaining talent, and digital skills development. It promotes a "whole of government" enterprise architecture, user-centric and inclusive digital services, and robust technological enablers like interoperability, eID and a centralized service portal. To stay relevant, the strategy encourages innovation, an open mind-set, and collaboration with stakeholders at national and international levels, ultimately aiming for Kosovo to become a digitally modern country with a digitalized and efficient public administration by 2030.

On the other hand, the Administrative Burden Reduction and Prevention Program 2022-2027 which also embraces simplified and digitalized user-centric services, has brought a new approach to ABR which entails centralized planning and coordination and decentralized implementation, simplification and digitalization in parallel (as digitalization motivates simplification), close cooperation with civil society organizations and business chambers, and awareness raising within the public administration.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *100% of the new laws imposing an administrative burden are reviewed in context of prevention of administrative burden according to Administrative Burden Reduction methodology. June 2025*
- *Elimination of fiscal cash registers and their replacement with fully functional software platform. June 2026*
- *Strengthen interconnectivity of civil registry to other government registries (Agency for Business Registration (ABRK), Tax Administration Kosovo, Address System (ARIS). December 2026*
- *10 public registers standardised and digitalised by the administration to improve the 'once-only' principle. June 2027*
- *50% of public services for citizens and businesses are offered online through an on-line e-Kosova portal. December 2027*

### **Description of implementation**

The steps included in this component of the Plan are part of a coherent approach towards enhanced digital services envisaged in these strategic documents.

As a first step, the Plan envisages that a system for reviewing legislation in context of administrative burden program methodology is set up and made functional in the short term. 100% of new laws will undergo such review for preventing of administrative burdens until June 2025. This means that all new laws and amendments to existing ones will be scrutinised in the context of preventing administrative burdens in accordance with ABR Program methodologies. This scrutiny will occur during various phases prior to government approval, such as the drafting phase and preliminary and public consultations. The criteria for determining which relevant laws to scrutinise (out of 100% of them) will be whether the laws contain services, procedures, and digitalisation legal dispositions that affect citizens and businesses. This will minimize risks of legislation inhibiting the digitalization of services.

All new laws and amendments to existing ones will be scrutinised in the context of preventing administrative burdens in accordance with ABR Program methodologies. This scrutiny will occur during various phases prior to government approval, such as the drafting phase and preliminary and public consultations. The criteria for determining which relevant laws to scrutinise (out of 100% of them) will be whether the laws contain services, procedures, and digitalisation legal dispositions that affect citizens and businesses.

Another key engagement in ensuring seamless and integrated user-centric digital services, is in strengthening and expanding the interoperability between government systems and registries. With this in mind, interconnectivity between the civil status registry, the business registry, the tax administration systems, as well as the address system, will be implemented through the interoperability platform. Moreover, 10 public registries will be fully digitalized while ensuring the implementation of the 'once only' principle. At the same time, fiscal cash registers will be replaced by a functional software platform which will also contribute in the reduction of fiscal informality.

Finally, the above steps and additional efforts will result in at least 50% of the 700 public services as per the service catalogue, being offered online through e-Kosova portal by the end of 2027.

The strategic framework also envisages a focused approach to increasing inter-institutional cooperation and coordination in rendering user centric and inclusive public services. The Digital Transformation Unit and the Strategic Planning Office are already mandated within the Office of the Prime Minister with the role of coordinating and driving the processes related to the digital services, and administration burden reduction, respectively. The implementation of the specific steps in this component of the Plan will be carried out by the line institutions responsible for specific areas, which includes the key institutions like AIS, CRA and TAK.

All line institutions and municipalities will be closely involved in the process of reducing administrative burden and designing digital user-centric services, through the appointed focal points which coordinate closely with DTU and SPO. The reform will encourage collaboration with stakeholders at national and international levels through implementation e-Government, while administrative burden reduction entails close cooperation with civil society organizations and business chambers. Targeted final beneficiaries are all public service users, including citizens, business and other organizations.

### 2.1.2. E-signature and deployment of digital identity wallet

#### Challenges

Implementing e-signature and digital identity wallet involves coordination between multiple government agencies, private sector stakeholders, and international bodies. Allocating sufficient financial and human resources to develop, deploy, and maintain e-signature and digital identity systems is a challenge, particularly for small countries with limited budget such is Kosovo.

Kosovo has already started concrete activities for Digital identification, authentication, electronic signature, electronic stamp, and other trusted services.

Kosovo has adopted the [Law No. 08/L-022 on Electronic Identification and Trusted Services in Electronic Transaction](#). Following adoption of the law, the Ministry of Economy continued drafting other implementing acts and at the end of 2022, 10 regulations deriving from this Law were adopted.

Within the above-mentioned Law in Article 6, we have foreseen the creation of the Digital Wallet. In paragraph 3 of Article 6, it is stated that 3- The content and method of the Digital Identity Portfolio is regulated by a Sub-Legal Act issued by the Minister. All legislation is based on the e-IDAS Regulation.

Kosovo will need to further align existing legislation with recent e-IDAS Regulation 2.0.

#### Objectives

In order to address challenges mentioned above and to achieve successful implementation and widespread adoption of e-signature and digital wallet Kosovo will need to undertake a combination of regulatory harmonization, technical harmonization, robust cyber security measures, infrastructure investments, user education, and effective coordination among public, private, regional and international bodies. Kosovo will undertake all technical, legal and regulatory steps to ensure full compatibility with Balkan Identity Wallet

In terms of the concrete implementation of legal obligations, the Ministry of Economy has requested support from the EU Office in Kosovo to finance the establishment of the National Electronic Identification System (alias EU Digital Wallet) through the IPA2019 instrument.

The widespread adoption of e-signature and digital identity wallet can stimulate economic growth by enabling new business models, fostering innovation, enhance security by providing more reliable authentication and leading to increased efficiency and substantial cost savings. E-signature and digital identity wallet can enable new services, improve public sector efficiency (e-Government services), enhance citizen engagement (online voting), and provide better access to financial services, contributing to overall economic development.

#### Qualitative and Quantitative Steps to be taken under this reform

- *Compliance with the EU Digital Identity Regulation (June 2026)*
- *Implementing the national electronic identification and trusted services legislation compliant with the eIDAS Regulation and achieving readiness for mutual recognition of eID/trust services; submit the request to join the list of EU third countries trusted list for e-signature validation as first step towards the EU Identity Wallet; achieve readiness to participate in the Balkan Identity Wallet (December 2027)*

#### Description of implementation

The National Electronic Identification System will offer services that are the same as those of the Digital Wallet and is being built according to the "EU Digital Identity Wallet" model.

This system will initially offer the services of:

- Electronic Identification
- Electronic Authentication
- Electronic signature
- Electronic seals for businesses

In addition to the above services, the "Kosovo Digital Wallet" will also contain opportunities for safe use of various public and private services; storage of all personal documents; payments of all services in an easy and safe way, as well as other services that will be piloted one by one.

Kosovo will be ready for cooperation for the creation of the Balkan Identity Wallet, so that it can then become part of the EU - Access the EU Digital Identity Wallet. The Kosovar Digital Wallet will be a mobile application based on Web Technology and will be easily installable on all devices owned by citizens and businesses of Kosovo. Kosovo will be ready and will implement all the obligations deriving from the Existing Legislation as well as the upcoming Legislation for "EU Digital Wallet". Compliance with the EU Digital Identity Regulation will be completed by June 2026. Whereas, implementing the e-signature and digital identity wallet will be completed by December 2027.

Readiness means that e-signature and the Digital Identity Wallet System will be fully interoperable and compliant with all technical standards of the most recent EU e-IDAS framework. However, complete functionalization of the Balkan Identity Wallet will also depend from other countries of the region. Kosovo will sign agreements with all Western Balkan countries for mutual recognition of digital wallets.

In order to create proper mutual recognition of Western Balkan Identity Wallet Kosovo will propose establishment of official Working Group comprised by high level representatives of all the countries in the WB6. This working group shall be mandated to run the process of mutual recognition of digital wallets of all the Balkan countries.

*2.1.3. Establish a secure, resilient and sustainable digital infrastructure including rural and mobile broadband and 5G roll-out, with strict compliance to the EU 5G Toolbox of mitigating measures to address security risks*

### **Challenges**

The predominance of Hybrid Fibre-Coax (HFC) technology in Kosovo's fixed network infrastructure presents both advantages and challenges. While it provides a foundation for broadband connectivity, particularly in urban areas, limitations in mobile network quality and broadband access in rural regions continue. Regarding mobile networks, the use of 2G, 3G, and 4G technologies is indicative of an increasingly outdated infrastructure. Issues such as poor network quality are often multifaceted, stemming from factors like spectrum allocation and investment constraints within the national telecommunications framework.

The absence of precise data on connection speeds indicates the need for comprehensive monitoring and assessment mechanisms for network performance. The prevalence of coaxial cable technology, though capable of providing broadband speeds of up to 100 Mbps to many users, falls short of meeting the demands by users.

### **Objectives**

The chief actions to drive the advancement of the connectivity in Kosovo are embedded in the Digital Agenda 2030. The Agenda's first strategic objective involves advancing public fixed and mobile networks, ensuring sustainability and security, and leveraging 5G for smart business and community solutions. This approach fosters enhanced connectivity, environmental responsibility, and innovation-driven economic and social development.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *Alignment with the Gigabit Infrastructure Act. December 2025*
- *Roll-out of 5G network and services to reach the 20% of the households. June 2027*
- *Compliance with the EU 5G cybersecurity toolbox. December 2027*

### **Description of implementation**

Under the current Plan, it is envisaged that a focused approach will be put in place to align with the Gigabit Infrastructure Act. Efforts will be made to ensure close cooperation with the EU in securing support in aligning targets, but also in ensuring that key elements of the legislation are harmonized with the Government's efforts to strengthen 5G and gigabit connectivity. This step will be completed by December 2025.

In addition, full compliance with the EU 5G cybersecurity toolbox will be sought, especially with a view to strengthening the security requirements for mobile network operators, assessing the risk profiles

of the suppliers, as well as ensuring that each operator has an appropriate multi-vendor strategy so as to reduce the risks of major dependencies. Establishing a Government Working Group (GWG) dedicated to ensuring compliance with the EU 5G cybersecurity toolbox is crucial for Kosovo to effectively manage the transition to secure 5G networks. GWG shall be officially mandated through a government decision. This Group will include representatives from relevant government ministries, regulatory authorities, telecom operators, cybersecurity experts, academia, and other key stakeholders. GWG will define the scope of work to include policy development, risk assessment, monitoring, compliance enforcement, and stakeholder coordination. Develop, draft and adopt necessary legislation and regulations to ensure compliance with the EU 5G cybersecurity toolbox. This step will be completed by December 2027.

Finally, the Plan envisages investments, which would allow for roll-out of 5G networks and services to reach at least 20% of the households by June 2026.

In terms of institutional landscape, the main institutions in ensuring the alignment with the EU Gigabit Act and the 5G Cybersecurity Toolbox will be the Ministry of Economy and RAEPC, in close coordination with the Office of Prime Minister and the Assembly. Moreover, close cooperation will be established with the relevant cybersecurity authorities and other relevant bodies.

In addition, the main institutions overseeing the roll-out of 5G networks will be RAEPC. The final beneficiaries are all digital infrastructure users, including citizens, business and other organizations.

## **2.2. Cybersecurity**

### *2.2.1. Comprehensive framework for cyber resilience (introducing requirements of NIS2 Directive and strengthening relevant institutions)*

#### **Challenges**

In the last decade, Kosovo has made efforts to strengthen cybersecurity at the national level. The adoption of the first legislation for prevention and fight of the cybercrime in 2010, the approval of the national cybersecurity strategy in 2014, and the establishment of the national CERT in 2016, have been the key initiatives that have helped Kosovo develop its foundations in cybersecurity.

Nevertheless, the implementation of these initiatives has faced many challenges. The institutional capacities responsible for cybersecurity have been quite fragmented. The absence of an adequate and up to date cybersecurity legislation has left the operators of essential services and digital service providers vulnerable to potential threats, as they have lacked clear guidelines for implementing minimum security measures. Furthermore, the lack of comprehensive risk assessments has further complicated this vulnerability, as it has hampered the ability to identify and prioritize potential areas of concern. Additionally, the lack of a designated list of entities recognized as national critical infrastructure, as stipulated by the Law on Critical Infrastructure, has left crucial systems inadequately protected and has increased the risk of widespread disruption in the event of a cyberattack.

Moreover, Kosovo has faced great difficulties in terms of shortage of professional and technical capacities to prevent and handle cyber incidents. Adding to this, citizens' awareness on the risks in the cyberspace have remained limited.

#### **Objectives**

The new National Cybersecurity Strategy 2023-2027 adopted recently has created a comprehensive cybersecurity roadmap for consolidating institutional capacities, introducing new legislation, protecting critical information infrastructure, increasing awareness, fostering national and international cooperation, and developing human capacities at the national level. On the other hand, one of the pillars of the new e-Government Strategy 2023-2027 is dedicated to strengthening cybersecurity of the government systems. Moreover, the adoption of a new legislation on cybersecurity in 2023, which envisages the creation of central cybersecurity institutions that will ensure the cybersecurity in the critical infrastructure and beyond, is another crucial development in strengthening the cybersecurity posture of Kosovo.

These strategic reforms and initiatives which are fully aligned with this component of the Plan, include the establishment of the Cybersecurity Agency (CSA) that will be an executive agency serving as Kosovo's central cybersecurity competent authority. This will help make the national and government CERTs within the CSA and the Agency of Information Society fully operational and with an 'Accredited' status on the TF CSIRT Trusted Introducer.

The implementation of these reforms will also pave the way towards upgrading to the next natural level in the cyber security legislation, in alignment with the NIS2 Directive. This will result in having more sectors and entities within the scope of the law, and in a broader mandate for the Cybersecurity Agency. As with other laws the Government will draft these laws according to its legal norms and best practice for alignment with the EU acquis. Consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance.

#### **Qualitative and Quantitative Steps to be taken under this reform**

- *National and governmental CERTs are operational and reach at least 'accredited' status on TF CSIRT Trusted Introducer. June 2026*
- *Adoption of the new cybersecurity law by the Assembly in full alignment with the NIS2 directive. December 2026.*
- *Frameworks introduced by NIS2 alignment (National strategy on the security of network and information systems aligned with NIS2 requirements, single point of contact, crisis management cooperation framework at national level, CVD framework), are in place and in use. June 2027*
- *Establishment of a competent authority and list of entities (the Cybersecurity Agency acting as competent authority as defined in the NIS2) is operational: sufficiently staffed, equipped with supervisory powers, performing supervisory checks; list of entities in scope of the national law corresponding to the NIS2 Directive is finalized). December 2027*

#### **Description of implementation**

The key activity envisaged by Kosovo's cybersecurity strategy and law which is currently at its final stage is the establishment of the Cybersecurity Agency (CSA). Upon completion of the staff recruitment, which is under way, the CSA will become operational. This step together with the completion of the 14 secondary legislation acts expected to be adopted in the coming months, will ensure that by end of 2026 the current cybersecurity law is completely implemented. This will also make the national and government CERTs within the CSA and Agency of Information Society operational, with at least 70% of the positions planned in the organizational structure staffed, and with CERTs having an 'Accredited' status on the TF CSIRT Trusted Introducer.

The implementation of this reform will lay the foundation for the next step: starting the work on the new legislation transposing NIS2 directive, which is expected to be adopted by the end of 2026. By mid-2027, frameworks introduced by NIS2, including a national strategy of network and information systems aligned with NIS2, single point of contact, crisis management cooperation framework as well as a CVD framework will be implemented.

The full implementation of NIS2 at the end of 2027 will result in an upgraded CSA which will have additional staff, more supervisory powers covering additional sectors and entities, and a broader mandate seeking ways to further strengthen cooperation with the EU and Member States to implement strategic cooperation and exchange of information. By the end of 2027, the CSA will be staffed with at least 70% of the planned positions as per the new organizational structure based on the requirements of NIS2.

The central elements of the institutional set up for implementing the National Cybersecurity reforms outlined above are within the Ministry of Internal Affairs (MIA), which is responsible to develop the necessary legal framework and align with the EU requirements. This also includes the Cybersecurity Agency and the Agency of Information Society, which are executive agencies within MIA. The Digital Transformation Unit within the Office of the Prime Minister has a coordinating and oversight role in the digital transformation and cyber security agenda. All other relevant institutions are closely involved and included in the implementation of the above reforms. The final beneficiaries are all digital infrastructure users, including citizens, government, business and other organizations.

## 2.3. Market Reforms

### 2.3.1. Transposition and implementation of the Clean Energy Package<sup>4</sup>

#### Challenges

Kosovo as a signatory party to the Energy Community Treaty has developed policies, legal and regulatory framework to ensure the implementation of obligations under the Energy Community Treaty. Primary legislation and regulatory framework are in compliance with the EC third package, however during this year, three new laws (Law on Energy, Law on electricity and Law on energy regulator) are being drafted to align with the EC Clean Energy Package. In the energy market realm, interconnectivity plays a crucial role in developing and integrating electricity markets. EU Member States aim for 15% of peak load to be covered by interconnection capacities by 2030. Kosovo exceeds these targets significantly, having a much higher installed interconnection capacity than its peak load. However, for Kosovo, challenges remain in the Internal Energy Market dimension, particularly regarding potential hindrances to wider regional market coupling due to political coordination issues and institutional inertia in some countries. In particular, the prospects for regional integration are highly dependent on, and could be further impeded by, the evolution of political relations between the Republic of Kosovo and the Republic of Serbia. Previously observed issues, such as for example those related to the nomination of available transmission capacity for the interconnector between Kosovo and Serbia highlight barriers to further regional integration. Thus, Kosovo welcomes a regionally coordinated approach facilitated by the Energy Community Secretariat and the European Union, to ensure broadly similar efforts and convergence in regional market liberalisation and market integration.

Both regional, national and global supply chain dynamics pose a potential challenge to the rapid rollout of renewables, transmission capacity, electromobility and other technologies. Despite decreasing prices for renewable technologies, recent upticks in prices are observed due to supply chain constraints, geopolitical events like Russia's conflict with Ukraine, and dynamics related to critical minerals needed for advanced technologies. Production capacity for these technologies is increasing, but there are concerns about possible shortages due to their rapid global deployment and benefits for energy security. These dynamics impact Kosovo's energy plans, necessitating secure supply chains to account for potential price increases or delays in critical technologies.

#### Objectives

Energy market integration forms an integral part of Kosovo's energy and climate policy. One of the key objectives that Kosovo has, is the use of a common power exchange (ALPEX) headquartered in Tirana. The launch of the Day-Ahead Market for Kosovo's bidding zone and the coupling of the Albanian and Kosovo electricity markets began on February 1, 2024, marking a milestone in market operations. With ALPEX fully operational in both regions and robust interconnection capacities in place, congestion issues are expected to be rare, leading to minimal price discrepancies between Kosovo and Albania. Going forward, Kosovo also plans to open other market segments (intraday, balancing, etc.) and coupling with other countries in the region as well as the European Union. This contributes to the security of supply through wider regional market integration, while also supporting the goals of affordability and competitiveness by optimizing the wholesale and reserve markets and making them more efficient.

Investing in the skills of Kosovo's workforce, both men and women, aligns with the dynamic demands of the energy sector and ensures access to employment opportunities within the industry. Market reform aims at strengthening regional cooperation, removing the barriers to effective market-functioning, and ensuring human capital in energy-related fields. More specifically, joining the Pan-European market area, gradually phasing out the Bulk Supply Agreement and increasing the number of graduates and employees in energy-related fields remain specific reforms to be addressed in these coming years. Kosovo acknowledges the growing significance of policy coordination and regional cooperation in managing variable renewable energy, ensuring generation adequacy, enhancing resilience to external shocks, and addressing climate change impacts.

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<sup>4</sup> The deadlines stipulated in this section are without prejudice to the obligations under and deadlines set by the *Acquis Communautaire* of the Energy Community Treaty, and do not affect the applicability and enforceability of the latter.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *Align legislation with the electricity integration package in line with the Energy Community requirements by adopting the Law on Energy and the Law on Electricity and secondary legislation. June 2025*
- *Adopt Law on Energy Regulator and secondary legislation. December 2025*
- *Further open retail electricity market in parallel with transitional phaseout of the Bulk Supply Agreement to deregulate retail electricity prices in line with the requirements of the Electricity Integration Package, by which public intervention in price setting for end users can only be temporary and limited for households and SMEs; KOSTT and Albanian Power Exchange (ALPEX) to join day ahead market coupling with the EU based on the Market Coupling Operation Integration Plan (MCO IP), as approved by European Union Agency for Energy Regulators (ACER). June 2026*
- *Procurement of electricity to cover losses of DSO shall be in the market and at market prices comparable to prices set at day ahead market operated by ALPEX. Reasonable volumes of DSO losses at market prices to be recognized as costs by Regulator ERO at annual DSO tariffs revision. December 2026*

### **Description of implementation**

The primary beneficiaries of this reform are national institutions, with citizens of Kosovo and the Western Balkans region expected to benefit in the long term.

All key players in the electricity market are already established. In 2023, the Energy Regulatory Office (ERO) approved a new market structure outlining the roles and responsibilities of each market participant. Additionally, the competitive process for determining guaranteed purchase prices for energy from renewable energy sources (RES) began in 2023. Transposition and Implementation of the Clean Energy Package reform entails the alignment of the national legal framework with the electricity integration package, in line with the Energy Community requirements. More specifically, this reform includes amending the Electricity Law, Energy Law, and Energy Regulator Law, along with revising related secondary legislation to fully incorporate the latest EU Clean Energy Package directives and regulations. This legislative framework will transpose the Directive 2019/944 on common rules for the internal market for electricity, Regulation 2019/943 on the internal market for electricity, Regulation EU/2018/1999 of 11 December 2018 on the Governance of the Energy Union and Climate Action, Regulation (EU) 2019/941 on risk-preparedness in the electricity sector, and Regulation (EU) 2019/942 of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators. The first foreseen step is the alignment of the national legislation with the electricity integration package in line with the Energy Community requirements by adopting the Law on Energy and the Law on Electricity and secondary legislation by June 2025. By December 2025, Law on Energy Regulator and secondary legislation is foreseen to be adopted. Law on Energy and the Law on Electricity have undergone preliminary and public discussions & commenting from the Energy Community. Comments accepted from all discussions, including those from EnC and addressed. Drafts are currently being treated within the Ministry of Economy for legal, technical, linguistic aspects. Whereas draft law on energy regulator is at an early stage of drafting within the working group. The Government will draft these laws according to its legal norms and best practice for alignment with the EU acquis. Consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance.

Since the Law on Energy Regulator is still in the drafting stage, the specific by-laws that will stem from it have not yet been established. Consequently, the secondary legislation resulting from the primary law will be determined at a later time. In order to advance and ensure market reforms, the Government foresees further open retail electricity market in parallel with transitional phaseout of the Bulk Supply Agreement to deregulate retail electricity prices in line with the requirements of the Electricity Integration Package, by which public intervention in price setting for end users can only be temporary and limited for households and SMEs. As regards BSA, there is a planned study on the barriers to a competitive electricity market and on the most suitable method for gradual removal of the agreement for bulk supply. The study is planned to start in 2026 following the completion of the update of electricity legislation and to be completed by 2027 the latest. KOSTT and Albanian Power Exchange (ALPEX) to join day ahead market coupling with the EU based on the Market Coupling Operation plan, as approved by European Union Agency for Energy Regulators (June 2026). The final step consists of



procurement of electricity to cover losses of DSO to be comparable to prices set at day ahead market operated by ALPEX. Reasonable volumes of DSO losses at market prices to be recognized as costs by Regulator ERO at annual DSO tariffs revision. This final step is to be completed by December 2026.

## **2.4. Decarbonisation Policy**

### *2.4.1. Implementation of climate and energy actions as per the National Energy and Climate Plan (NECP)*

#### **Challenges**

Kosovo is committed to the goals outlined in the Sofia Declaration and supports the Green Agenda for Western Balkans, which align with the EU's objectives of reducing greenhouse gas emissions, promoting clean energy production, sustainable transport modes, and adopting a circular economy approach. Over recent years, Kosovo has directed its energy sector towards increasing the share of clean energy both in production and consumption. Recent strategic documents demonstrate Kosovo's dedication to enhancing energy efficiency, utilizing renewable energy sources (RES), and fostering clean and eco-friendly technologies, especially in heating systems. The primary objective outlined in the National Energy Strategy is the full decarbonisation of the energy sector, focusing on RES like wind and solar energy, alongside energy efficiency improvements. Fossil energy sources will gradually be replaced with renewable sources, accompanied by the development of flexible units and energy storage facilities which will be necessary to enable the integration of RES into the system. This approach is also highlighted in the draft National Energy and Climate Plan, which set the goals until 2030 related to reducing CO<sub>2</sub>, increasing the share of renewable energy in final consumption, and increasing energy efficiency. This reform is part of the Growth Plan, which emphasizes the provision of clean energy primarily through the modernization and construction of essential infrastructure to meet the 2030 targets established at the Energy Community Ministerial Meeting in December 2022 and incorporated into Kosovo's National Energy and Climate Plan. The current draft of the National Energy and Climate Plan (NECP) focuses on five dimensions: a) Decarbonisation, aiming to reduce greenhouse gas (GHG) emissions by promoting low-carbon technologies and energy efficiency across all sectors, phasing out fossil fuels gradually; b) Energy Efficiency, emphasizing cost-efficient energy measures, particularly in building renovations and other sectors like transport, to improve overall energy efficiency; c) Energy Security, by addressing the challenges like peak demand and reserve capacity; d) Energy Market, aiming to couple its energy market with Albania's through the common power exchange ALPEX, with the expectations to reduce price differences and enhance market integration regionally; and g) Research, Innovation, and Competitiveness, with the aim of developing a system to identify and implement suitable technologies, keeping pace with advancements, and integrating viable innovations. The current NECP expands on previous plans by including GHG emissions from non-energy sectors and plans to conduct further analyses, such as the impact of the EU's Carbon Border Adjustment Mechanism.

Kosovo is an importer of electricity and price affordability is a challenge, especially for the vulnerable consumers. National electricity production is mainly based on coal, and decarbonisation efforts involve transitioning away from fossil fuels and transforming energy production and transmission systems. This implies reforming the production system and electricity transmission, increasing energy efficiency and replacing fossil fuels in other sectors (such as transport, construction, agriculture, etc.). Therefore, decarbonisation is a big step forward in the development of the domestic market and represent one of the most difficult structural reform. Accordingly, reforming the energy sector aims to increase energy production from renewable sources, strengthening the infrastructure related to the transmission of renewable sources of energy, investment in strengthening the heating system and energy efficiency, development of use renewable energy in traffic and the development of new technologies.

Despite our commitment to meeting these 2030 targets and progressing toward decarbonisation, we face several challenges. These challenges include limited human and professional capacities, restricted access to international financial mechanisms, and political constraints. Given these challenges, especially regarding capacities and considering our specific natural resources and political circumstances, Kosovo is in the initial stages of addressing decarbonisation efforts. Therefore, the implementation of the NECP will commence with addressing the prerequisites necessary for its successful execution.

## Objectives

Implementation of the proposed reform will ensure Kosovo's transition to cleaner energy. Accordingly, it is expected that the decarbonisation reform in mid-term framework, will provide the necessary infrastructure for better and faster implementation of clean technologies in the electric power sector, transport sector, heating and the industry sector, connected with the development of new technologies, in addition to increasing the share of renewable energy, enable an additional reduction of CO<sub>2</sub>.

The GHG emissions reduction target for Kosovo economy was adopted on the Ministerial Council of the Energy Community for 2030 in absolute term, and it is 8.95 kt CO<sub>2</sub>-eq or 16.3% reduction compared to 2016 GHG level. The RES target for gross final energy consumption (FEC) for Kosovo is set at 32% in 2030. The sectoral share of RES in final energy consumption in 2030 is projected to:

- 50% in heating and cooling;
- 45% in electricity;
- 4% in transport.

It is projected that in 2030 the electricity production from RES will reach 3,000,000 MWh of which the highest share has wind with 55%, (1,670,000 MWh) followed by PV with 32% (970,000 MWh) and hydro with 12%. It is projected that by 2030 the total installed capacity from PV and wind will be around 1400 MW, (PV with 730 MW and wind 670 MW). The EE target for Kosovo in relation to the final energy consumption is set as maximum FEC equal to 1.8 Mtoe or 20,934 GWh in 2030. It is important to note that the target includes total final energy consumption, including in the transport sector. NECP has ambitious energy efficiency measures across sectors, which are instrumental for reaching this target. The additional objective of implementation of the NECP is also protecting vulnerable energy consumers and enabling a just energy transition.

### Qualitative and Quantitative Steps to be taken under this reform

- *Adoption of a Just Transition Roadmap with an implementation timeline and indicators. June 2025*
- *Revision and adoption of the package of the secondary legislation for the implementation of the climate change law, including the legislative framework to enable the establishment of the MRVA. December 2025*
- *Full implementation of Monitoring, Reporting, Verification and Accreditation (MRVA). June 2026*
- *Establish a comprehensive register of vulnerable consumers and define a national objective to support energy poor households and vulnerable consumers in line with the relevant legislation and the NECP objectives. December 2026*

### Description of implementation

The primary beneficiaries of these reforms will be national institutions, with the ultimate beneficiaries being the citizens of Kosovo and the Western Balkans region in the long term.

The initial and crucial step involves creating a Just Transition Roadmap that includes a timeline for implementation and measurable indicators to ensure a fair transition, by June 2025. Currently, further coordination with relevant line ministries is needed for the Just Transition Roadmap. Ongoing discussions between ministries about who will take the lead in this process are still taking place. As the leading role may change, the responsible institution will be determined in due course. The second step foreseen in this reform is the revision and adoption of the package of the secondary legislation for the implementation of the climate change law, including the legislative framework to enable the establishment of the MRVA, by December 2025. Full implementation of Monitoring, Reporting, Verification and Accreditation (MRVA) as a third step to be fulfilled by June 2026. After setting the legislative basis for the MRVA by end of 2025, in 2026 MESPI will target institutional reforms to enable functionalization of the MRVA structure. This foresees an active Competent Authority and clear guidance on the respective Accreditation Body in terms of the new competences to accredit emerging verifiers in Kosovo. Additionally, by 2026 the subjects of the MRVA will need to submit their monitoring plans to the Competent Authority (KEPA), to mark the start of the full implementation of the MRVA. Implementation of the MRVA framework should be proven through the approval by the competent authorities of monitoring plans for each operator covered. In June 2026, the competent authority will have a clear mandate and a legal basis to exercise that mandate wherein subjects to the MRVA will have an obligation to submit their monitoring plan that year to the competent authority (the

Kosovo Environmental Protection Agency) and the Accreditation Body will accredit emerging verifiers that need to verify the annual emission reports. This in essence means that in June 2026, we begin the full implementation of the MRVA.

The Ministry of Environmental, Spatial Planning and Infrastructure aims to ease procedures for prosumers at a household level in installations of solar power systems up to 7 kW. In addition, it will undergo revisions of primary and secondary legislation in order to clarify and ease procedures for obtaining construction permits for capacities more than 10 MW, defined as large scale RES within the scope of the Law on Construction, as well as clarify the planning and zoning regulations in regard to development of small (under 5 MW) and large (more than 5 – 10 MW) renewable energy projects.

Implementing the Just Transition Roadmap also entails the establishment of a comprehensive register of vulnerable consumers and define a national objective to support energy poor households and vulnerable consumers in line with the relevant legislation and the NECP objectives. 'Comprehensive' refers to a nationwide program encompassing all regions of Kosovo. This means the program is designed to address and include the needs and circumstances, ensuring that the benefits and resources are distributed equitably across all communities within Kosovo. In this context, "vulnerable" refers to consumers with incomes below a specific threshold. A specific threshold is calculated as EUR 150 in average income per family member based on the income of the last 3 months, according to the Program for Vulnerable Consumers for 2023-2024. However, this is a pilot program which most probably will be revised in the future, and as such also the threshold might change. Currently there are around 60,000 households within this group. The government is committed to subsidizing these individuals to ensure that the cost of essential services, such as electricity, does not significantly impact their disposable income, thereby enabling them to meet their basic family needs. This final step is foreseen to be completed by December 2026. The government is committed to subsidizing these individuals to ensure that the cost of essential services, such as electricity, does not significantly impact their disposable income, thereby enabling them to meet their basic family needs. This final step is foreseen to be completed by December 2026.

## **2.5. Renewables Deployment**

### *2.5.1. Development of transparent and competitive procedures for deployment of renewable energy*

#### **Challenges**

Kosovo's electricity generation mainly relies on two large lignite-fired thermal power plants (Kosovo A and Kosovo B), which cover around 88% of total electricity production in Kosovo. Given the outdated thermal power plants and the lack of new generators, Kosovo is faced with lack of a system flexibility capable of adapting to the rapid and deep changes of demand, especially during the high demand at peak times. This creates the need for the import and export of electricity at unfavourably different times. At present, only the Frequency Containment Reserve (FCR, primary reserve of 5 MW) capacities are ensured by the power plants in Kosovo. Other ancillary services (+/-25 MW aFRR and +143/-90 MW mFRR) are provided by the Albanian power system.

Kosovo has recently adopted the Law on RES in compliance with the Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources, which also ensures the non-discriminatory participation of renewable energy. However, there is a need to continue taking required measures in terms of proper planning and development of transmission and distribution infrastructure to enable and guarantee the connection and operation of new RES capacities.

Due to the moderate size of Kosovo's energy system, its impact on energy systems in neighbouring countries, other Contracting Parties and Member States of the European Union in the region remains limited. Nonetheless, Kosovo has ambitious expansion plans for renewable energy, especially when combined with ambitious energy efficiency investments and reductions in energy demand. Due to the limited storage capacity within Kosovo, there are significant synergies arising from deeper integration with Albania and other countries in the region with large reservoir hydropower and/or pumped storage capacities.

The public-owned lignite plant operator KEK will face decommissioning costs as well as investment costs for renovation, lifetime extension and filter retrofits for its lignite units remaining in operation or strategic reserve. Furthermore, the distribution and transmission system operators KEDS and KOSTT will face costs for maintenance and grid upgrades for integrating additional renewable energy in the grid and reducing transmission and, in particular, distribution losses in line with the targets in PAM 47 and PAM 43, which will be compensated according to the relevant regulation and passed on to consumers. While, most renewable energy investments will be undertaken by private investors, there might be significant public support costs to mobilise these private investments.

In conclusion, challenges in regional, national, and global supply chains may hinder the swift deployment of renewable energy, transmission capacity, electromobility, and other technologies outlined in Kosovo's Energy Strategy and this document. Although prices for renewable technologies have generally decreased over the past decade, recent increases have occurred due to supply chain constraints, global political uncertainties, Russia's conflict with Ukraine, and fluctuations in the prices and availability of critical minerals required for advanced technologies. While production capacity for renewable technologies, electrical grid components, and electromobility has been growing steadily, there are concerns about potential shortages due to the rapid global adoption of these technologies. This surge is not only driven by the transition to a decarbonized economy but also by the benefits these technologies offer in terms of energy security. These dynamics impact both local and regional supplies, underscoring the importance of securing critical technologies for Kosovo's energy plans while considering potential price hikes or delays.

## Objectives

Through the approved National Energy Strategy, Kosovo has substantially shifted its approach towards a greater diversification of energy sources. In this regard, **the objective is to increase the share of renewable energy sources in electricity consumption to 35% in 2031.** The overall share of renewable sources in gross final energy consumption in Kosovo in 2021 was 22.4%, or almost four percentage points higher compared to 2015. Regarding the shares by sectors, the RES share in gross electricity production achieved 5% in 2021, or three percentage points higher compared to 2015. The type of renewable energy generation connected in the transmission grid is currently coming from wind and hydro power. Current net installed capacities from these types of renewables reaches up to 139 MW for wind power and up to 63 MW for hydropower plants. This is expected to increase given **the aim of having an additional 600 MW of wind generated electricity and an additional 700 MW of solar PV generated electricity by 2031.**

Kosovo's strategic framework envisages a dynamic increase of renewable energy sources, mainly from wind and solar, supported by renewable auctions, public investment and active participation of prosumers in this process. In addition, promoting renewable self-consumers (prosumers) and renewable energy communities, whose deployment will be encouraged by an improved legal and regulatory framework and administrative procedures, as well as the introduction of various support schemes. **The objective is to reach a minimum of 100 MW of prosumers' capacity by 2031 with an intermediate target of 30 MW by 2025.** The installation of smart meters at the consumer level is also outlined as an option.

Kosovo will be engaged in supporting the development of innovative energy systems and implementation of incentive-based mechanism to **foster the integration of intermittent and non-intermittent renewable energies.** This will pave the way out of coal energy production. The focus will be on integrating information and communication technologies in power systems to identify innovative technologies enabling an efficient short-term cohabitation of coal and intermittent renewable energies in terms of effective management of system imbalances. Moreover, the potential of integration of smart metering, demand-side management, and demand response will be of particular importance.

In light of Kosovo's ambitious objectives towards full deployment of renewable energy sources, a more flexible system is becoming increasingly important. Therefore, Kosovo **aims to establish a well-functioning flexibility market and incentivize differently.** In this regard, a battery storage system is expected to be commissioned by 2027-2028 with a capacity of 170 MW to allow balancing of the system and the integration of RES in the electricity system. Duration of its function is foreseen to be 2

hours, and it is planned to secure secondary (aFRR) and tertiary (mFRR) regulation to the System Operator. Additionally, the storage will also be used to shift the peak through the optimal charging and emptying process in Kosovo.

Kosovo also aims at using efficient and clean(er) individual and/or district heating (DH) systems based on renewables such as biomass, geothermal, and solar heat pump, and a more transparent usage of sustainable forestry and agriculture biomass products. Improved forest management will translate into an increase in the capacity of forests to sequester carbon dioxide, aligning with climate change mitigation. To this end, the law on Renewable Energy Sources, adopted by the Assembly in April 2024, sets sustainability and greenhouse gas emissions saving criteria for the production and use of Biofuels, Bioliquids and Biomass.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *Announce 3-year auction plan and launch auction for deployment of 150 MW of wind power. December 2024*
- *Simplify permitting procedures for renewables for households and large installations. December 2025*
- *At least 100 MW of new solar renewable energy capacities installed and connected, and contracts signed for at least 150 MW of new renewable energy capacities, in line with the NECP and the targets agreed within the Energy Community. December 2027*

### **Description of implementation**

The citizens of Kosovo, business and other organizations, as well as the Western Balkans region will benefit from these reforms.

Kosovo is already working on improving the legal and regulatory framework for the development of transparent and competitive procedures for deployment of renewable energy. The law on Renewable Energy Sources was approved by the Government on 9 October 2023, and adopted by the Assembly (04 April 2024).

To promote transparent and competitive procedures for renewable energy deployment, Kosovo has committed to announcing a three-year auction plan and conducting an auction for 150 MW of wind power deployment by December 2024, as a first step of this reform. This initiative aims to further increase the share of renewable energy sources (RES) in electricity production and consumption.

Aligned with the goal of encouraging renewable self-consumers and renewable energy communities, by December 2025, authorities commit to simplify permitting procedures for renewables for households and large installations. Additionally, the final step includes provisions to install and connect at least 100 MW of new solar renewable energy capacities, and sign contracts for at least 150 MW of new renewable energy capacities in line with the NECP and the targets agreed within the Energy Community, by December 2027. Given that the upcoming auctions will primarily focus on wind energy, the construction timeline for wind farms extends beyond 2027, with contract signings potentially occurring after 2027, due to the lengthy wind measurement and ESIA studies, which can take up to two years. In addition to the auctions, the Ministry has a further 100 MW solar plant project in the pipeline, developed by KEK. However, as this project involves an EPC contract, it has not been included in the current reform agenda.

The current public building stock is at 935 public buildings within our database, meaning that at 3% rate of renovation, we would have 28 public buildings renovated each year. In addition to that, within 2024 we aim to issue two performance certificates as a pilot for public buildings. As for 2025, we aim for 40 performance certificates issues for public buildings.

## **2.6. Energy Efficiency**

### **2.6.1 Implementation of the Energy Efficiency Directive and the Energy Performance in Buildings Directive**

#### **Challenges**

Energy Efficiency is considered by the Government as an essential component of the strategic and economic planning and the development of Kosovo. The Residential sector is the main consumer followed by Transport, Industry, Services and lastly Agriculture. Buildings account for 48% of final

energy consumption in Kosovo. This compares with 40% of energy consumption and 36% of CO<sub>2</sub> emissions in the EU, making buildings the largest energy end use sector in Europe, and proportionately even more so in Kosovo. The World Bank estimates that the potential for improvement of energy efficiency in buildings in Kosovo is currently about 44%. It was found that public buildings have the highest potential for EE savings (municipal buildings have an average potential of 43%, while other government buildings have an EE potential of up to 49%). Given that currently the Government spends around EUR 24.3 million every year to meet the energy needs of its buildings, such improvements could result in significant savings for public resources. With energy demand expected to increase by 4.6% per annum, on average, improving energy efficiency (EE) in buildings has become an urgent requirement in the context of economic development and environmental protection.

Optimizing and expanding district heating systems can lead to increased energy efficiency, resulting in reduced greenhouse gas emissions. This shift from individual heating methods, especially biomass, can contribute to better air quality by reducing emissions. However, the construction and expansion of district heating networks involves various construction activities, including digging channels, laying pipes and installing equipment. These activities may temporarily disturb ecosystems, habitats and local communities. They can result in short-term negative impacts on air quality, water, soil, biodiversity and local landscapes. In order to minimize these impacts, the requirements of the Law no. 03-2014 on Environmental Impact Assessment, will be applied in cases of new project proposals for construction and expansion of district heating system networks. Considering that central heating is sourced from biomass, care must be taken that when the capacities increase, stable sources of wood material are provided.

While the societal benefits of building energy efficiency upgrading provide strong justification, there are many barriers to its successful delivery. More than half of the buildings in Kosovo are more than 45 years old and require significant investments to ensure that the value of the property does not fall. A number of challenges point to a weak tradition of enforcement of energy efficiency standards in buildings, and the related issues of lack of both institutional and market capacity, skills, materials and model solutions. Supply availability of energy efficient building materials and products supply is not considered to be a significant barrier, but the cost of some products may be a barrier. A summary of barriers to market action on energy efficiency in buildings consists of legal/regulatory, institutional, informational, fiscal/economic, financial and market capacity/technical barriers to market uptake of energy efficiency renovation investments. These apply across all building sectors. If not addressed systematically, any one or more of these barriers can deter key decision makers from making the investment commitment. Many of these barriers are mutually interacting. Indeed, some barriers can add to the cost of borrowing and if not addressed, can make energy efficiency upgrades less attractive economically. For example, it can lead to available capital being devoted to other more visible priorities, even where subsidised finance at preferential interest rates (loan finance for any purpose is relatively expensive in Kosovo) is available for energy efficiency improvements. These factors and barriers carry different weight or severity depending on which sector of the buildings market is concerned. For example, the low-income segment of the residential market will experience more problems in securing finance and will be less (often not at all) able to invest in repair and renovation. Collectively, the various barriers to building energy renovation can be summarised as constituting a perceived risk or deterrent to the relevant decision makers.

## **Objectives**

One of the objectives stipulated in the EE Law is to promote the establishment of different financial and fiscal instruments and mechanisms to incentivize the implementation of EE measures and mobilize investment for renovation of buildings. Subject to the EE Law the KEEF has been established, as an independent, autonomous and sustainable entity, and plays an important role in supporting EE policy objectives, by promoting, supporting and implementing Energy Efficiency measures, as well as attracting and managing financial resources for the public and residential buildings as well. As many such buildings require renovation or refurbishment, this presents an economically efficient opportunity to incorporate EE measures as an integral part of such renovation. Therefore, Government's objective of this reform is to develop a long-term strategy for attracting investment in the EE renovation of the public, residential, and commercial buildings. At the moment, Kosovo is working on revising its legal

and strategic framework, in order to reflect the energy efficiency acquis of the Energy Community, which also includes the labelling directive and other relevant regulations of the EU, to improve the energy efficiency of buildings and ultimately reduce energy consumption and CO2 emissions. The objective of the BR strategic framework is to stimulate activity that will transform a highly complex and fragmented market. That market arena consists of the stock of existing buildings in need of energy renovation, and the chains and networks of people and organisations which make the decisions that determine whether specific investments in energy renovation take place. The focal area of the BRS is considerably diverse in terms of typologies: sector (residential, commercial, public), building size, form, construction materials, technical energy systems, intensity of use, energy performance, energy pricing, age, life expectancy, heritage constraints, technical constraints, ownership, in-house skills, common business models, asset value, economic health, investor attitudes and motivations, and access to finance. The BRS specific objectives are dedicated to providing a roadmap to a national stock of buildings of high efficiency and quality in Kosovo over the next 10-20 years and beyond, achieving a major scaling up of the volume and depth of energy efficiency renovation activity, reducing energy consumption in existing buildings, creating significant new business activity in energy efficiency renovation, hence, contributing to national energy and climate policy goals.

It is important to recognise that the BRS is an evolving process. The initial approach seeks to provide a pragmatic balance between the ideals of the most energy efficient building stock that is technically possible and what is economically and practically feasible for the first stages of implementation. Having regard to years of implementation feedback, it is intended that with each version update, the strategy will become progressively more refined and progressively more ambitious, in both the depth and volume of renovation activity in Kosovo's building stock.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *Implementation of the adopted Building Renovation Strategy and the plan for nearly zero energy buildings is on track through renovation of existing public buildings in line with the annual 3% renovation target (Energy Efficiency Directive). June 2026*
- *Implementation of the Building Renovation Strategy and the plan for nearly zero energy buildings, through: Certification of all new residential buildings with an Energy Performance Certificate in line with the Energy Performance of Buildings Directive (EPBD); Roll-out of consumption-based metering and billing for district heating. December 2026*
- *Increase the total rate of building renovation and street lighting: 0.5 million square meters renovated. June 2027*

### **Description of implementation**

The beneficiaries of this reform will primarily be the citizens of Kosovo, business and other organizations, as well as the Western Balkans region.

Implementation of the Energy Efficiency Directive and the Energy Performance in Buildings Directive is one of the prioritised reforms in this plan, in order to improve the energy efficiency of buildings and ultimately reduce energy consumption and CO2 emissions. First step foreseen in this reform is the implementation of the adopted Building Renovation Strategy and the plan for nearly zero energy buildings through renovation of existing public buildings in line with the annual 3% renovation target (Energy Efficiency Directive), by June 2026. The second step to ensure the implementation of the Building Renovation Strategy is certification of all new residential buildings with an Energy Performance Certificate in line with the Energy Performance of Buildings Directive (EPBD) and Rolling-out of consumption-based metering and billing for district heating, by December 2026. The implementation of these steps will be overseen by MESPI, specifically by the Department of Planning, Construction, and Housing.

The final step of this reform increases the total rate of building renovation and street lighting to 0.5 million square meters, and is to be fulfilled by June 2027. The current state of building renovation and street lighting for the period 2018–2023 includes: building renovation of approximately 0.6 million square meters, renovated residential buildings totalling approximately 0.75 million square meters, and 71 km of lighting across municipalities.

## 8. POLICY AREA 3: PRIVATE SECTOR DEVELOPMENT AND BUSINESS ENVIRONMENT

### 3.1. Business Environment

*3.1.1. Facilitate investments of private sector and improve mechanisms to attract FDI in strategic sectors promoting adoption of higher value-added products and services and innovation.*

*3.1.3. Enhance export profile of strategic sectors, including through implementation of the Industrial Development & Business Support Strategy 2030.*

#### Challenges

Kosovo averaged a real GDP growth of 4.28% in the period 2013-2022<sup>5</sup>, one of the highest in the region. Yet, it has one of the lowest GDP per capita in the Western Balkans, standing at EUR 5,015 in 2022 due to a lower starting base and deterioration of its economy in the 1990s. The pace of economic diversification has been slow. Between 2011 and 2020, Kosovo exhibited little structural change in the composition of its economy. The importance of manufacturing to the overall economy is relatively limited. The share of manufacturing valued added (MVA) to GDP, remained stable at 13%, with the services sector growing only incrementally during the period but still accounting for a lion's share of GDP in 2020 (48%).

Kosovo exhibits a high level of investment in fixed assets, as measured by the share of Gross Fixed Capital Formation (GFCF) to GDP indicating the level of public and private investments in the economy. The share of GFCF to GDP of 30% in 2020 outperformed the WB6 average (24%). Still, the economy is dominated by small firms which cannot compete in larger regional and international markets. The productive capacity of the economy is underdeveloped and the industry is insufficiently integrated in the international markets, among others, due to: (i) a low share of medium- and high-tech production [5.6% of the gross value added], with production based predominantly on low and labour intensive technology resulting with lower value -added products; (ii) existing natural resources (i.e. metals) are often exported as raw materials or as only limited processed goods, with most of value added taking place outside the country; (iii) weak domestic value chains can also be found in processing industries (i.e. wood and furniture industry) that import the majority of their inputs instead of sourcing them locally. Consequently, weak domestic value chains and inefficient usage of existing natural resources lead to various value leakages.

Kosovo's export potential has been limited and not well diversified reflecting the structural challenges of the economy. It has the lowest share of exports to GDP in the region with a share of 22% of GDP in 2020 compared to WB6 average of 35%. This clearly shows the limited integration of Kosovo in international trade and the limited benefits Kosovo economy derives from exploiting export markets. The export basket of developed economies is usually driven by manufactured products. Kosovo's limited competitiveness in manufactured exports is further evidenced by examining its manufactured export capacity, measured by manufactured exports per capita. North Macedonia, had a manufactured export capacity of EUR2, 500/capita in 2020, which was 11 times higher than Kosovo's EUR221/capita for the same year. All other WB6 countries have significantly higher manufactured export capacities than Kosovo<sup>6</sup>, underlining the unused potential to boost domestic production and exports.

Foreign Direct Investment (FDI), which usually provides an impetus for a sustained upgrading of the economy, as percentage of GDP, remains below the WB6 average by 1.9 percentage points, standing at 3.9%. The largest share of FDI went into less growth-enhancing and non-traded sectors. Real estate and construction attracted nearly 60% of all FDI inflows in the past decade. On the other hand, two sectors with considerable growth potential, manufacturing and information and communication technology (ICT), professional services, accounted for only 1.3% of total FDI in the same period. In part, Kosovo's poor performance in attracting growth enhancing FDI is attributable to the unfavourable incentive regime, which predominantly relies on investment protection agreements and some fiscal

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<sup>5</sup> Kosovo Agency of Statistics publication.

<sup>6</sup> Serbia (€2,100/capita); Bosnia (€1,415/capita); Albania (€379/capita). Overall, Kosovo's weak export capacity of €221/capita compares weakly with the WB6 average (€1,500/capita).



relief measures. In contrast, some neighbouring countries implement policies of generous incentives to cover investment costs, R&D, resulting in more FDI.

As regards state aid, an operationally independent state aid control system has been set up by law. However, the State Aid Commission, the decision-making body has not been appointed in last two years. This has created a vacuum on the ex-post control of state aid. The legal framework needs to be further developed through amendment of the law. At present, the Department for State Aid Control employs 7 officials. It has an important role in terms of exercising ex-ante and ex-post functions including monitoring, awareness and advocacy and professional analysis. The capacities of Department for State Aid Control shall be further strengthened.

## Objectives

Therefore, the objectives of the Government aim to bring economic diversification through expansion of industrial production towards higher value-added activities, improvements of competitiveness and innovation capacity resulting in improvement of trade balance and export potential, and accelerate the digital transformation in the private sector and manufacturing.

A fully functional state aid system will guarantee a level-playing field as regards the availability and selective transfer of public resources to certain enterprises or products with a potential of threatening competition or creating economic advantages.

## Qualitative and Quantitative Steps to be taken under this reform

- *State Aid Commission established. December 2024*
- *State Aid Control System functional. June 2025*
- *Agency of Investments and Export and the Agency for support of the Enterprises established and fully operational. December 2025*
- *Establish investor grievance settlement mechanism as per Law on Sustainable Investment, and aftercare program and investor aftercare unit within Investment Promotion Agency. June 2026*
- *Introduce incentives and necessary legislative reforms to attract FDI with a focus on FDI growth in strategic sectors. December 2026*
- *FDI growth in strategic sectors (10% compared to baseline in 2024). December 2027*

## Description of implementation

The reform measures under this component aim to facilitate investments of private sector, enhance export profile and improve mechanisms to attract FDI in strategic sectors by promoting higher value-added products and services and innovation. The first step toward this goal is to establish the Agency of Investments and Export and the Agency for support of the Enterprises by December 2025. The two agencies need to be staffed and their duties and responsibilities defined. This entails establishment of investor grievance mechanisms, provision of before and after care services to investors by June 2026 and other functions that are critical to the achievement of policy objectives. An Export Market Information Centre will be created to facilitate institutions with the information and data required for the policy analysis. Once this institutional framework is fully operational [meaning the staff has been recruited, internal regulations are adopted, budget has been allocated and the two agencies are ready to start carrying operational activities], we will start implementing incentives and necessary legislative reforms to attract FDI [December 2026] aiming to achieve a 10% FDI growth in strategic sectors by December 2027. The policy incentives consist of one or more of the following:

- *Facilitation of imports for manufacturing or processing purposes, such as the import of machinery, raw materials, semi-products or other products;*
- *Exemption from export duty;*
- *Wage subsidy;*
- *Support for research and development;*
- *Support in the purchase of manufacturing or processing machinery;*
- *Support to access industrial and technology parks;*
- *Access to finance;*
- *Support for the purchase of goods and services from domestic suppliers;*
- *Support through administrative burden reduction and coverage or reduction of administrative cost and other incentives according to legislation in force.*

Successful implementation requires adoption of primary and secondary legislation for sustainable investments, Law on the Sovereign Fund and the sub-legal acts deriving from the new Law on Industrial and Technological Parks.

The target of 10% FDI growth is to be calculated on the basis of the cumulative FDI for all sectors in year 2023 which stood at EUR 840 million. The strategic sectors are defined in the industrial development and business support strategy: ICT, Professional services, Food processing and Beverages, non-metallic minerals, Plastic and Rubber, Textile, Apparel and Leather, Wood processing, Furniture, Metal processing.

To tackle the conformity assessment challenges in priority sectors with the aim of improving the export potential and boosting export growth, the implementation Action Plan for the strategy envisages financial support and capacity development through information sessions for at least 100 beneficiary companies relevant for export this support includes subsidies (reimbursement) of expenses that are related to the certification of products and services with relevant EU and international standards mainly on conformity. Financial support will be provided to 6 testing laboratories and 4 certification bodies to build their operational capacities and upgrade their equipment resulting with their readiness for international accreditation. The government budget will be at least EUR 20,000. SMEs in priority sectors will also be offered technical expertise support to address their conformity assessment.

On the side of the Government, the Ministry of Industry, Entrepreneurship and Trade and Office of Prime Minister have a key role to play in implementing the steps. Other stakeholders include the Kosovo Credit Guarantee Fund, the commercial banks and the business community. SME's and businesses are the largest beneficiaries of this reform. Additional benefits will be gained by certain categories of labour force in terms of improvement of specific skills and job creation.

Kosovo has set up an operationally independent state aid control system. It consists of the decision-making State Aid Commission appointed by the Parliament and a support unit that provides professional analysis, monitoring and reporting functions. According to the law, the appointment of the State Aid Commission begins with the advertisement of positions for application. After the completion of the merit-based recruitment process, members of the State Aid Commission shall be appointed by the Parliament following the proposal of the Parliamentary Selection Committee, composed of Chairman of the Committee for Oversight of Public Finances, Chairman of the Committee for Budget and Finances and Chairman of the Committee for Economic Development, Infrastructure, Trade and Industry. To ensure the appointed Commission has the necessary decision-making quorum and operability, all members of the Commission will be appointed for a mandate as prescribed by law. Once the appointment procedure is completed, the Commission is considered constituted and ready to exercise their duties (December 2024).

In addition, the law on State aid needs to be amended to align further with the EU acquis. Although the present law aligns with EU acquis by transposing respective EU Treaty Articles and Regulation 2015/1589, it grants limited power to authorities to regulate specific areas through bylaws. The amended law will create the legal basis for aligning further through bylaws in areas of regional aid, general block exemptions, partial alignment to sectorial aid rules, aid to SMEs, access to finance for SMEs, state aid for research, development and innovation, aid for disadvantaged and disabled workers, training, protection of environment, state aid for investments in domestic infrastructure, and aid to repair damage caused by natural disasters. The existing regulation on procedures and format of notification will also be revised. The Government will draft these laws according to its legal norms and best practice for alignment with the EU acquis. Consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance. It will consult the European Commission during key drafting phases, particularly focusing on further alignment with the EU acquis and standards. Consultations will occur during drafting process. This policy area is relatively new in Kosovo and it evolves continuously in the EU, the Department for State Aid Control will benefit from further capacity development in the form of specialised trainings. This will enable the State Aid Department to assess individual proposals for the state aid, draft appraisal reports for the Commission, monitor the implementation of the granted state aid, collect, process and record data on state aid, In summary, a functional state aid control system is ensured by June 2025 upon implementation of the following three

components: State Aid Commission is established with legal powers to conduct its functions to assess granting of aid and to order recovery of illegal aid, law is amended and capacity building activities have been implemented (through trainings). The legal power to order recovery of illegal aid and obligation to notify an aid scheme are ensured in the present law and shall be maintained in the revised law.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *Export Market Information Centre established and fully operational. December 2025*
- *6 testing laboratories supported and 4 certification bodies supported and ready to provide international accreditation. June 2026*
- *Support SMEs to help them address conformity assessment challenges in priority sectors with the aim of export growth (100 beneficiary companies). June 2027*
- *Export growth in strategic sectors (15% compared to baseline in 2024). December 2027*

*3.1.2. Support the creation and scaling up of start-ups and MSME's specialised in ICT and green and circular economy, as well as the uptake of green technologies, through the Innovation Fund and business incubators*

### **Challenges**

It is widely recognised that innovation and digital transformation have a great potential to reshape economic structures and value chains. This potential has been recognised by Kosovo and reflected in its strategic objectives. Although there is a thriving ICT sector in the country, investments in R&D and innovative processes at firm level are limited and dominated by support to few innovative start-ups. According to 2019 data presented in the National Development Strategy, some 36.6% of firms introduced a new or innovative product or service and only 25% of firms utilised digital technology in their production and work process. The use of ICT means (internet, webpages, and social media presence) features a much better prospect with over 55% of firms making use of this technology.

Kosovo is still at the initial stages of implementing concepts of circular economy and green industry. This strategy provides an overall orientation for further policy actions required for transitioning to green production. A key requirement for designing those actions is the provision of data on the environment performance of industries. Circularity and recycling in the manufacturing sector is still very limited. While industrial waste and pollution are significant. The energy efficiency and CO<sub>2</sub> intensive of Kosovo's manufacturing sector has improved but still lags behind its comparators, which is mainly due to the given energy mix with low renewable energy sources. The transition to green energy production is addressed by the strategic framework of the energy sector. This reform focuses on a firm- level measures such as support to new enterprises and start-ups in the green and circular economy and ICT.

### **Objectives**

The objective of this reform is to support the creation and scaling up of start-ups and MSME's specialised in ICT and green and circular economy. There are several support initiatives dedicated to some aspect of the innovation ecosystem, but they are fragmented. As such, they cannot utilise potential complementarities between projects and benefit from a more integrated system of support with clear overarching objectives and goals. On the finance support, there is frequent use of traditional forms of start-up financing, while the more modern types of financing such as venture capital and crowd funding are very limited.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *Adoption of the law on innovation and entrepreneurship. December 2024*
- *National Innovation Council and Innovation Fund established and fully operational. June 2025*
- *Creation of a window for innovation towards adoption of green technologies within Innovation Fund with sizeable number of beneficiaries (at least 40 companies). December 2026*
- *Put in place a sustainable framework for supporting existing business incubators addressing innovative start-ups in the green and circular economy and ICT (minimum 30% to be covered by government). June 2026*

### **Description of implementation**

Youth has demonstrated a high innovative potential in Kosovo, especially in the ICT sector. Therefore, young professionals are the primary beneficiaries of this reform. Whereas other groups with a potential

to benefit include the existing enterprises, certain economic sectors [gaining from positive spill over effects], municipalities etc.

The first step in the implementation of this reform requires an adequate legal framework for innovation and entrepreneurship. The law on innovation and entrepreneurship, to be adopted by December 2024, will establish the institutional mechanisms for implementing the innovation policy including the creation of a National Innovation Council and Innovation Fund<sup>7</sup> [June 2025]. It will incorporate the provisions of the EU Regulation on Eco label and Eco design. This will enable the Creation of a window for support for adoption of green technologies within Innovation Fund for at least 40 companies by December 2026. Draft law on innovation and entrepreneurship has passed through the public consultations, now it will go through the financial impact analysis. The Government will draft these laws according to its legal norms and best practice for alignment with the EU acquis. Consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance. By having the fund fully operational it means that the fund will be functionalized with the competent working staff, trained and the calls for support to projects launched.

All sectors are eligible for support by the Fund. Finally, this policy aims to put in place a sustainable framework for existing business incubators addressing innovative start-ups in the green and circular economy and ICT with the aim of having at least four (4) business and innovation incubators fully functional by end of 2027. The specific criteria, the specific objectives of this policy including the sustainability aspects will be clearly defined by the innovation policy and Law on Innovation and entrepreneurship, both documents are currently in drafting stage.

The minimum 30% target is the contribution of the budget of the fund, government budget, to projects submitted for finance, the type of activities that will be financed will be defined in the calls and will be amended based on the needs of businesses. The indicative amount will be EUR 15,000.

Apart from government institutions and bodies (ministries, the Innovation Fund and the Innovation Council), the relevant stakeholders include the key actors of the innovation ecosystem: Innovation and ICT associations, business associations, donors and IFIs and local level institutions.

*3.1.4. Implement bankruptcy legislation through alignment with EU acquis, simplification of procedures, insolvency policy measures and streamline processes through digital tools*

### **Challenges**

The effectiveness of commercial insolvency and debt recovery regimes affects the investment and doing business environment. Effective legal and regulatory frameworks reduce credit risk and stimulate creditors to lend more and at lower interest rates.

Although some forms of liquidation were regulated since 2007, Kosovo established a bankruptcy regulatory framework in 2016 with the adoption of the Law 05/L-083 on Bankruptcy. The Law is applicable to all types of private businesses except financial institutions, insurance companies, pension funds, Public- and Socially-Owned enterprises which are subject to specific laws. However, such entities may act as creditors in the procedures established by the Bankruptcy Law. It was drafted following the international standards and best practices including the World Bank Principles for Effective Insolvency and Creditor/Debt Regimes and the UNCITRAL Bankruptcy Legislative Guide. The law partially transposes some EU acquis and takes account of EU Commission's Common Market Strategy of that time, and the EU Commission's 2014 Recommendation for a New Approach against business failure and bankruptcy. So far, the number of businesses filing for bankruptcy has been limited.

According to various assessments including the OECD 2022 publication on “Bankruptcy and second chance for SMEs (Dimension 2) in the Western Balkans and Turkey”, the insolvency procedure in Kosovo is costly and complex. The tax administration monitors the performance of companies and implements basic insolvency preventive measures. It notably runs “basic” early warning tools based on companies’ annual financial statements. However, as this mechanism bases its warnings on yearly

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<sup>7</sup> The Innovation Fund is considered operational when its rules of procedure have been adopted, the budget allocated and staff has been recruited.

financial statements, which can lead to belated signals of distress, rendering it ineffective in preventing some bankruptcy cases, it is not considered a fully-fledged early warning system.

The legislative framework on bankruptcy in the EU has evolved. A restructuring and second chance directive [Directive (EU) 2019/1023] were enacted in 2019. Regulation (EU) 2015/848 on insolvency proceedings has been amended in 2022. In this context, the Law on Bankruptcy needs to be further aligned with the relevant EU acquis on insolvency, restructuring and second chance and late payments. For the effective implementation of the law, necessary bylaws will be developed, and capacities of SMEs will be supported. This Draft Law is approved by the Government and also has past the first reading by the Kosovo Assembly on 19 October 2023. It is currently in the second reading to the Assembly.

## **Objectives**

The objective of this reform is to strengthen the implementation of bankruptcy legislation through alignment with EU acquis, simplification of procedures, insolvency policy measures and streamline processes through digital tools.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *Primary and secondary legislation related to bankruptcy and insolvency amended and aligned with EU acquis (Insolvency Regulation, Restructuring and Second Chance Directive, Late payment Directive). June 2025*
- *Early warning system established to identify and prevent bankruptcy of SMEs. Early warning system enforced for viable SMEs facing major difficulties and preventive restructuring debt procedures for SMEs in place with 100 SMEs supported. June 2026*
- *Data regarding number of active restructuring procedures and bankruptcy trustees is publicly available. December 2026*

## **Description of implementation**

Businesses and business associations have a direct interest in a well-functioning bankruptcy system that supports companies in difficulty.

Implementation of this reform begins with the changes of legislation on bankruptcy [June 2025]. An initial draft law has been developed but has not been adopted. the Government will draft these laws according to its legal norms and best practice for alignment with the EU acquis. Consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance. The Government will draft these laws according to its legal norms and best practice for alignment with the EU acquis. Consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance.

For the effective implementation of the law, necessary bylaws will be developed, and SMEs will be supported in particular for preventive restructuring debt procedures when facing major difficulties. One of the goals of the regulatory framework is to prevent bankruptcy of companies in difficulty through a restructuring and second chance framework. To implement this concept, an early warning system will be established to identify SMEs facing major difficulties and prevent bankruptcy with 100 SMEs supported by June 2026, this is crucial as a warning system does not exist. Data regarding number of active restructuring procedures and bankruptcy trustees will be published by December 2026. The publication will be open to the public, but level of information published shall be restricted to the number of companies and type of procedure the companies are undergoing (restructuring, insolvency, temporary administration) and will not cover any specific details for individual companies that can have implications to the public reputation of the company and/or ongoing restructuring/insolvency proceedings.

While drafting and proposing legislation for adoption is under the leadership of the Government, other stakeholders have a key role in providing recommendations and advice. Judiciary, as the main implementing body, shall provide insights on the practical aspects of implementing the reform. Other stakeholders include the commercial banks and civil society organisations.

### *3.1.5. Improve the governance, efficiency, and accountability of Public-Owned Enterprises (POEs) to enhance their contribution to the economy*

#### **Challenges**

Public enterprises in the Republic of Kosovo are organized as Joint Stock Companies in accordance with the legislation in force for public enterprises and commercial companies. Central Public Enterprises are owned by the Republic of Kosovo, while local ones are owned by the respective municipality or municipalities. Their governance and management structure is based on the international best practices including in part the OECD corporate governance principles. It consists of a board of directors, CEO [or other management body] and organisational units composed of professional staff. The Shareholder shall exercise continuous and rigorous oversight over the conduct of the Boards of Directors and Audit Committees of POEs according to the law. Each POE shall have an Audit Committee consisting of three elected directors. The Audit Committee shall be designated by the shareholder with the responsibility of verifying that the business and affairs of the POE are conducted lawfully, responsibly, and in the exclusive interest of the Shareholder(s). A Monitoring unit is established under the Ministry of Economy for the purpose of supporting the POE-related responsibilities of the Minister and the Government with analysis and recommendations, collection of data and reporting requirements.

At central level, there are 19 public-owned enterprises operating in different sectors, such as: energy, transport, water supply, telecommunications, and mining. With a share of around 10% of GDP, this sector is smaller than in half of the EU countries. At the end of 2022, total assets reached 15.5% of GDP, a drop of 4.5 p.p. from 2021. Liabilities also decreased by 2.9%, reaching 6.4% of GDP in 2022. Total income stood at 5.2% of GDP in 2022, a slight decrease from the previous year [5.5%].

POEs face several operational challenges. The main issues with the current Law on Public Enterprises include the failure to revise the Ownership Policy of POEs, a legal loophole regarding the supervision of POEs, and a lack of accountability for poor performance.

Performance monitoring and accountability remain significant issues for the Shareholder, as they strive to meet both commercial and non-commercial objectives while ensuring quality services for citizens. The performance indicators in the POEs' plans, among other things, help the Shareholder monitor and evaluate the Board of Directors in the realization and implementation of the objectives set by the POEs. Establishing an adequate institutional framework in the individual plans of the POEs for performance measurement and monitoring requires the necessary capacities and expertise according to the sectors in which the POEs operate, as well as close coordination between the Shareholder and the POEs.

Additionally, the lack of harmonization of plans with sectoral strategies by POEs affects the measurement of operational and financial performance. Recent data show that less than half of POE's have not generated a profit in 2023 indicating the room for improvement.

Moreover, insufficient transparency by the Boards of Directors toward the Shareholder is identified as a challenge in the current legislation. There is no defined general standard of reporting in the annual reports of Public Enterprises, nor is there a set deadline for the approval of these performance reports in the Assembly. Risk management in the annual reports of POEs is not clearly defined. There is also a lack of legal provisions related to punitive measures regarding the non-fulfilment of business plans, addressing audit findings, and inaccurate data reporting.

#### **Objectives**

Improving the performance and financial management of POEs is one of the objectives of the Government. In 2023, the public enterprise sector generated a profit of 11.2 million euros<sup>8</sup>. The return on equity in 2022 was 14%. Although the financial performance and liquidity of the sector has improved over time, there is still room for a better performance considering that just over half of POEs have generated profits in 2023.

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<sup>8</sup> Source: MTEF, Ministry of Finance, Labour and Transfers.

### Qualitative and Quantitative Steps to be taken under this reform

- *Ensure that All POEs registry are publicly available and up-to-date, including information on the ownership. 100% of the POEs have established an independent audit committee to address findings from internal and external audits including the fiscal risk management findings. The unit responsible for monitoring POEs as a monitoring mechanism requires a report on the elimination of the auditor's findings and fiscal risk management findings within the deadline set by the Board of Directors, analysing and demanding accountability based on audit recommendations and fiscal risk elements. December 2025*
- *50% of the independent external audit recommendations for the year 2023 have been fully implemented by the central POEs. June 2026*
- *Amendment of the Law on Publicly Owned Enterprises - This law should be amended in order to be aligned with OECD Guidelines on SOEs corporate governance. All POEs required to publish annual financial reports. Timely publication of the consolidated annual POE performance reports produced by the Ministry of Economy – Monitoring Unit of the POEs, with the aim of ensuring effective fiscal risk management and timely oversight of the POE sector; For all central POEs, objectives and KPIs have been defined, set out in their annual reports, which are annually evaluated based on their fulfilment. December 2026*

### Description of implementation

The end beneficiaries of this reform are the citizens and businesses who as consumers will get better services. Other beneficiaries that can potentially gain from the improvements of financial performance of POEs include the employees of POEs and public finance institutions.

As regards stakeholders, the Government has exclusive competence for the exercise of shareholder rights in central level public enterprises. Other stakeholders include the municipalities, employees and other entities in the domain of public interest.

Improving the performance and financial management of POEs entails consolidating further the regulatory framework and strengthening the oversight of POEs by the shareholder. Ensure that All POE's registry are publicly available and up-to-date, including information on the ownership. The current legislation in force for POEs and its amendments entail a list of central and local public enterprises within the law. However, since the amendment of the basic law on POEs, this list has not been updated and published as a separate register.

The reason for this is that although the basic law requires the Unit for POE/Ministry of Economy to publish documentation for each publicly owned enterprise, it does not mandate the publication of an updated register of operating enterprises. This issue will be addressed by amending the current law to ensure transparency towards the shareholder and the public in updating the register of POEs. The Government will draft these laws according to its legal norms and best practice for alignment with the EU acquis. Consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance.

To address findings from internal and external audits including those under fiscal risk management, 100% of the central POE's will establish an independent audit committee. The audit committee will be established as a result of legal obligation and this mechanism will operate in accordance with the OECD Guidelines for State-Owned Enterprises following the adoption of the revised Law on POEs.

The Audit Committee appointed by the members of the Board of Directors is active in fifteen (15) central Public Enterprises, while in two (2) Public Enterprises, Trepça Sh.A. and NP Kompania for waste management of Kosovo Sh.A is not active because these two companies currently do not have a Board of Directors The Audit Committee is a legally required committee that operates under the final authority of the Board. It has a legal obligation to maintain the general objectivity of the financial reporting and internal control processes of POEs.

The unit responsible for monitoring POE's as a monitoring mechanism requires a report on the elimination of the auditor's findings and fiscal risk management findings within the deadline set by the Board of Directors, analysing and demanding accountability based on audit recommendations and fiscal risk elements. These reform measures will be implemented by December 2025.

With the aim of ensuring effective fiscal risk management and timely oversight of POE's, timely publication of POE performance reports will be ensured in accordance to the legal requirements for periodic financial reporting and international standards. The above reform steps shall be implemented by December 2026.

### *3.1.6. Deploy Intelligent Transport System (ITS) and e-fright fully aligned with ITS Directive*

#### **Challenges**

Deploying the Intelligent Transport System (ITS) is crucial for enhancing safety, mobility, and efficiency in Kosovo's transport system, thereby impacting economic development, social well-being, and environmental improvement. The Government of Kosovo is committed to implementing ITS as a strategic approach to address current challenges and set the groundwork for a future transport sector that prioritizes safety, mobility, and efficiency while integrating with regional and European transport systems. Currently, Kosovo's national legal framework only partially incorporates ITS regulations. To address this gap, the Government recently approved the Road Law to transpose Directive 2010/40/EN and facilitate ITS implementation. However, Kosovo faces multifaceted challenges in transforming its transport modes, resulting in a lack of ITS infrastructure at the national and local levels, including a Traffic Management Centre. Kosovo continues to face growing traffic congestion and environmental challenges. Main challenges in aligning with the ITS Directive and deploying Intelligent Transport System (ITS) are of different nature. The operational and administrative capacities of the enforcement bodies remain insufficient. As urban populations and traffic congestion increase, there is a need to manage transportation networks more effectively. There is a need to enhance road safety, reduce accident rates, and minimize the impact of incidents on traffic flow. Reducing the environmental impact of transportation by lowering emissions and fuel consumption is another major challenge, which needs to be addressed. Apart from capacity limitations, challenges also include data accuracy and management, integration, and interoperability issues, alongside limited budgets for infrastructure expansion and maintenance, necessitating more efficient resource utilization.

#### **Objectives**

Given the current circumstances and obstacles, the long-term strategic framework on ITS deployment consists of building an advanced technological infrastructure to increase road safety, improve mobility and reduce environmental impact, and building an advanced technological infrastructure to increase railway safety, improve mobility and reduce the impact on the environment.

The primary objective aims for full alignment with the EU Acquis for ITS, bolstering capacities through comprehensive training programs and dissemination of informational materials to targeted state institutions and railway management entities. Additionally, it involves integrating the European Rail Traffic Management System (ERTMS) into the development Trans-European Transport Network (TEN-T) railway network.

The secondary objective focuses on developing a comprehensive and integrated framework for Intelligent Systems in Railway Transport, optimizing ITS utilization, and enhancing safety, capacities, and rail traffic management within the main TEN-T rail network. These objectives align with the government's vision of establishing a safer, smarter and more efficient transport system by deploying innovative ITS Services, to significantly reduce traffic accidents and fatalities, improve emergency response capabilities, reduce traffic pollution and minimize safety risks for a smooth and stable mobility experience for all users.

#### **Qualitative and Quantitative Steps to be taken under this reform**

- *Align with Regulation (EU) 2020/1056 on electronic freight transport information (eFTI). December 2025*
- *Implement ITS frameworks and standards for road and rail. December 2026*
- *ITS on 60 Kms of the TEN-T road network is operational. December 2027*

#### **Description of implementation**

The beneficiaries of this reform will primarily be the citizens of Kosovo and the Western Balkans region. The deployment of the Intelligent Transport System (ITS) and e-fright alignment with ITS



Directive, represent a precondition for safer, smarter, and sustainable transport system. Therefore, this reform starts with aiming alignment with Regulation (EU) 2020/1056 on electronic freight transport information, by December 2025. The implementation of this step will be monitored through measuring the number of transposed directives. Following the alignment of national legislation with the EU legal framework, by December 2026, Kosovo will be starting with the implementation of ITS, which means the establishment of the Traffic Management Centre in place as well as first 60km of motorways to be covered by ITS equipment.

This step entails establishing and commissioning the Traffic Management Centre (TMC), which serves as a monitoring indicator. The final step of this reform involves operationalizing ITS along 60 kilometres of the Trans-European Transport Network (TEN-T) road network, by December 2027. The monitoring indicator for measuring the fulfilment of this step to be used during the monitoring and evaluation process in the physical and digital functional infrastructure in place, V2X Implementation, development of programs for staff training and development, audit procedure and performance system established. Close collaboration with local level and stakeholders is foreseen in order to ensure that the ITS technologies are being used. This will be monitored throughout public workshops and online survey, for what we will ensure the signing of a Memorandum of Understanding between the parties of interest. These steps outlined in the reform are designed to help Kosovo address the aforementioned challenges and make progress towards achieving the overall objectives of creating a safer, smarter, and more sustainable transport system.

### **3.2. Access to Finance**

*3.2.1 Enhance the access to finance, payment system integration/services and financial inclusion, articulated in different law proceedings.*

#### **Challenges**

The financial sector has continued to expand gradually in the last decade. Financial intermediation within the banking sector, particularly in lending, continued to grow, accounting for 51.3% of GDP compared to 49.2% the previous year. This reflects the average of the Western Balkans but is still way below the OECD average. This growth is attributed to increased competition, leading to declining interest rates and improved credit accessibility for households and non-financial corporations. Although the corporate intermediation rate at 30.2% in 2023 exceeded regional levels, household intermediation at 19.2% still lags behind the region.

Against the backdrop of ample liquidity and capital buffers-built overtime, as well as good repayment performance with low nonperforming loans, credit continued its double-digit growth, particularly for households though at a lower rate of 13.1% in February 2024 compared to 15.1% the previous year, impacted by slower corporate loan growth (9.8% from 14.5% last year), in line with the slower economic activity of the sector and the higher borrowing costs. Whereas loans to household sector increased by 18.0% compared to 16.3% in the previous year.

The increase in interest rates has been translated into increased competitive pressures to secure sustainable funding. Interest rates on new deposits were affected at a higher magnitude than interest rates on new loans due to their initial positions. In 2023, new loans' interest rates averaged 6.5%, up from 6.0% in 2022. New deposit rates rose to 2.3% in 2023 from 1.7% in 2022 and 1.3% in 2021. By February 2024, loan rates had dropped slightly to 6.3%. Non-financial corporation loan rates were 6.7%, while household rates were 6.0%. Deposit rates increased to 2.9% in February 2024, up from 2.0% the previous year, narrowing the interest rate gap to 3.5% from 4.5% the year before. Additionally, the dynamics of interest rates, coupled with an increase in liquidity risk in last two years, have reshaped the structure of loans by type of interest rates, notably manifesting in an increase in the share of loans with variable interest rates. In 2021, such loans accounted for 19.6% of the total credit portfolio, expanding to 31.3% on average in 2023 and reaching 33.8% by December 2023.

Nonetheless, there are key constraints that limit further improvements of access to finance including the relatively high cost of finance, high collateral requirements, lack of tailored financing to support the growth of manufacturers, the financial sector is largely bank-based with limited alternative investment instruments, non-existent corporate debt instruments (i.e., corporate bonds), persistence of imperfect

information facing businesses regarding access to finance opportunities, the current limited role and resources of Kosovo Credit Guarantee Fund (hereafter KCGF) to support more companies, and limited corporate governance practices that affect securing financing through banks. For instance, World Bank estimates that nearly 70% of Kosovo companies finance fixed assets through internal sources, with only 11% relying on bank financing indicating the limitations of the sector.

## Objective

The objective of this reform is to enhance access to finance and financial inclusion by revising banking legislation to support diversified lending, establishing a framework for microfinance and non-bank financial institutions to attract investment, and scaling the Kosovo Credit Guarantee Fund to better support MSMEs, especially women in business, farmers, and start-ups.

Enhanced access to finance and financial deepening will lead to more favourable lending conditions resulting with increased rates of investment and positive spill overs in terms of digitalization and innovation.

## Qualitative and Quantitative Steps to be taken under this reform

- *Adopt the law on Micro Finance Institutions and Non-Bank Financial Institutions and by-laws to address the status of the MFIs and NBFIs to allow for new investments and growth and support the efforts on access to finance. December 2025*
- *Scale up the Kosovo Credit Guarantee Fund (KCGF) to improve access to financing with an emphasis on export-oriented manufacturers and service providers, as well as underserved MSMEs such as women in business, farmers and start-ups by creating two additional windows: an export-oriented MSME window and a start-up window (companies registered for less than 2 years). Providing an additional Governmental EUR 20m contribution to the Fund's Capital Structure. June 2026*
- *This funding should mediate, in 2027, at least a 30% increase in KCGF's activities compared with the 2022 baseline. This means lending at least 126.5 million euros by Financial Intermediaries over 2.627 loans for 2.275 MSMEs. December 2027*

## Description of implementation

Direct beneficiaries of this reform are the MSME sector companies, in particular the export-oriented manufacturers and service providers, underserved MSMEs such as women in business, farmers, and start-ups.

The reform consists of changes to the legal framework on Micro Finance Institutions and Non-Bank Financial Institutions and by-laws to address the status of the MFIs and NBFIs to allow for new investments and growth and support the efforts on access to finance.

The law on Micro Finance Institutions and Non-Bank Financial Institutions and by-laws will be drafted and adopted in order to address the status of the MFIs and NBFIs into joint-stock companies to allow for new investments and growth and support the efforts on access to finance [December 2025]. The law is in its initial stages of discussions within the Ministry and with IFC, whereby the right model is being analysed. The Government will draft these laws according to its legal norms and best practice for alignment with the EU acquis. Consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance

Finally, measures will be taken on the supply side to improve access to financing by scaling the Kosovo Credit Guarantee Fund with a focus on export-oriented manufacturers and service providers, as well as underserved MSMEs such as women in business, farmers and start-ups by creating two additional windows: an export-oriented MSME window and a start-up window (companies registered for less than 2 years). The additional financing will include an additional EUR 20m government contribution to the Fund's Capital Structure with the aim of increasing the KCGF mediation activities by 30% in 2027 calculated based on a 2022 baseline. Overall, the support shall result with a lending of no less than 126.5 million euros by financial intermediaries of 2.627 loans for 2.275 MSMEs [December 2027].

The Central Bank, commercial banks and micro-finance institutions are some of the main stakeholders for the planned revision of legislation. As regards the additional financing through the KCGF, the Fund has been established as a legal entity for almost a decade accumulating expertise in provision of credit guarantees through the commercial banks to the private sector. In this respect, KCGF works with banks,

MFIs, NFBIs, donors, the Government of Kosovo, the Central Bank of Kosovo, and the MSME sector to achieve the agreed policy objectives. The same mechanism will be used for disbursing this additional funding. The SMEs will be the direct beneficiaries of this reform.

## **9. POLICY AREA 4: HUMAN CAPITAL DEVELOPMENT AND RETENTION**

### **4.1. Education**

*4.1.1. Based on Education Strategy 2022 – 2026, introduce a digitalised education system by implementing digital infrastructure in schools, providing digital learning materials and developing the digital skills of teachers*

#### **Challenges**

Kosovo has one of the highest internet penetration rates in Europe with all of the territory covered by high-speed broadband internet. Still, 33.36% of Education and Training Institutions (ETI)<sup>9</sup> do not have internet access. Some initial work has been done in certain segments of digitalisation. In 2018, the Ministry of Education, Science, Technology and Innovation (hereafter MESTI) has developed a web-based learning platform<sup>10</sup> that proved very useful during the COVID pandemic. This portal is powered by two powerful platforms, The Learning Passport and Microsoft 365 for Education. There is also some electronic collection and processing of data taking place through the Education Management Information System (EMIS) and the Higher Education Management Information System (HEMIS), mainly on school attendance, staff and, to some extent, the infrastructure of institutions.

The teaching materials produced during the Covid-19 pandemic period for distance learning for children/students of different levels of pre-university education are not comprehensive. Multi-dimensional learning materials need to be developed based on the curricula. This includes digital teaching materials in different formats, including textual and audio - visual parts of different levels (differentiated learning), interactive didactic apparatus, virtual laboratory, animations exercises and homework of different levels (differentiated learning), as well as educational games for students.

Digital competences encompass the ability to use and interact confidently, critically and responsibly with digital technology for the purpose of learning, performing work tasks and participating in society. The level of digital competences of the education system has not been assessed yet. An assessment to identify the exact needs is required first. MESTI estimates that investments are needed in digital competences of all categories: students, educators and teachers of all levels, as well as all staff of educational institutions of all types and levels of education.

#### **Objectives**

The overall aim of this reform is to transition to a digitalised education system including the use of digital learning materials. This entails significant investments in the necessary digital infrastructure and equipment. Also, teacher training on digital competencies is required for the implementation of this reform. Key beneficiaries of this reform include the students, teachers and the education management and administration system.

This reform contributes to the achievement of several goals. First, it aims to develop and produce all digital teaching materials for basic subjects and secondary level education. The introduction of digital teaching materials will transform the learning process by introducing options for teacher evaluation and student self-assessment, options for additional materials, options to connect to various online platform resources, options to connect to teacher's technology equipment and students' technology equipment in the classroom and at home, etc. This is expected to improve the learning process and student achievement.

Second, the reform aims to introduce basic requirements for digital competences for educational institutions including the training institutes and certain related agencies. At least 60% of educational

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<sup>9</sup> Public ETIs include all public pre-university educational and training institutions, including pre-school institutions, primary and lower secondary schools, upper secondary schools (gymnasiums, vocational schools and competence centres) and resource centres/special schools.

<sup>10</sup> [www.shkollat.org](http://www.shkollat.org).

institutions (ETI, HEI, MED, MESTI, Agencies, Institutes) shall meet the basic requirements of digital competences, as outlined in the DigCompOrg framework. This target includes descriptors 12 and 15 of the DigCompOrg framework of 2015 pertaining to resources and benchmarking.

Third, the reform aims to develop the adequate level of digital skills for teachers based on the guidance of EU Digital Competence Framework for Educators. By end of 2026, at least 40% of teachers should be able to demonstrate a basic level of digital competence knowledge for teachers.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *New technological devices purchased by Educational and Training Institutions and Higher Education Institutions. (KESP 5.3.4). December 2025*
- *At least 40% of teachers demonstrate a basic level of digital competence knowledge for teachers (based on DigCompEdu and KESP 5.4), sex disaggregated. December 2026*
- *At least 60% of educational institutions (ETI, HEI, MED, MESTI, Agencies, Institutes) meet the basic requirements of digital competences for educational organisations, as outlined in the DigCompOrg framework, particularly regarding descriptors pertaining to resources and benchmarking (i.e. descriptors 12 and 15 of the DigCompOrg framework of 2015). (KESP 5.6.4). June 2027*
- *Digital teaching materials developed and produced for basic subjects and secondary level and shared with all schools (J27) (KESP 5.2.2). December 2027*

### **Description of reform steps and implementation**

The purchase of technological devices requires the development of standards and specifications by the ministry for the supply of ETIs with ICT devices. This includes computers and accessories, interactive smart boards, smart TVs and projectors. The planning is done based on Situation Analysis Report from UNICEF with schools, calculating the average of students at the country level at the ratio of 1 computer/35 students. MESTI's internal reports and documentation of supply will serve as the verification mechanism.

Achieving the 40% target of teachers that demonstrate a basic level of digital competences requires a number of preparatory actions. First, a training program needs to be developed on the use of digital teaching and learning materials (technical, technological, pedagogical and methodological aspects) accompanied by a training manual, and a training programme with the number of teachers to be trained per year. An integrated digital platform needs to be developed, tested and launched into operation. The three European Digital Competence Frameworks need to be endorsed, translated and adopted to the national languages and context, and practical user guidelines need to be drafted by the Ministry of Education. Instruments for evaluating digital competences of teachers and institutions need to be created and adopted. The final step is training delivery according to the training schedule. MESTI's internal processes and procedures are the main sources of verification. This includes the adopted training programs and evidence of participation, the published guidelines and decisions on the ministry webpage.

*4.1.2. Increase enrolment in and quality of the early childhood education by improving access to and quality of care system and services, promoting holistic development of children, and as a result also facilitate the participation of women in the labour market.*

### **Challenges**

Early and pre-school education plays an important role in the future development and learning of children. Legislation on pre-school education has been revised recently. A new law on Early Childhood Education is adopted in 2023 introducing a holistic approach of organisation, functioning and oversight of institutions for early childhood education.

Children inclusion in preschool education in Kosovo is low, especially among age group 0-4 years. This affects the prospects of women's participation in the labour market, because the responsibilities of caretaking, in absence of preschool institutions, falls overwhelmingly on women. For children 0-2 years, inclusion still remains particularly low, with a participation rate of 3.9%. For children 3-4 years old, inclusion stands at 15%<sup>11</sup>, whereas at the pre-primary level the situation is significantly better with gross enrolment rate of 88.1%. In general, 19.5% of children are included in all forms of preschool

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<sup>11</sup> A Situation Analysis of ECD Services in Kosovo, World Bank, 2021.

education<sup>12</sup>. The participation rates also vary in different geographical areas. Children under 5 years old in rural areas are enrolled three times less than their peers in urban areas, because these services in rural areas are almost non-existent. In urban areas, 25.5% of children are included in early childhood education programs, whereas in rural areas only 7.9% of children participate.

Some of the factors determining the low level of inclusion in early childhood education are: lack of sufficient infrastructure for inclusion of children, inadequate distribution of preschool institutions in the country, small number of public preschool institutions (only 49 nationwide), with 9 community nurseries and 164 private nurseries/kindergartens) and lack of human resources for provision of integrated welfare, healthcare and education services for overall development of children.

## Objectives

The National Education Strategy aims to increase inclusion and access to early childhood education [strategic objective 5.1]. Provision of adequate conditions for a healthy environment will contribute to improvements on the quality of care services for children. Hence, this reform aims to increase the enrolment in early childhood education by improving access to and quality of care system and strengthening the quality assurance framework.

### Qualitative and Quantitative Steps to be taken under this reform

- *At least 80% of all ECEC institutions comply with at least 40% of the quality assurance framework. June 2025*
- *At least 8% of children aged 0-2 enrolled in pre-primary education. (KESP 1.1.4). December 2025*
- *At least 45% of children aged 3 to 5 years enrolled in pre-primary education. (KESP 1.1.3). December 2026*
- *At least 50% of private ECEC institutions have been assessed according to quality assurance framework. December 2027*

### Description of implementation

Increasing the enrolment rate of children aged 0-2 to 8% by December 2025 and enrolment of 3-5 years to 45% by end of 2026, requires investments in kindergarten infrastructure and recruitment of staff. This entails a series of actions such as: conducting an analysis of the present capacities in schools and kindergartens that can be re-arranged to be fitted as additional capacity, conducting an analysis for the necessary building of new capacities in public kindergartens or public-private modality through PPP, securing the locations and finalising procedures for the construction of buildings, preparing the investment plans and recruiting early childhood educators and support staff. The duration of maternity leave is 12 months (6+3+ 3) which affects the enrolment percentage for 0-2 years old (with most young mothers preferring to do 12 months), and also alternative care by nannies at their homes and more so care by relatives (usually grandparents/mothers and extended family members), which still is very common and utilised, especially for 0-2 years old, and even older!

Municipalities are the main stakeholder and their full engagement is necessary in implementing this reform. To ensuring compliance of ECEC institutions with the quality assurance framework where at least 80% of all ECEC institutions comply with at least 40% of the quality assurance framework by June 2025, capacities of Education Inspectorate need to be prepared in terms of number of inspectors and building professional teams for conducting the assessments. The roles of quality coordinators need to be further consolidated. Children and working mothers are the direct beneficiaries from this reform.

There are partner organizations that are supporting MESTI in developing ECEC to improve provision of preschool education services by mainstreaming preschool education to children of young age and extending outreach activities and inclusion of children coming from vulnerable groups in the preschool education. A mapping study has been initiated in 2021 and is being implemented in close collaboration with the Ministry of Education, Science and Technology.

Data on the number of students belonging to the Serb community are still not reported regularly by Serb majority municipalities in Kosovo. Children from the Roma, Ashkali and Egyptian communities continue to face various challenges in terms of their access to education. Despite progress in increasing

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<sup>12</sup> Education Statistics in Kosovo 2020-2021.

their inclusion at all levels of pre-university education, compared to the national average, this participation remains low. This difference is most noticeable in preschool education, where 7.6% of children in these communities receive services, compared to the general population percentage which is 15%, as well as in the upper secondary level where only 31% of Roma, Ashkali and Egyptians pupils are included, compared to 86.8% amongst the total population.<sup>13</sup>

Regarding rural and urban data, according to SMIA, out of 188 pre-schools (public and private, main and satellite schools), only 14 are in rural areas. Among the 174 pre-schools in urban areas, 129 are private. In 2019, 11 municipalities did not have a single public preschool institution<sup>52</sup>. This means that, over the last 3 years, only one municipality opened new public preschools (Prizren, which opened one public and one public/private partnership ins While the average pre-school attendance rate was around 37%, it fell to 14% for children in rural areas, and 19% for children amongst the poorest households. This number is much lower for vulnerable groups, with just 1 in 10 children from Roma, Ashkali and Egyptian communities, especially from rural areas, attending an early education programme. Although enrolment in pre-primary classes dramatically increased to 92% in 2019, this rate stood at only 45% for children in Roma, Ashkali and Egyptian communities.”<sup>14</sup>

The Action Plan for implementing the national Education Strategy foresees a number of awareness-raising activities including the implementation of programs to raise the parents and community’s awareness about the importance of early childhood and to encourage active participation (specifically sessions and activities for fathers, training, brochures, media shows, etc), events at central and local level to raise awareness about the importance of ECE (conferences, discussions), information sessions with Roma, Ashkali and Egyptian communities on the AI in force, which provides opportunities and facilities for the inclusion of children of these communities in ECE services and development of packages for child education in home environment and their distribution to families.

*4.1.3. Enhance the quality of education and teaching profession, by improving quality and relevance of continuous professional development of teachers, implementation of the system for teacher licensing, undertaking quality review of textbooks, and improving efficiency of school performance evaluation*

## **Challenges**

Pre-service teacher training continues to be greatly challenged by the quality of admission in teaching profession, quality of higher education programs for teachers and current institutional approaches to quality assurance of teacher preparation. The continuous professional development and licencing of teachers is an important policy that affects the quality of learning. Data from the Ministry of Education indicate the rate of teacher involvement in professional development has continuously decreased in recent years, due to lack of funding, but also due to non-implementation of the teacher licensing system. MESTI has invested in software for the teacher licensing system, but the system is not regularly maintained, and the database population is not updated in relation to the TPD.

A new teacher licencing package has been introduced by MESTI in May of 2023 and relevant secondary legislation is enacted.

The pre-university education curriculum needs to be revised. The new curricula are competency-based and have taken on-board the recommendations of the European Parliament and of the Council on Key Competencies for Lifelong Learning. The curriculum implementation process was accompanied by new textbooks. The speed of adopting new textbooks and the quality of content are not satisfactory. The new textbooks are described as having several shortcomings in approach, in purpose, in form and in content. To ensure full implementation of the new curricula framework, textbooks need to be revised accordingly.

The decentralization of responsibilities in education and the curricular reform present opportunities for greater autonomy and accountability of all levels of education down to the school level. The performance of schools is directly correlated with the school management, staff recruitment and career policy and educational policy for the evaluation of the school management’s performance.

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<sup>13</sup> Education Strategy 2022-2026, p.35

<sup>14</sup> Ibid, p.39

To address these shortcomings, the curricula revision needs to be completed for all grades and textbooks and other teaching materials revised accordingly. Some of the major shortcoming of textbooks in use include:

- *CECT as an internal mechanism of MESTI, has not managed to supervise and support the process of drafting/rewriting textbooks according to the scope of curriculum implementation.*
- *Lack of textbook officials in MESTI has resulted in lack of coordination and delays in preparation of textbooks according to the dynamics defined by the Roadmap on Curriculum Implementation 2016-2021.*
- *The selection procedure and the work of the reviewers remain a challenge, along with the lack of responsibility and accountability for the quality of textbooks.*
- *In previous textbooks, in addition to other quality problems, there were significant problems with gender stereotypes and in addition to comprehensive curriculum documents and textbook standards where gender equality is a general standard, the Agency for Gender Equality (AGE) in cooperation with the Curriculum Division and Gender Equality Office (GEO) in MESTI drafted the Manual for the Prevention of Gender Stereotypes in textbooks.*
- *New textbooks do not contain stereotypes but are dominated by male authors, whereas female experts of different fields are rarely consulted.<sup>15</sup>*

Adequate pre-service teacher training programmes need to be implemented in line with the teacher standards and curricula and schools need to undergo the internal and external assessments to feed the necessary improvements in terms of efficiency and performance. As regards school reorganisation plans, there are certain risks associated with this process. The main risks can be summarised as following:

- *Shared competences and dependency on the Municipalities (MED's).*
- *The number of schools and data on the infrastructure situation and demographic trends in the country*
- *Migration from rural to urban areas*
- *Low ratio pupil – teacher*
- *Inefficiency in resource management*

To overcome some of these risks, we aim to take mitigating action when possible. Key mitigation actions include joint planning reviews with local level, thorough analysis by MESTI, classes or schools merging in remote areas, replacing multi-shift schools to single shift, close institutional coordination (MEST and Municipalities/MEDs) and further development of institutional capacities.

## Objectives

The objective of this reform is to enhance the quality of education and teaching profession, by improving quality and relevance of continuous professional development of teachers, implementation of the system for teacher licensing, undertaking quality review of textbooks, and improving efficiency of school performance evaluation.

## Qualitative and Quantitative Steps to be taken under this reform

- *At least 40% of the school network reorganisation plan implemented (KESP 2.1.2). December 2025*
- *Adoption of revised curriculum for grades 1-5; Adoption of revised curriculum for grades 6-10 and 70% of textbooks and teaching materials according to pre-university education levels. (KESP 2.7.2); At least 50% of schools undergo internal and external assessments (KESP 2.2.3). June 2026*
- *At least 80% of new/accredited pre-service teacher training programmes are in line with teacher standards and curriculum philosophy offered at relevant Pre-University Education levels. (KESP 2.9); 55% of children with special needs enrolled in compulsory Education and 30% enrolled in Upper Secondary Education, with adequate teacher/students' ratio. (KESP 2.3.2.). December 2026*

## Description of implementation

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<sup>15</sup> Education Strategy 2022-2026, p.40

The Education Inspectorate is a central executive unit for evaluating and ensuring the implementation of legislation in the field of education in the Republic of Kosovo, directly subordinate to the Minister of the Ministry according to the current draft law which needs to be adopted as a precondition for this reform.

The recent demographic changes and varying levels of school capacity demand a reorganisation of school networks towards a more effective model of management. In this regard, this reform aims to implement the school reorganisation plans for at least 40% of the school network reorganisation plans by December 2025, considering the demographic trends in the country (migration rural to urban, low ratio pupil – teacher and inefficiency in resource management). Addressing this issue, the recommendation is to merge classes or schools in remote areas, replace multishift schools to one single shift in coordination with Municipal Education Directorates. A new Administrative Instruction 10/2023 On Criteria and procedure for the establishment and termination of the activities of Pre-university education institutions is enacted to guide the reorganisation of schools. Its adoption procedure includes consultations of all relevant internal and external stakeholders. Given the legal mandate of local level, active and direct involvement of schools and municipalities is a precondition for successful implementation of this reform.

A review of curricula and textbooks is necessary to improve the quality of teaching. By June 2026, revised curriculum for grades 1-5 will be adopted, revised curriculum for grades 6-10 and 70% of textbooks and teaching materials according to pre-university education levels will be adopted. Whereas at least 50% of schools undergo internal and external assessments by June 2026. Currently, MESTI is recruiting new inspectors to join the Education Inspectorate.

To complete the school evaluation, first it is necessary to define the number of schools to undergo the evaluation, then conduct evaluation activities such as meeting with focus groups, monitoring in classrooms, completing the questionnaires, and reporting to stakeholders on the final outcome. The evaluation process is coupled with licencing of teacher with an advanced licence. Reviewing textbooks entails an assessment and identification of needed changes, setting up expert work groups to implement the changes, quality control of revised textbooks, approval and distribution to education institutions.

The selection procedure and the work of the reviewers remain a challenge, along with the lack of responsibility and accountability for the quality of textbooks. Council of Experts for Curricula and Textbooks (CECT) as an internal mechanism of MESTI, has not managed to supervise and support the process of drafting/rewriting textbooks according to the scope of curriculum implementation.

In previous textbooks, in addition to other quality problems, there were significant problems with gender stereotypes and in addition to comprehensive curriculum documents and textbook standards where gender equality is a general standard, the Agency for Gender Equality (AGE) in cooperation with the Curriculum Division and Gender Equality Office (GEO) in MESTI drafted the Manual for the Prevention of Gender Stereotypes in textbooks. New textbooks do not contain stereotypes but are dominated by male authors.

Recommended activities for the above stated include the completion of the institutional and legal framework for publishing textbooks, resources, teaching and learning materials and tools, creating suitable spaces for teaching staff (work corners, teaching materials/aids, work equipment, and developing programs/modules, textbooks and teaching materials (printed and digital) developed, revised and adapted for teaching in the languages of non-majority communities.

By December 2026, at least 80% of new/accredited pre-service teacher training programmes will be aligned with teacher standards and curriculum philosophy offered at relevant Pre-University Education levels.

Access to education will be improved significantly for children from vulnerable groups. The reform foresees that 55% of children with special needs will be enrolled in compulsory Education and 30% enrolled in Upper Secondary Education by December 2026, with adequate teacher/students' ratio.

Achieving these objectives will demand financial resources for learning centers, increasing the number of education staff/assistants and training them to support children with special needs, and implementing



pedagogical services in the schools. During 2023, additional number of teaching assistants have been recruited by MESTI for the special needs' students in the classroom.

The implementation report will cover gender-disaggregated data on both targets.

In addition to the Education Inspectorate, the relevant Municipality Education Departments and MESTI units are the main implementing partners. Other stakeholders include Parent Organisations, sectorial unions and associations, other NGOs and education institutes.

## **4.2. Labour Market**

*4.2.1. Increase labour market participation of women, young people and vulnerable groups through the ongoing restructuring and improved administrative capacity of public employment services.*

### **Qualitative and Quantitative Steps to be taken under this reform**

- *50% of Active Labour Market Measures to target women, youth (aged 15-29), people with disabilities, those living in rural areas and ethnic minority groups. June 2026*
- *The ratio of Employment Agency counsellor to client is reduced to 1:500. June 2027*

*4.2.2. Align education, with labour market needs through close cooperation with the business community and through revising the legal framework on VET and adult education and increasing work-based learning in VET schools*

### **Challenges**

Kosovo's education system and labour market face critical challenges hindering socio-economic progress and EU convergence. Despite positive employment trends, with formal employment rising by 4.9% and unemployment decreasing to 11.8% in 2022, high inactivity rates, particularly among women (78%), persist. The labour market exhibits significant gender disparities: male employment at 49.4% contrasts sharply with female employment at 18.4%.

A major issue is the mismatch between the labour force's skills and market demands. Many young people struggle with transitioning from education to employment, contributing to a youth unemployment rate of 21.4%. The economy, driven by sectors like hospitality, agriculture, trade, and construction, suffers from a lack of skilled professionals. This skill gap is underscored by employers' reports: around 50% indicate that general education fails to equip students with necessary skills, and 75% face difficulties hiring qualified managers, professionals, and technicians. The mismatch between the skills taught in schools and those demanded by the labour market exacerbates the problem.

Insufficient quality of vocational education and training offer has resulted in a low degree of employer satisfaction with the skills/competencies achieved by VETI graduate candidates, as well as a low degree of transition from school to work. Opportunities for lifelong learning and mobility are limited. According to the 2023 "Kosovo Rapid Education Diagnosis: Addressing the Weak Links done by the European Training Foundation, vocational education and training (VET) is well developed but is often diverted from its original function and used as a pathway to higher education. While in some countries, the existence of such a pathway is positive for enhancing the image of VET, in Kosovo it also curbs the urgency to make VET more relevant to economic and employment opportunities. Solutions might include a greater involvement of business actors, or a differentiation in the number of years of studies between general education and VET. RED recommends revising the VET funding formula and highlights the low level of financing for this level of education with only 9.6% share of total education budget. The interest in vocational education and training schools has increased in recent years. Statistics from 2020/21 school year show that 53% of students in upper secondary education attend vocational education and training schools. Disaggregated by gender, the data show that male students are more likely to enrol in vocational education and training schools. About 42.3% of students in vocational education are female. The gender analysis of the orientation in vocational education shows the tendency of the orientation of female students in the profiles of health and well-being, business, administration and justice. Male students tend to prefer the profiles of engineering, manufacturing and construction, information technology and communication.

Communities such as Bosniaks, Turks, Roma, Ashkali and Egyptians are integrated in the education system of Kosovo, so learning in Kosovo is conducted in four languages (Albanian, Serbian, Bosnian

and Turkish). Data on the number of ethnic Serb students remain not reported regularly by Serb majority municipalities in Kosovo. Children from the Roma, Ashkali and Egyptian communities continue to face various challenges in terms of their access to education. Despite progress in increasing their inclusion at all levels of pre-university education, compared to the national average, this participation remains low. This difference is most noticeable in preschool education, where 7.6% of children in these communities receive services, compared to the general population percentage which is 15%, as well as in the upper secondary level where only 31% of Roma, Ashkali and Egyptians pupils are included, compared to 86.8% amongst the total population.<sup>16</sup>

While the distinction between rural and urban schools is a parameter in the MESTI education management system, it does not show substantial, constant differences but rather counter-intuitive results: despite the rural exodus and the concerns of ‘empty schools’ (200 operate with fewer than 150 students) and ‘surplus teachers’ (estimate: 2000) raised by the MESTI itself, 63% of rural schools operate with some multiple shifts, not so far away from the 73.6% of urban schools.”<sup>17</sup>

“According to SMIA data, out of 188 pre-schools (public and private, main and satellite schools), only 14 are in rural areas. Among the 174 pre-schools in urban areas, 129 are private. In 2019, 11 municipalities did not have a single public preschool institution<sup>52</sup>. This means that, over the last 3 years, only one municipality opened new public preschools (Prizren, which opened one public and one public/private partnership ins While the average pre-school attendance rate was around 37%, it fell to 14% for children in rural areas, and 19% for children amongst the poorest households. This number is much lower for vulnerable groups, with just 1 in 10 children from Roma, Ashkali and Egyptian communities, especially from rural areas, attending an early education programme. Although enrolment in pre-primary classes dramatically increased to 92% in 2019, this rate stood at only 45% for children in Roma, Ashkali and Egyptian communities.”<sup>18</sup>

Despite recent data showing an increase in enrolment in vocational education and training schools bringing Kosovo close to the average in EU countries, in general, vocational schools continue to remain a second choice, especially for students who could not enrol in gymnasiums. There are no specific criteria for admission in vocational schools. This has an impact in attracting less-achieving students or students who cannot enrol in gymnasiums. The current financing level does not meet the needs of vocational schools. VET funding has not increased significantly in recent years, whereas the current funding formula is generalized on per student basis and does not account for specific profiles and needs. Career counselling and guidance remains a challenge and the services provided are still limited to some municipalities or to specific schools. In recent years, several training programs have been implemented for vocational schoolteachers for career counselling and cooperation with employers, as well as investments in career centres in several vocational schools. However, not enough progress has been made in terms of coverage and appointing counsellors for career guidance and orientation.

## Objectives

The strategic objectives in the area of vocational education and training are defined by the national Strategy on Education 2022-2026. Strategic objective 3 of this document aims to align further the education and training system with the technological and labor market developments by working towards: a) improvement of the governance, funding and information management system of vocational education, training and adult education; b) Consolidation of quality assurance mechanisms, at central, local and VETI level, to enable systemic access to quality management; c) Finalization of the curriculum package for qualifications offered by vocational education and training institutions, in accordance with the needs of the labour market and transformation trends; and d) Provision of opportunities for the implementation of practical learning and implementation of career counselling services.

Based on the above strategic objectives, the Growth Plan aims to increase labour market participation of women, young people and vulnerable groups through the ongoing restructuring and improved

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<sup>16</sup> Education Strategy 2022-2026, p.35

<sup>17</sup> Kosovo Rapid Education Diagnosis (RED): ‘Addressing the weak links’ Final report March 2023, P.5

<sup>18</sup> Ibid, p.39

administrative capacity of public employment services. The second objective of the reform is to bring vocational education programs closer to the market needs through revising the legal framework on VET and adult education and increasing work-based learning in VET schools. One important aspect is the review of the offer of vocational education and training as well as the improvement of quality of transferable skills, digital and entrepreneurial skills and professional technical skills.

### **Qualitative and Quantitative Steps to be taken under this reform**

- *Full membership of ENQA. June 2025*
- *Entry-into-force of new law regulating VET (including governance, curricula, funding formula and network of VET institutions) and adult education (AE) in line with European standards. December 2025*
- *At least 30% of VET and adult education teachers and trainers either trained in the new curricula or already have relevant professional experience; At least 50% of non-formal qualifications offered by PES, registered in the NQF qualifications register. June 2026*
- *50% of VET students benefiting from substantial (at least 25% of the programme) professional learning experience in workplaces, disaggregated by sex. December 2026*
- *At least 90% of formal qualifications offered by VETIs registered in the NQF qualifications register. June 2027*
- *At least 80% of VETIs provide career counselling and guidance services. (KESP 3.4.2). December 2027*

### **Description of implementation**

For achieving the targets under reform 4.2.1, the public employment services need to undergo a reorganisation. This entails increases in the capacities of Employment Agency that will result with a ratio of Employment Agency counsellor to client is reduced to 1:500 by June 2027. To address significant disparities in employment of women, youth and certain vulnerable groups, the reform foresees that 50% of Active Labour Market Measures will target women, youth (aged 15-29), people with disabilities, those living in rural areas and ethnic minority groups [June 2026].

The Employment Agency is the main implementing body for this reform with the Ministry of Finance, Labour and Transfers steering the policy. Women, youth, people living in rural areas and minority groups will benefit directly from this reform.

For achieving the target under reform 4.2.2 for a quality and effective management of vocational education and training, a review of the legal framework is needed to ensure that all functions of the vocational education and training system are covered comprehensively, including a clear definition of responsibilities, lines of authority and accountability between all institutions of the vocational education and training system. Through sub-legal acts, among others, the content of qualifications provided by VETIs will be standardized in accordance with the NQF. The revision of legal framework will be completed by end of 2025. The reorganization of the network of vocational education and training institutions will be done in accordance with the needs of the labour market.

In order to provide the necessary budget for improving the quality of vocational education and training, the financing formula will be revised based on the real cost model for each qualification, while to guarantee relevant and up-to-date data on labour market needs, the system for VET and labour market information management will be improved and integrated. The reform also includes implementation of new curricula through teacher trainings and student learning in workplaces. By June 2026, at least 30% of VET and adult education teachers and trainers either trained in the new curricula or already have relevant professional experience; At least 50% of non-formal qualifications offered by PES, registered in the NQF qualifications register [June 2026].

Special attention will be paid to the human capacity building of the National Qualifications Authority (NQA), especially as regards updating the register of formal and non-formal qualifications offered by VETI where 90% of formal qualifications offered by VETIs will be registered in the NQF qualifications register by June 2027.

This reform can have positive effects for multiple beneficiaries. Students will significantly improve their employability. Businesses will benefit in efficiency gains from a readily available and better prepared labour force. Also, higher employment prospects can result in social and fiscal gains for public

institutions. Public vocational education and training institutions, except Centres of Competence, are under the direct supervision of municipalities which exercise this role through municipal education directorates. The central government is responsible for making education policies, funding and inspection.

## **10. POLICY AREA 5: FUNDAMENTALS / RULE OF LAW**

### **5.1. Judiciary**

*5.1.1. Improve the performance, integrity, accountability and efficiency of the judiciary, including by implementing the Joint Commitment Statement*

#### **Challenges**

Kosovo has established a solid legal framework and reliable institutions that contributes to an independent and impartial judicial system. Impartiality, integrity and a high standard of adjudication by the courts and prosecution offices are essential for safeguarding the rule of law. In the legal aspect Kosovo already has a modern judicial system, although in the practical aspect and implementation of certain key EU-related reforms, in particular as regards the improvement of the legal framework.

Despite the commitment and efforts made, challenges remain and further efforts are necessary to strengthen rule of law institutions capacities on achieving an efficient and effective justice system that shall respond to citizens needs and contribute to the development of the economy and respond to citizens' expectations of further strengthening the rule of law system to achieve tangible results by improving the performance, integrity, accountability and efficiency of the judiciary. Consistent efforts are necessary to ensure respect of these principles in practice and to effectively shield the judicial system from undue pressure and interference and with sufficient financial and human capacities, as well as legal guarantees for fair trial proceedings. In March 2023 the joint declaration of commitment together with state institutions for legal reform in the justice system in Kosovo has been signed. On this occasion, these high institutions of justice in Kosovo have undertaken and have pledged to, through this signed act, establish joint working groups for a series of important issues for the reform of the justice system in Kosovo, reflecting the most important issues that need to be tackled. Justice to serious and organised crime reforms shall be 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 European standards through the finalization of legislative amendments by strengthening the human and infrastructural capacities to ensure an evaluation, conceptualization and drafting of legal initiatives, in order to clarify, amend and strengthen the legal framework in the areas related to performance evaluation, the process of recruitment, appointment and reappointment, the disciplinary system, the professional development and status of prosecutors and judges, the strengthening of the mechanisms for declaring the assets of prosecutors and judges, the system of verifying the profile of candidates for prosecutors and judges. as foreseen in the Joint Declaration of Commitment to reform the justice system. Swift follow-ups are necessary to achieve tangible results.

The efficiency of judicial system has slightly improved; however, additional measures are necessary to reduce backlog of cases, shorten court proceedings and strengthen existing tools to protect integrity, responsibility, independence of the judiciary. The Automatic Case Assignment (ACA) is operational and functional in all types of cases in all courts and prosecution offices. The distribution of cases and workload with the number of cases in courts and prosecution offices should be based on the criteria of same and equal for all judges and prosecutors and in accordance with KJC and PPC Regulation for Case Management through the Electronic System (CMIS). Although the Court Management Information System (CMIS) is implemented in almost all courts, including the Supreme Court, resulting in improved efficiency, accountability and transparency, some courts still apply a manual registry of cases, although only for internal purposes and not as a parallel case registration system due to the existent of the physical file until moving it to the electronic file. However, further advancement of the electronic case management system in courts and prosecution offices through improvement of existing monitoring mechanisms at the KJC and KPC is needed, to ensure an effective use of the Court Management Information System (CMIS) through the implementation of CEPEJ performance indicators in the CMIS

program as a great opportunity for high transparency in the process of distribution of cases in the courts and prosecution offices which will eliminate human intervention in the process of distribution of cases. This step is foreseen to be completed by December 2024 and the responsible institutions for the implementation are the KPC and KJC.

Civil law relationships are currently regulated by special laws. These circumstances have had an impact and caused different interpretations and inconsistent application of the laws in the same cases, which among other issues points to the need for codification. The lack of clear and uniform law implementation in court cases related to the civil law matters is also considered an issue that can be resolved by the harmonisation of civil law through a civil code to ensure a unified and codified implementation of civil law.

## **Objective**

Implementation of the proposed reform will contribute to improving the performance, integrity, accountability of the judiciary in line with European standards and Venice Commission recommendations. The reform includes steps that shall contribute to strengthening existing tools and achieve tangible results by improving the performance, integrity, accountability and efficiency of the judiciary. Another important objective is the codification of civil legislation, contributing protection of civil rights. The overarching goal is to strengthen rule of law in Kosovo and ensure protection of rights of all citizens without discrimination.

Strengthening and investing in the judiciary plays a critical role in the fight against crime and corruption by ensuring that laws are enforced and that offenders are held accountable, this helps in reducing crime rate and creating a safer environment for citizens which has a direct positive impact on socio- economic development. In order to increase the efficiency and quality of the judiciary in dealing with cases of corruption and organized crime, the Council has approved the strategic and action plan for solving corruption and organized crime cases. It defines the objectives and actions that the judiciary, with all its bodies, will undertake to improve efficiency in solving cases of corruption and organized crime. A lower crime rate contributes to social stability, which is essential to improving the quality of life by fostering economic growth, and by attracting both domestic and foreign investments leading to job creations, other advancements and overall economic growth.

## **Qualitative and Quantitative Steps to be taken under this reform**

- *Reinforce the monitoring and reporting mechanism to ensure the full and effective use of the Case Management Information System (CMIS), based on accountability and linked to disciplinary measures. December 2024*
- *Ensure effective integrity checks in line with European standards through the regular full verification of the assets declarations of judges and prosecutors by the Agency for the Prevention of Corruption, including by crosschecking the information with relevant institutions; amend the Law on disciplinary liability of judges and prosecutors to address the findings of the TAIEX peer review mission, including by introducing a specialized investigation body; improve the recruitment system by strengthening the current mechanisms for background verification of candidates, including by clarifying its scope and procedures. Ensure that the legislative reforms implementing the Joint Commitment Statement are aligned with European Standards; and allowing sufficient time for their consultation and review to this end. June 2025*
- *Adopt the Civil Code. December 2025*
- *Enhance accountability of court presidents and chief prosecutors in the functioning and management of courts and prosecution offices, including by introducing case processing monitoring, performance analyses of courts and prosecution offices, and reports on budget and staff needs. June 2026*
- *Increase overall first instance clearance rate to 115%. December 2027*

## **Description of implementation**

The direct beneficiaries of these reforms will be rule of law institutions, while the final beneficiaries will be the citizens of Kosovo. These reforms will contribute to improve the performance, efficiency accessibility of justice services for citizens, promotion and protection of human, civil and socio-economical rights of all citizens of Kosovo without discrimination. The draft Reform Agenda of Kosovo Growth Plan was made available for stakeholders to provide their feedback, in line with the rules on

minimum criteria for public consultation. In-person consultations were held with representatives from civil society organisations.

KPC and KJC have each established two mechanisms for increasing data quality, reporting and monitoring the use and implementation of CMIS. These mechanisms are composed of professional staff and judges and prosecutors, respectively. In order to ensure the full and effective use of the Court Management Information System (CMIS), the monitoring and reporting mechanisms will be reinforced, based on accountability and disciplinary measures, both KPC and KJC have recently consolidated regulations on CMIS regulating every aspect of the procedures of the system and its usage which obligate judges and prosecutors to use CMIS. KPC and KJC are aiming at progressing to full use of the electronic system and removal of physical registry. Because of that, the use of CMIS is included as a specific criterion on performance evaluation of judges and prosecutors, which means that during their regular (performance evaluation every three years) judges and prosecutors, among other criteria, are specifically evaluated whether they use and how they use CMIS. The commissions for evaluating the performance of prosecutors and judges also have access to CMIS and all the cases they select for control, they request the data from CMIS and this means that prosecutors and judges are evaluated as to whether they have entered all the data in CMIS. If the results are not as expected, the total performance evaluation is lowered which represents the linkage between use of CMIS and accountability. Judges in relation to the use of CMIS system are subject of evaluation in a case if there is a lack of implementation which affects their performance evaluation pursuant to the Regulation on Evaluation of Performance of Judges. This step is foreseen to be completed by December 2024 and the responsible institutions for implementation are KPC and KJC. Disciplinary measures will also be taken against judges and prosecutors who fail to make appropriate use of the CMIS. Due to its technical nature, this is regulated by implementing legislation adopted by KJC and KPC. The judicial system has developed and implemented the Case Management Information System (CMIS) across all courts as an essential tool for case management, which aims to enhance efficiency, transparency, and accountability. Relevant acts have been adopted to ensure the implementation of CMIS. Each judge in the Republic of Kosovo undergoes regular performance evaluations and is required to meet working norm (Regulation No. 05/2023 amending the Regulation No. 01/2021 on Evaluation of Performance of Judges (adopted by KJC on 6 April 2023), judges' performance evaluation includes Criterion 9, which assesses the comprehensive use of CMIS, and the Regulation No. 11/2023 on the Use of the Case Management Information System (adopted by KJC on 21 October 2019). Therefore, the use of CMIS is not only a duty for judges but also serves the interests of the judiciary, as work data for judges is exclusively generated by the CMIS. Additionally, the work process in courts cannot practically proceed without the use of CMIS. Judges cannot accept, process, or complete cases without using the system. Furthermore, case files cannot be transferred from the first instance court to higher instances without CMIS. Overall, the judiciary's work is conducted through the CMIS. While manual registers still exist and will continue to do so as long as physical case files exist, the judicial system has limited the use of physical registers and aims to phase them out with further digitization. The discipline process is part of the ongoing reform efforts. For prosecutors it is regulated by the Regulation No. 05/2020 on Evaluation of Performance of Prosecutors (adopted by KPC on 8 October 2020) and the Regulation No. 03/2021 on Management of Cases through the Case Management Information System in the Prosecutorial System (adopted by KPC on 28 December 2021). The KPC Regulation No. 03/2021 provides for implementation of CMIS by all administrative staff and prosecutors, while the KPC Regulation No. 05/2020 provides for the use of CMIS and prosecutors performance is also assessed on the use of CMIS (Article 11, paragraph 1.9.3). Pursuant to this provision, the Committee Evaluation of Performance of Prosecutors, in a special form "on the use of CMIS", evaluates each prosecutor's performance also regarding the use of CMIS. The Evaluation Committee also has access to CMIS and they request all data on the cases selected for control on CMIS. This means that prosecutors' performance is also evaluated on whether they have entered all data in CMIS. Furthermore, pursuant to the KPC Regulation No. 03/2021 (Article 55), in cases of identification of any user for unauthorized access to CMIS or misuse of data, then action will be taken in accordance with the legislation in force on discipline.

To contribute to the implementation of the Joint Commitment Statement, the first step foreseen is to ensure the regular and effective full verification of the asset's declarations of judges and prosecutors by

the Agency for the Prevention of Corruption, including by crosschecking the information with relevant institutions according to the article 18 of the Law on Declaration, Origin and control of assets and gifts.

The full verification of the assets declarations is defined in accordance to the article 18 paragraphs 2 and 3 of Law on Declaration, origin and control of assets and gifts, where the full control is done to verify the authenticity and accuracy of the data included in the declaration form, to compare the data with the previous forms, as well as to check for data required in the declaration that have not been submitted. At least (1/3) of senior officials from the list of seniors that includes Chair of the Kosovo Prosecutorial Council, Chief State Prosecutor and all other Chief prosecutors, Members of the Judicial Council and members of the Prosecutorial Council and Judges and Prosecutors asset declaration will be fully verified each year, meaning a person will be verified every 3 years which is the Regular full control by the Agency for Prevention of Corruption. The selection of declarations that are subject to full control is done through a lot. This is stipulated in the by Law no. 08/L-108 on Declaration, Origin and Control of Assets and Gifts, that stipulates as following: Senior officials including judges and prosecutors who have been subject to full control for the previous year through a lot, are excluded from full control by lot for the following two (2) years (paragraph 12 in relation to paragraph 7 and of the article 18). In other words, the electronic system for declaration of assets, in the first year generates the list of 1/3 of judges and prosecutors, in the second year it excludes the first 1/3 and selects the half of remaining judges and prosecutors, and in the third year it selects the remaining judges and prosecutors that have not undergone full control in two previous years will undergo that process. Namely, the three-year cycle of full control is reset every fourth year.

The full control shall include matters relating to the origin of the assets and shall cover the period from the last full control, if such a control has been performed. On the contrary, the full control shall be performed from the first declaration made on the basis of the appointment. In addition, the Agency shall perform the full control of assets by undertaking administrative investigative actions, for the purpose of verifying the origin of assets by processing data made available from various sources, including state institutions and other holders of public authority, but also data/information that the Agency obtains in other ways. The data and information requested and made available by institutions or other persons, shall only relate to the information included in the declaration of assets.

As for the disciplinary measures and irregularities in the asset declaration process, it is subject of legal reform, the process is still in the drafting phase. In addition, the amended Law on disciplinary liability of judges and prosecutors is being drafted by the Ministry of Justice. The working group has prepared the draft-law amending the Law on Disciplinary Liability of Judges and Prosecutors, which has past the preliminary consultation as well as public consultation and as foreseen, is expected to be approved by the Government by October 2024, and proceed to the Assembly.

With the amendment of Law on Disciplinary Liability of Judges and Prosecutors it is foreseen the establishment of disciplinary investigative panels in each council with a fixed mandate (for example, 3 years and the members are not all elected at the same time, but the beginnings and ends of the mandates are different in order to ensure the continuity of the panel). Likewise, members will have their deputies in case of expulsion of members due to conflict of interest or other reasons. The law may provide for the establishment of a panel for the Council or offer the possibility of the establishment of additional panels in case of need due to the large number of complaints received. A specialized investigation body will be introduced by KJC and KPC.

The recruitment system by strengthening the current mechanisms for background verification of candidates will be further enhanced through the improvement of the legal framework. The unit will collect information for the KJC committees and the KJC itself depending on the method determined by the new law and legal amendments. While the KJC already has judicial inspection unit the newly established mechanism will have specific and additional responsibilities exclusively for candidates for judges. The judicial inspection will continue to remain the responsibility of the inspection unit. In addition, according with the Regulation on functioning, internal organization and systematization of positions in the Secretariat of the KPC, the verification Unit for verification of candidates for prosecutors was established by the KPC, while the completion with necessary staff and resources to strengthen this mechanism is on the process since it is a newly established Unit.

The working group has prepared the draft-law on Disciplinary Liability of Judges and Prosecutors, which has past the preliminary consultation and it is currently in consultation process. This step is foreseen to be completed by June 2025. Similarly, as with other laws the Government will draft these laws according to its legal norms and best practice for alignment with the EU *acquis*. Consultations will occur during public consultations, after *acquis* provisions have been aligned, using Tables of Concordance. Implementation of the proposed reform will contribute to improving the performance, integrity, accountability of the judiciary in line with European standards and Venice Commission Standards, including those which may be asked by the European Commission.

A unique implementation of civil law will be achieved through the approval and implementation of the Civil Code. The civil code will regulate modern legal concepts related to contractual obligations, property rights, family relations and inheritance rights and in the condition of some of the most vulnerable sectors of Kosovo society, especially women and children, as well as the LGBTI persons. As foreseen by the legislation in force, the Civil Code is being drafted by the Ministry of Justice, and will proceed for approval to the Government and the Assembly. The Civil Code is finalized from the Ministry of Justice, in the near future is expected to be approved from the Kosovo Government. This step is foreseen to be completed by December 2025.

Enhanced accountability of court presidents and chief prosecutors in the functioning and management of courts and prosecution offices, including by introducing case processing monitoring, performance analyses of courts and prosecution offices, and reports on budget and staff needs is foreseen. Based on the action plan of the KJC for cases of corruption and organized crime, taking as a basis the received and solved cases, the efficiency of the courts will be assessed, also the presidents of the courts report and submit a report to the KJC regarding the performance of each court every three months. In addition, Chief Prosecutors report in a quarterly basis in KPC physically and with written report. Their efficiency in managing the prosecution offices is evaluated through the performance evaluation procedures by the KPC's permanent committee and annually by the chief state prosecutor. This step is foreseen to be completed by June 2026.

The last step for this reform, will ensure to increase overall first instance clearance rate to 115%, through the implementation of CEPEJ performance indicators to ensure efficiency of the justice system and to increase citizens' trust of the judiciary. The clearance rate will be calculated based on CEPEJ methodology. This step is foreseen to be completed by December 2027.

## **5.2. Fight against Corruption**

### **5.2.1. Improve the efficiency to fight corruption through prevention and repression and by improving the strategic framework**

#### **Challenges**

The corruption legal framework remains sound and is broadly in line with the EU *acquis*. The legal framework has been complemented with bylaws and strategic documents fighting corruption.

The fight against corruption has been a major challenge for sustainable development and rule of law in the country. The 2023 Country Report has noted that Kosovo has some level of preparation in the fight against corruption, underlining that limited progress has been made over the past period and corruption remains an issue of concern. For the purposes of measuring progress on this outstanding, Kosovo established an advanced IT tracking mechanism (Track Record), which enables the co-ordination and monitoring of the selected corruption and organised crime cases at all stages of criminal proceedings, as well as the progress of the various cases along the chain of justice.

However, the efforts undertaken within the past two years have shown significant progress, which has reflected in many international reports such as Transparency International, World Justice Project or Swedish-based V-Dem Institute measuring democracy. Such systematic approach to increase integrity, accountability and transparency aims at creation of a robust system of preventing, detecting and sanctioning corruption.



## Objectives

The objective under this reform is to increase the efforts on fight against corruption through prevention and repression, and improve the strategic framework.

### Qualitative and Quantitative Steps to be taken under this reform

- *Adopt an Anti-Corruption Strategy for 2024-2027, in line with European best practices and standards and national constitutional principles and including annual action plans with measurable objectives and a reporting mechanism on its implementation. December 2024*
- *Increase the number of whistleblowing reports processed by the Agency (by 30% compared to 2024). June 2025*
- *Increased number of cases notified to prosecution office by the Agency for Prevention of Corruption (by 30% compared to 2023 baseline) in 2025; 15% of anti-corruption legislation assessed and 50% of integrity plans reviewed. June 2026*
- *Disposition time by Courts' Special Departments in corruption, organised crime, and terrorism first instance cases in 2026 reduced to 1 year. June 2027*
- *An increase in the number of investigations, confirmed indictments and convictions is demonstrated in cases of corruption, including at high level. December 2027*

### Description of implementation

The implementation of this reform will ensure a new strategic approach that contribute to ensure rule of law, increase citizens trust in public institutions and help to develop a more collective culture towards repression of corruption. As a result, an improvement in citizens' socio-economic conditions can be anticipated. The stakeholders involved for the implementation, monitoring and evaluation of the steps foreseen in this reform are the Agency for Prevention of Corruption and law enforcement institutions (KPC, KJC). The draft Reform Agenda of Kosovo Growth Plan was consulted with the stakeholders that fall under this reform.

The first step under this objective is the Adoption of the Anti-Corruption Strategy for 2024-2027, strictly in line with national constitutional principles and with European best practices and standards, including publication of annual action plans with measurable objectives and a reporting mechanism on its implementation, measurable targets are an efficient way to ensure the effective functioning of the Agency following the expansion of its competences and ensure that the necessary resources are provided to achieve this outcome. Such targets should not undermine in any way the independence of the Agency nor the quality of its work. This step is foreseen to be completed by December 2024.

The second step of this reform is to increase the number of whistleblowing reports processed by the Agency (by 30% compared to 2024) to safeguard the public interest and to promote a culture of public accountability and integrity. Given the importance of whistleblowing, as a tool or method which helps to create reliability and stability in the functioning of institutions. This step is foreseen to be completed by June 2025.

Regarding the third step, the institutions will make efforts to increase the number of cases notified to prosecution office by the Agency for Prevention of Corruption (by 30% compared to 2023 baseline) in 2025, 15% of anti-corruption legislation assessed and 50% of integrity plans reviewed. This step is foreseen to be completed by June 2026.

Another planned step for implementation of this reform is to reduce the disposition time by Court's Special Departments in corruption, organised crime, and terrorism first instance cases in 2026 to 1 year through the implementation of CEPEJ performance indicators. The disposition time will be calculated based on CEPEJ methodology. This step is foreseen to be completed by June 2027 and falls under the responsibility of KJC.

As a final step to the implementation of this reform is to increase the number of investigations, confirmed indictments and convictions demonstrated in cases of corruption, including high level cases, including the most recent statistical data and the case tracking provided by the authorities through the Commission's track record e-platform (Organised Crime and Corruption Track Record platform, OCCTR aggregated by law enforcement institutions, including the monitoring of overall value of seizures, freezing and confiscation of the proceeds of crime, as well as an increase of parallel financial

investigations. The baseline will be the average performance from the previous three years. This step is foreseen to be completed by December 2027.

As an overall objective to the implementation of this reform it is necessary to improve the efficiency to fight corruption through prevention and repression and by improving the strategic framework, to increase the number of investigations, confirmed indictments and convictions in cases of corruption, including high level cases by law enforcement authorities through proactive actions, including the most recent statistical data and the case tracking provided by the authorities through the Commission's track record e-platform Organised Crime and Corruption Track Record platform (OCCTR), aggregated by law enforcement institutions, including the monitoring of overall value of seizures, freezing and confiscation of the proceeds of crime, as well as an increase of parallel financial investigations.

Measurable targets are an efficient way to ensure the effective functioning of the Agency following the expansion of its competences and ensure that the necessary resources are provided to achieve this outcome. Such targets should not undermine in any way the independence of the Agency nor the quality of its work. The quality of its performance will be ensured primarily by the Oversight Committee of the Agency as well as through annual reporting to the Assembly, as per the Law on the Agency for the Prevention of Corruption. In addition, judiciary institutions need to actively work towards strengthening its track record in the fight against organized crime and corruption through increasing the number of judges and prosecutors as well as support staff, also through specialized training for judges, prosecutors and support staff.

### **5.3. Fight against Organized Crime**

*5.3.1. Effectively implement police organizational structure allowing for intelligence-led approach to fight organized crime, implement strategic approach to fighting organized crime and improve multi-disciplinary cooperation in complex cases, leading to increase in convictions*

#### **Challenges**

Investigation and prosecution of organised crime cases remain a challenge. Kosovo adopted a new police organisational structure and upgraded intelligence and analysis capacities. Law enforcement operations against organised crime continued to further strengthen the fight against organized crime. Moreover, Kosovo is equally undergoing a complex legislative reform process which will facilitate the work of authorities engaged in fighting against organised crime and lead to improved results. Notable progress has been achieved in the fight against organized crime, terrorism, including measures to tackle violent extremism and radicalization and in preventing citizens from joining conflicts abroad. 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,

#### **Objectives**

Implementation of this reform is to improve the efficiency to fight organized crime, coordination and cooperation of the authorities involved in the implementation of national organized crime policy documents including repression mechanisms, by improving the strategic framework and to effectively implement police organizational structure allowing for intelligence-led approach to fight organized crime, implement strategic approach to fighting organized crime and improve multi-disciplinary cooperation in complex cases, leading to increase in convictions.

#### **Qualitative and Quantitative Steps to be taken under this reform**

- *Strategy for fighting organised crime adopted, focusing on strengthening institutional cooperation, financial investigations and intelligence capacities; confiscation fund is established; establishment of intelligence structures at police regional and central level with sufficient human and technical resource. June 2025*
- *An increase in the overall value of seizures, freezing and confiscations of the proceeds of crime is demonstrated. June 2026*
- *Increased number of financial investigations and investigations by multi-disciplinary teams for complex cases by 50% in 2026 compared to baseline of 2023; an increase in the number of*

*investigations, confirmed indictments and convictions is demonstrated in cases of organised and serious crime. June 2027*

## **Description of implementation**

The direct beneficiaries under this reform will be the responsible institutions on fighting organized crime, while the final benefit of the reform is improving the security for all citizens of Kosovo. Responsible actors for the implementation of the reform are law enforcement institutions such as Kosovo Police, KPC, KJC and FIU. The draft Reform Agenda of Kosovo Growth Plan was consulted with the stakeholders that fall under this reform, such as MIA/Kosovo Police, KPC and KJC, and their feedback was taken into consideration. In-person consultations were held with representatives from civil society organisations.

The first step for implementation of this reform is the adoption of the Strategy for fighting organized crime, focusing on strengthening institutional cooperation, financial investigations and intelligence capacities. The drafting process will be led by the Ministry for Internal Affairs and relevant stakeholders will be consulted. The Strategy is expected to be approved by the Government by June 2025. The step also includes the establishment of a confiscation fund where all the modalities for establishment of the confiscation fund will be foreseen within the amendment of the Law on management of sequestrated and confiscates of assets, led by the Ministry of Justice, and which is expected to be approved by the Government during 2025. In addition, the intelligence structures at police regional and central level will also be established, with sufficient human and technical resource.

Regarding second planed step to implement this reform, it is necessary to increase the overall value of seizures, freezing and confiscations of the proceeds of crime through demonstrated multi-disciplinary cooperation in complex cases by law enforcement institutions. This step falls under the responsibility of the MoJ, KPC and KJC, and is foreseen to be completed by June 2026.

The third step for implementation of this reform is to increase the number of financial investigations and investigations by multi-disciplinary teams for complex cases by 50% in 2026 compared to baseline of 2023 through demonstrated multi-disciplinary cooperation in complex cases by law enforcement institutions. Additionally, an increase in the number of investigations, confirmed indictments and convictions demonstrated in cases of organised and serious crime is planned. This reform is foreseen to be completed by June 2027 and the responsible institutions are the Kosovo Police and KPC. As an overall objective to the implementation of this reform it is necessary to increase the number of investigations, confirmed indictments and convictions in cases of organized and serious crime by law enforcement authorities through proactive actions, including the most recent statistical data and the case tracking provided by the authorities through the Commission's track record e-platform Organised Crime and Corruption Track Record platform (OCCTR), aggregated by law enforcement institutions, including the monitoring of overall value of seizures, freezing and confiscation of the proceeds of crime, as well as an increase of parallel financial investigations. Measurable targets are an efficient way to ensure the effective functioning of the investigative organs and ensure that the necessary resources are provided to achieve this outcome. Such targets should not undermine in any way the objectivity and independence of investigation nor the quality of its work. The quality of its performance will be ensured primarily through the results in term of confiscation of criminal assets, as well as conviction for organized crime, which are also measured in the process of implementation of the Reform Agenda.

## **5.4. Fundamental Rights**

#### *5.4.1. Strengthen implementation of the legislative and strategic framework on the protection against domestic and gender-based violence and on the rights of non-majority communities*

##### **Challenges**

The Republic of Kosovo, through its constitutional, legal and institutional framework, is committed to implementing universal standards of human rights for all its citizens. The legal framework guarantees the protection of fundamental rights and follows the fundamental rights, as guaranteed by EU legislation and the Charter of Fundamental Rights.

International and national legislation guarantees the right to employment and education for every citizen, including members of non-majority communities. As a multi-ethnic state, Kosovo has very advanced legislation to guarantee access to employment and education by advocating for their full participation in the decision-making process, their security, language rights and education for members of its non-majority communities.

The strategic objective of the Government of the Republic of Kosovo remains implementation of legislation and policies that improve and fulfil the rights and services of citizens in the country, with a focus on most marginalised groups of society, including children, women, persons with disabilities, missing persons, victims of sexual violence, elderly, non-majority communities, the LGBTI community, returnees, displaced persons during the war.

The importance of language compliance and strengthening of implementation of the Law on Official Languages is a priority for Government. The Constitution provides that the Albanian and Serbian languages are the official language in the central level. But in addition to the Albanian and Serbian language in accordance to the constitution and the Law on the use of Official language, the Turkish, Bosnian and Roma languages are also languages in official use in some Kosovo municipalities, therefore municipal bodies are obliged to provide services to citizens as defined by legal provisions.

The Law on Use of Languages adopted in 2007 gave the Albanian and Serbian languages equal status as official languages in Kosovo. In addition to the two official languages, the law also recognized other languages spoken by more than three percent of population at the municipal level or based on tradition as official or languages in official use. These provisions are very important, as the ability of one community to access services and participate in decision-making process in their mother tongue is crucial for reconciliation, for community rights protection, and for the preservation of identity. However, efforts should be made 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.

Strengthening implementation of the legislative and strategic framework on the protection against domestic and gender-based violence, and on the rights of non-majority communities is one of the key priorities for Government. The capacity of the authorities to monitor implementation of fundamental rights policies and legislation and policy framework on protection against domestic violence and gender-based violence has been reinforced. 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. Domestic violence continues to be the most prominent form of gender-based violence in Kosovo.

##### **Objectives**

The implementation of the proposed reform will contribute to reinforcement of protection against domestic and gender-based violence, handling with priority of such cases and reintegration of victims. Additionally, implementation of legislation on the rights of non-majority communities will be improved, contributing to equal access to information, justice and use of rights guaranteed by the Constitution.

##### **Qualitative and Quantitative Steps to be taken under this reform**

- *The Director of the Office of Community Affairs is selected and appointed, in line with existing legislation. December 2024*
- *Unit for Translation, Harmonisation and Linguistic control set up and operational in the Prime Minister's Office. December 2025*
- *The National Coordinator Secretariat is established; Number of protection orders issued in 2025 by basic courts increased by 20% (baseline 2023). June 2026*
- *Punishments for domestic violence are above the minimum legal threshold in at least 80% of cases; Number of final convictions related to domestic violence using the domestic relationship as an aggravating circumstance in 2026 increased by 40% (baseline 2023). June 2027*

## **Description of implementation**

The Republic of Kosovo has established a solid legal, institutional and policy framework for protection of human rights, the primary legislation has been complemented with bylaws and strategies that aim protection of fundamental rights and community rights. The major international human rights instruments are encompassed in the Constitution of the Republic of Kosovo, and they are directly applicable and have supremacy over the national legislation, to ensure respect for international law and instruments, including those related to the protection of human rights and fundamental rights, up to protection of persons belonging to minorities, without discrimination on any grounds in accordance with Article 4 of Stabilisation Association Agreement SAA and the Charter of Fundamental Rights.

The direct beneficiaries of this reform are Kosovo citizens without discrimination, particularly non-majority and vulnerable communities. The draft Reform Agenda of Kosovo Growth Plan was consulted with the stakeholders that fall under this reform, while in-person consultations were held with representatives from civil society organisations.

With regard to promoting the rights of non-majority communities, the first step for implementation of this reform is the appointment of the Director of the Office of Community Affairs, in line with existing legislation in order to create an institutional stability which aims to coordinate and improve relations with the various communities in Kosovo and maintain good relations and coordination with relevant institutions through the principles of consultation, openness, transparency, responsibility, and cooperation in order to contribute to the prosperity and promote equal treatment of all non-majority communities. This step shall be completed by December 2024.

Moreover, operationalization by the OPM of the Unit for Translation, Harmonisation and Linguistic control set up within the Prime Minister's Office for the implementation of the Law on the Use of Languages, will contribute to inclusion of persons belonging to non-majority communities in the Kosovar society and use of their rights, and may contribute to their integration or segregation. This reform step shall be completed by December 2025.

The third step for implementation of this reform is to establish the National Coordinator Secretariat and to increase by 20% the number of protection orders issued in 2025 by basic courts to strengthen implementation of the legislative and strategic framework on the protection against domestic and gender-based violence. Pursuant to Article 25, paragraph 1.11 of the Regulation OPM-No. 10/2023 on Internal Organisation and Systematisation of Job Positions in the Ministry of Justice, adopted by the Government on 1 December 2023, the Division for Access to Justice, Protection from Domestic Violence, Violence against Women and Gender-Based Violence shall, among others, serve as Secretariat to the National Coordinator against Domestic Violence. This step shall be completed by June 2026 and falls under the scope of MoJ.

The final step in implementing this reform involves enhancing judges' understanding and application of laws related to domestic violence, particularly by ensuring that punishments for domestic violence meet the minimum legal thresholds and recognizing domestic relationships as aggravating circumstances. This aims to improve efficiency in professionally handling all cases of domestic violence, ultimately bringing perpetrators to justice. Furthermore, the Supreme Court's guide on penal policy currently is under review, which addresses both mitigating and aggravating circumstances for each offence that impact sentencing. In connection with this guide, a series of meetings will be organized with lower level courts. Additionally, the new system for evaluating judges' performance is

expected to consider the application of the penal policy in their performance evaluation assessment. This step shall be completed by June 2027.

## **5.5. Democracy**

### ***5.5.1. Improve the Assembly's performance in law making and oversight through improved planning, internal management and development***

#### **Challenges**

The Assembly is the legislative institution of the Republic of Kosovo, elected directly by the people. It has 120 MPs elected by secret voting. Out of 120 seats, twenty are guaranteed for representation of non-majority communities in Kosovo, 10 for Serbian community and 10 for other communities: Turk, Bosnian, Roma, Ashkali, Goran and Egyptian. The Assembly of the Republic of Kosovo exercises competencies in accordance with Article 65 of the Constitution of the Republic of Kosovo. The lack of decision-making quorum and efforts to build inter-party consensus persist in negatively impacting the work of the Assembly. The Assembly has increased the number of accelerated procedures to adopt key laws however it needs to strengthen its oversight role and to establish an electronic voting system and an electronic attendance registration system to improve its performance.

#### **Objectives**

The Implementation of this reform will improve the Assembly's performance in law making and oversight through improved planning, internal management and development through measures such as the adoption of the program of the working sessions of the Assembly, introducing measures and/or penalties in the rules of procedure to ensure the Assembly can perform its role and introduction of an electronic attendance registration system. Introduction of the electronic voting and attendance registration system will enhance the transparency of the work of the Assembly of Kosovo.

#### **Qualitative and Quantitative Steps to be taken under this reform**

- *Introduce an electronic voting system (presence & participation is included in this system). December 2024*
- *Adopt the program of the working sessions of the assembly. June 2025*
- *Introduce measures and/or penalties in the rules of procedure to ensure the Assembly can perform its role. December 2025*

#### **Description of implementation**

The reform entails the following steps: Adoption of the annual program of working sessions of the Assembly each year (by June 2025), introduction of measures and/or penalties in the Assembly's rules of procedure to ensure MPs participate in its work, completed by December 2025. The measures/ will be adopted after amending the Rules of Procedure of the Assembly of the Republic of Kosovo. Also, an introduction of an electronic voting system (presence & participation is included in this system) will be introduced (June 2026). The Assembly is the responsible institution for the implementation of the reform and the main beneficiary. An increased performance of the Assembly on its role as a legislative body will contribute to better decision making of legislative pieces that affect the socio-economic conditions of citizens.

## **5.6. Visa Policy**

### 5.6.1 Increase visa policy alignment with the EU acquis.

#### **Challenges**

In regards to Visa policy alignment, Kosovo will continue its progress towards EU visa policy alignment. Following visa free travel for Kosovo passport holders as of 1<sup>st</sup> of January 2024, Kosovo institutions, in particular MIA and MFA through migration monitoring mechanism, are very closely following the implementation as well as rate of foreign visitors from third countries which can visa free enter to Kosovo. So far, the trend of incoming visitors in numbers has remained similar to the level it was before the EU's Visa Liberalization decision, namely, during the three previous years.

#### **Objectives**

Kosovo has an active inter-institutional coordination group which regularly analyses and assesses Kosovo's current visa policy based on number of visitors (entry/exit), strategic interests, mutual visa policy and bilateral relations. Special attention is given to incoming visitors presenting irregular migration or security risks to the EU. Depending on the analysis, this group recommends appropriate measures, including formal decisions, that need to be taken in order to further align Kosovo's visa policy with that of the Schengen zone – namely Visa Policy. The latest decision is taken by Kosovo government on 14th August, 2024 whereby visa regimes are imposed for three countries for which visas are required to enter the EU. Currently, the number of countries which need visas for the Schengen zone and do not need a visa to enter Kosovo is 17 states (as of September, 2024). The objective and commitment of Kosovo is to move towards alignment with the EU visa policy.

#### **Qualitative and Quantitative Steps to be taken under this reform**

- *Terminating visa-free agreements with countries (at least one per year, starting in 2025) which are visa required for the EU (measured at the end of each year (December) during the lifetime of the Facility 2024-2027).*

#### **Description of implementation**

Kosovo commits to introduce additional security measures to better screen visa-free arrivals (by June 2027), and to gradually terminate visa-free regimes with countries that are not on the EU visa-free regime list, (in particular towards those presenting irregular migration or security risks to the EU). Kosovo will terminate at least one visa free regime with third countries per year starting in 2025, measured at the end of each year (December), during the lifetime of the Facility 2024-2027.

## 11. GENERAL CONDITIONS FOR PAYMENTS

### Macro-economic stability

The Government of Kosovo continues to have the macroeconomic and fiscal stability of the country as the main objectives. Kosovo economy continued its positive trajectory in the economic situation. According to preliminary quarterly data from the Kosovo Agency of Statistics (KAS), the annual GDP growth was 3.3% in real terms and 8.5% in nominal terms. The consumer price index increased by an average of 4.9% in 2023, marking a slowdown trend compared to the previous year. This trend reflected trends in the categories of 'food' and 'energy', which are heavily influenced by global price movements in international markets. The latter were largely affected by successful monetary policies implemented by developed countries in response to high prices in the post-pandemic period caused by disruptions between supply and demand and the prolonged war in Ukraine.

Similar to the previous two years, fiscal consolidation continued in 2023, as well. Budget revenues in 2023 increased at a rate of 14.5% compared to the previous year, while expenditures marked an increase of 13.3% compared to the previous year. The headline deficit was -0.2% of GDP, while the deficit according to the fiscal rule was +0.6% of GDP, usable bank balance is around 2.3% of GDP. Public debt as a percent of GDP decreased compared to previous year at 17.5% of GDP.

The Government of Kosovo will be committed on maintaining and strengthening the macro-fiscal stability by:

- *Providing the necessary balance between revenue collection and budget spending,*
- *Continue to work for the improvement of the inspection mechanisms for combating fiscal evasion and the informal economy, in order to ensure fair and equal competition.*
- *Exercise discipline in expanding and utilizing public debt,*
- *Maintaining a sufficient level of budgetary reserves to withstand external and internal fiscal risks and*
- *Continuing structural reforms that address the main obstacles for economic growth, supporting the development of competitive economic sectors, and ensuring that economic growth is inclusive and aims at enhancing the welfare of the citizens of the country.*

Based on above, maintenance of a credible and relevant stability-oriented macroeconomic policy is ensured.

### Public Finance Management

The Public Finance Management Strategy of the Republic of Kosovo 2022-2026<sup>19</sup> (PFMS), is the main policy document of the Government of Kosovo to address Public Administration Reform and specifically the Public Finance Management system of Kosovo. The main goal of the PFMS is to further develop sound financial management and improve service delivery through enhanced fiscal discipline and strategic allocation of resources. Furthermore, the PFMS aims to support and contribute to the overall development of Kosovo through the National Development Strategy (NDS) 2016-2021, the upcoming NDS 2030, and relevant development agendas. The EU Enlargement Strategy emphasizes that RAP and PFM are essential for strengthening governance at all levels. Therefore, the aim of the PFMS is also to contribute to the implementation of the SAA and the advancement of Kosovo in the EU integration process.

As noted in international evaluations, there is evident progress in all areas the PFM and Kosovo is highly ranked in both PEFA and SIGMA assessments. PFMS preparation, analysis and strategic policy orientations, is based and utilizes all relevant national and international resources, data, reports and evaluations. The PFMS Action Plan 2022-2024<sup>20</sup>, aim maintenance of achieved progress and further development of PFM system in Kosovo, and foresees midterm review for 2025-2026.

Under the sponsorship of the Ministry of Finance Labour and Transfers (MFLT), the PFM Reform Strategy (PFMRS) 2016–2020, created a solid foundation for continuing to carry out further the tasks as they evolve. There have been identified new priorities, aimed to improving the PFM system and responding to new challenges as set it the PFM Strategy 2022-2026.

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<sup>19</sup> <https://mfpt.rks-gov.net/Page/919>

<sup>20</sup> Ibid.



Based on the PFM system assessment and sectors analysis, PFMS has identified 4 Strategic Objectives that fully cover all PFM cycles. More specifically, the Strategic Objectives of the PFMS are:

- *Strategic Objective 1: Ensuring Sustainable Fiscal Discipline*
- *Strategic Objective 2: Further Enhancing Allocation Efficiency*
- *Strategic Objective 3: Further Improvement of Operational Efficiency*
- *Strategic Objective 4: Human capital and ICT Infrastructure Strengthened to Support Digital and Transparent PFM System in Kosovo.*

To support achievement of the selected Strategic Objectives, PFMS has identified thirteen Specific Objectives and detailed activities for their achievement. Achievement of Strategic and Specific objectives, is linked and measured by detailed performance indicators that are all grouped and presented in the “Passport Indicators”.

The PFMS went through regular inter-institutional and public consultation process as well as consultation with development partners. Following consultation process, all received comments from development partners, CSOs and citizens were analysed and addressed respectively.

The PFMS 2022-2026 is monitored and there are regular semi-annual and Annual reports drafted. Actually, there are published Annual Monitoring Report of the Public Finance Management Strategy of the Republic of Kosovo 2022-2026 for 2022<sup>21</sup> and Semi-annual implementation and performance report January – June 2023<sup>22</sup>. The Annual Monitoring Report of the Public Finance Management Strategy of the Republic of Kosovo 2022-2026 for the year 2023 is finalised by MFLT and will be soon presented and approved in PAR Ministerial Council (PARMC).

The report assesses the progress in achieving strategic and specific objectives, as well as the activities defined in the PFMS Action Plan, thus highlighting the important achievements and challenges for 2023. Throughout 2023, progress has been recorded in various areas of the implementation of the PFM. Some of the main developments are: keeping the budget deficit under 2% of GDP, and in 2023 the result was 0.56%. A positive trend was also noted in the part of macro fiscal projections, with the deviation of budget revenues at the level of -1.04%, much lower than the target of -5% to 10%. Revenue collection has also shown a positive trend in 2023, where the increase in timely filing of tax declarations reached 77.3%, close to the target of 85%. The ratio of tax revenues to GDP was 8.7%, very close to the target of 9%. Customs revenues also increased by 9%, exceeding the target of 7%. The good progress was assessed in using the MEFT criterion in public procurement, and the self-assessment score on internal control functioning (according to SIGMA) was 2, an improvement from the initial score of 1. While there have been some challenges identified during the monitoring process, the commitment to address them and the high level of implementation reflect Kosovo's commitment to transparent, responsible, and efficient management of public finances.

The possibility to present and discuss implementation reports in PFM Dialog Meetings, would further insure quality of reports and implementation of the strategy, based on jointly agreed conclusions.

### **Transparency and oversight of the budget**

The budget for the fiscal year 2023 was published in the Official Gazette of the Kosovo on 30 December 2022. The first reviewed budget for 2023 was published in the Official Gazette of the Kosovo on 28 February 2023, while second reviewed budget for 2023 was published on 27 June 2023. Furthermore, MFLT continued to publish a friendly Budget Document (Narrative) with the newest one: “Information booklet for citizens - Budget of the Republic of Kosovo 2023”<sup>23</sup>.

During the year 2023 Ministry of Finance, Labour and Transfer prepared the law on budget appropriation for the year 2024. The budget for fiscal year 2024 was adopted by Assembly of Kosovo on 14.12.2023, and was published in the Official Gazette of Kosovo on 29 December 2023<sup>24</sup>.

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<sup>21</sup> <https://mfpt.rks-gov.net/Page/919>

<sup>22</sup> Ibid.

<sup>23</sup> <https://mfpt.rks-gov.net/Buxheti/Page/329>

<sup>24</sup> <https://gzk.rks-gov.net/ActDetail.aspx?ActID=85052>

## **PART 3: COMPLEMENTARITY AND IMPLEMENTATION OF THE REFORM AGENDA**

### **12. COMPLEMENTARITY WITH IPA III**

Priorities of the Reform Agenda will be built upon and complement the ongoing and planned support in the framework of IPA III, and will contribute to the achievement of the indicators under the IPA III Programming Framework. IPA 2023 annual programmes are under implementation, IPA 2022 annual programme has not yet started due to the EU decisions to suspend contracting and IPA 2021 is partially under implementation. Programming of the IPA 2024 is still under way, and programming of IPA 2025-2027 is expected to start during 2024 and will complement the support under the Reform Agenda.

**Reforms under the policy area 1. Governance, PAR and PFM**, will follow on the footsteps of the previous sector budget support given in the framework of IPA II for public administration reform (IPA 2016, part II) and public finance management (IPA 2017, part II). Within the IPA III, under IPA 2021 annual programme, two rounds of Young Cell Scheme are planned, which will support efforts to build a professional, accountable and apolitical civil service at all levels of the public administration, through a group of civil servants that contributed to the fields identified as weak areas of Kosova administration. Under the same programme, EU is supporting reforms at the local level, through a contribution agreement with SIDA and co-financing from the Government. The IPA 2021 annual program also supports gender equality through the Gender Equality Facility (GEF) project. The GEF aids institutions in mainstreaming gender equality across sectors, strengthening gender equality mechanisms, complying with global standards, and implementing the EU Gender Equality acquis. GEF is currently under implementation and is providing support to institutions in designing sector reforms, strategies, development programmes, and plans in a gender-sensitive and/or gender-transformative manner.

**Reforms under the policy area 2. Green and digital transition**, will build upon the results of the IPA III current support. Since 2023, there is an ongoing IPA 2021 project, implemented by GIZ, supporting reduction and prevention of administrative burden, through provision of international and local technical expertise. The focus of the support is on improving the capacities of the public administration to systematically review and subsequently abolish administrative burdens from existing legislation and prevent them from appearing in new legislation, as well as assist in delivering digital solutions. Objectives of the Reform Agenda include a comprehensive legislative review for administrative burden reduction, full implementation of electronic identification, strengthening interoperability between government systems, and offering at least 50% of public services online by 2027. As such, it will support the systematic implementation of the Program for the Prevention and Reduction of Administrative Burden, continuing on the basis of the successes of the current IPA project.

**Reforms under the policy area 3. Private sector development and business environment** will complement planned support for this area under IPA 2021, focusing on improving the country's internal market and preparing it for the European Single Market by eliminating technical barriers to trade and strengthening the position of Kosovo's economic operators in domestic and external markets. The intervention aims at contributing to achieve the Copenhagen economic criteria, sustainable external accounts and capacity to cope with competitive pressure and market forces. Areas of support include trade policy, quality infrastructure, and market surveillance and consumer protection. The objectives of the action are complementary to the reforms pertaining to business environment and private sector development, namely improving mechanisms to attract FDI in strategic sectors promoting adoption of higher value-added products and services, and enhancing export profile of strategic sectors.

**Reforms under the policy area 4. Human capital development and retention** will complement planned support for this area under IPA 2022 and IPA 2024, focusing on supporting linking of labour market with education. Through IPA 2024, the Action on inclusive growth that is undergoing programming is expected to contribute to enhanced social and economic opportunities for young women and men by providing targeted support to improved Vocational Education and Training outcomes in line with labour market needs and Youth Guarantee principles to enable youth activation in the labour market. Under the same Action support is planned for early childhood education by designing and constructing preschool institutions in three municipalities and renovating up to 150

preschools, rolling out a gender-transformative curriculum for all levels and ages of early education, and developing a system and tools for quality assurance. Under IPA 2022, one of the main areas of support pertains to the inclusion of boys and girls from Roma, Ashkali and Egyptian communities in pre-primary, primary and secondary education and improvement of their learning outcomes. Special attention will be given to teacher training in terms of developing intercultural competences and interethnic diversity. Therefore, the planned interventions under IPA 2022 and 2024 annual programmes are expected to contribute to achieving reforms under the human capital policy area, specifically by improving access to and quality of care system and services, promoting holistic development of children, and improving quality and relevance of continuous professional development of teachers.

**Measures under the policy area 5. Fundamentals/Rule of law** will complement the planned support under the IPA Window 1 Rule of law, fundamental rights and democracy. Under IPA 2024, which is currently in the process of programming, a technical assistance is planned supporting legislative and operational framework for the judicial and prosecutorial systems, and operational capacity for fighting corruption and organised crime. The assistance will enhance the operational capacity of the beneficiary institutions to conduct stand-alone money laundering investigations, and it will provide operational support to enhance investigation techniques on financial crimes. Institutional capacities will be strengthened in the prevention and investigation cases of domestic violence and gender-based violence. Under IPA 2022, planned areas of support include the implementation of a sustainable, gender sensitive return and reintegration of up to 260 displaced families and support to legal professions through facilitation of knowledge acquisition and retention on European Human Rights standards and EU acquis for judges, prosecutors and lawyers. With regards to rule of law, these planned interventions are expected to complement the Reform Agenda objectives regarding implementation of a strategic and intelligence-led approach to fight organized crime, improvement of multi-disciplinary cooperation in complex cases. Planned interventions are also in line with reforms on fundamental rights, namely strengthening implementation of the legislative and strategic framework on the protection against domestic and gender-based violence and on the rights of non-majority communities.

Table 5: EU funds committed under IPA III national programmes and their implementing status

IPA Annual Programme 2021		Planned	Contracted	Status
Action 1	Demining Action	3,900,000.00	3,900,000.00	Ongoing
Action 2	Municipal Performance Grant	13,000,000.00	13,000,000.00	Ongoing
	Support to Property Tax	2,000,000.00		Under procurement
Action 3	1. EU Acquis Approximation and Support Measures Facility	14,360,000.00		
	Addendum no.4 to Contract 2018/402-516 EU Support to the Kosovo Competition Authority and the State Aid Commission		800,000.00	Ongoing
	Addendum N.8 to Support to Kosovo Food and Veterinary Agency (KVFA)		115,000.00	Ongoing
	Security services for the new sports hall and the landfill in Zvecan		19,800.00	ongoing
	2. Pristina-Belgrade Dialogue Facility			
	3. Administrative Burden Reduction Programme		4,000,000.00	Ongoing
	4. Young Cell Scheme - EUR 3 million;			Planned
Action 4	5. Gender Equality Facility		1,500,000.00	Ongoing
	1. Waste Water Treatment Plant Facilities in Kosovo B - EUR 12million;	12,000,000.00		Planned
	2. Design preparation of EU Support to Clean Air Phase 3 (SOx reduction)	2,000,000.00		Planned
	3. Support to Kosovo Landfill Management (KLFM)	2,000,000.00		Planned
Action 6	Components: 1: Support to Trade	2,000,000.00		Planned
	2. Quality infrastructure, in line with the EU requirements	2,500,000.00		Planned
	3. Market surveillance and consumer protection	1,000,000.00		Planned
Action 7	1. Support the Ministry of Agriculture, Forestry and Rural Development for the implementation	7,000,000.00		Planned
	2. Support to phytosanitary	2,200,000.00		Planned
Total EU funds under IPA 2021		63,960,000.00		
IPA Annual Programme 2022		Planned	Contracted	Status
Action 1	1. Return and Reintegration in Kosovo VI (RRK VI)	6,000,000.00		Planned
	2. Support to Legal Professions in Kosovo – LINK	800,000.00		Planned
Action 2	1. EU Acquis Approximation and Support Measures Facility	6,000,000.00		Planned
	2. Pristina-Belgrade Dialogue Facility	1,000,000.00		Planned
Action 3	1. Sewerage System Prishtina	20,000,000.00		Planned
	2. Energy efficiency in the public sector	3,000,000.00		Planned
	3. Advancing Circular Economy and Integrated Waste Management in Kosovo	18,950,000.00		Planned
Action 4	1. Community Stabilisation Programme - phase V (EU-CSP V)	2,500,000.00		Planned
	2. Inclusion in Education for Roma, Ashkali and Egyptian Communities	3,000,000.00		Planned
	3. Advancing standards and programmes for volunteering	1,000,000.00		Planned
Total EU funds under IPA 2022		62,250,000.00		
IPA Annual Programme 2023		Planned	Contracted	Status
	State and Resilience Building Contract for Kosovo / Energy Support Package	75,000,000.00	75,000,000.00	Ongoing
Total EU funds under IPA 2023		75,000,000.00		
IPA Annual Programme 2024		Planned	Contracted	Status
Action 1	1. Improved capacity, efficiency, transparency, accessibility, and integrity of the justice sector	6,250,000.00		Programming underway
	2. Improved track record in prevention and combating of corruption and organised crime	2,205,000.00		Programming underway
Action 2	Approximation Facility	4,500,000.00		Programming underway
Action 3	1. Improved security, flexibility, efficiency and capacity of energy transmission network and storage capacity of Kosovo	16,500,000.00		Programming underway
	2. Strengthened legal and institutional framework, and community engagement related to nature protection	2,000,000.00		Programming underway
Action 4	1. Improved VET educational outcome	3,500,000.00		Programming underway
	2. Improved access to early childhood education and care	6,500,000.00		Programming underway
	3. Gërmia Multicultural Centre	15,000,000.00		Programming underway
Total EU funds under IPA 2024		56,455,000.00		

### 13. INVESTMENTS UNDER WESTERN BALKANS INVESTMENT FRAMEWORK

Table 6: Indicative list of WBIF applications

Project title	Short description (main purpose)	Estimated cost (EUR)	Implementation timeline	Contribution to objectives of the Facility
<b>Transport</b>				
General rehabilitation and modernization of the Railway Route 10 (Border with Serbia - Leshak - Fushë Kosova - Hani i Elezit - Border with North Macedonia)	Rehabilitation and modernization of Railway Route 10 (149.11 Km) in order to increase safety, speed, capacity, and have interoperable railway infrastructure according to EU standards.	323,765,000	The technical part of the project is currently underway in 2024, with construction set to begin in 2025.	The rehabilitation and modernization of Railway Route 10 contribute to the growth facility's objectives by promoting economic growth and competitiveness, enhancing regional integration and connectivity, supporting environmental sustainability, improving safety and security, ensuring compliance with EU standards, fostering social and economic inclusion, and supporting broader development goals. These contributions are essential for Kosovo's sustainable development and integration into the regional and European economy.
Construction of the Motorway, Route 7, (Qafë Duhël - Shtime – Lipjan); 31 Km.	Construction of the last section of the Route 7 in Kosovo, a key link completing the ongoing Route 6. Upon completion, this corridor will establish a swift and secure connection with Corridor X and Corridor VIII, significantly enhancing Kosovo's transportation infrastructure.	425,000,000	Some of the technical aspects have already been completed. The rest is planned for 2024/2025, with construction also scheduled to begin in 2025.	The construction of the final section of Route 7 in Kosovo, which completes Route 6 and establishes connections with Corridor X and Corridor VIII, significantly contributes to the growth facility's objectives. This project enhances transportation infrastructure, driving economic growth, regional integration, sustainability, safety, compliance with EU standards, social inclusion, and broader development goals. It is crucial for Kosovo's sustainable development and integration into the regional and European economy.
Construction of the road Prizren - Border with North Macedonia – Tetovo	MMPHI is in the phase of signing the contract for the segment: Construction of the road from the connection to the highway "Ibrahim Rugova" in Prizren - to the village of Struzhë. This segment is financed from the state budget. Regarding the construction of the Tunnel, the project is included in the Multi-Modal Transport Strategy 2023-2030 and is part of the Action Plan of the Multi-Modal Transport Strategy 2023-2025.	218,000,000	Some technical work is done. The remaining tasks, including contract signing, are planned for 2025-2027.	The construction of the road from Prizren to the border with North Macedonia and Tetovo contributes to the growth facility's objectives by enhancing connectivity and regional integration, promoting economic growth, developing modern infrastructure, supporting sustainability, improving social inclusion and accessibility, ensuring safety and compliance with standards, and reinforcing Kosovo's strategic importance in regional transportation networks.
Construction of the Dry Port Prishtina (Inland Port for Cargo Distribution Hub)	Developing this project Kosovo will achieve to realize the construction of new dry port in order to integrate the freight transport of all modes of transport, through which the opening of railway domestic, regional and international freight transport will be promoted. The Dry Port Prishtina, as an extension of Port of Durrës, will enable the connection of Prishtina with Port of Durrës. Implementation of this project will contribute to increasing capacity, safety and developing the railway market in Kosovo and beyond.	30,000,000	The technical part of the project is planned to be completed between 2025 and 2027. Construction is scheduled to begin in 2027.	The construction of the Dry Port Prishtina (Inland Port for Cargo Distribution Hub) contributes to the growth facility's objectives by enhancing Kosovo's transportation and logistics infrastructure. This project promotes economic growth, regional integration, sustainability, safety, compliance with EU standards, social inclusion, and broader development goals. It significantly boosts Kosovo's position in regional and international freight transport, driving sustainable and inclusive economic development.
Construction and modernization of a Railway Line Prishtina - Fushë Kosovë - Prishtina Airport "Adem Jashari"; 16.872 Km.	Railway line Prishtina to Prishtina Airport "Adem Jashari" is part of the indicative TEN-T extensions of the Core Network in Western Balkans. A main result of this project will be the establishment of a safe and non-polluting link between the capital Prishtina and Prishtina Airport. A new direct railway link to the Prishtina International Airport should result in improved transport connectivity for passengers and freight.	53,821,600	The feasibility study is planned to start in 2025, with the other technical aspects of the project scheduled for 2028 and 2029. Construction is planned to commence	The construction and modernization of the Railway Line from Prishtina to Prishtina Airport "Adem Jashari" significantly contribute to the growth facility's objectives by enhancing Kosovo's transportation infrastructure, driving economic growth, regional integration, sustainability, safety, compliance with EU standards, social inclusion, and broader development goals. This project is crucial for Kosovo's

			in 2029 and continue until 2030.	sustainable development and integration into the regional and European economy.
Digitalization of sustainable, safe, smart and environmentally friendly transport systems and Implementation of ITS onTEN-T Core/Comprehensive Network in Kosovo.	This project is included in the Multi-Modal Transport Strategy 2023-2030 and is part of the Action Plan of the Multi-Modal Transport Strategy 2023-2025.	30,000,000	The project's conceptual phase is complete, and the pre-feasibility study is underway in 2024. The remaining tasks, including the construction contract signing, are scheduled for 2025-2030.	This project contribute to the growth facility's objectives by enhancing transportation efficiency, promoting sustainability, improving safety, supporting economic growth, fostering innovation, enhancing regional integration, ensuring compliance with EU standards, promoting social inclusion, enabling data-driven decision-making, and delivering environmental benefits.
General Rehabilitation and Modernization of the Western Railway Line (Fushë Kosovë - Klinë - Pejë); 81.94 Km.	The West Railway Line (Fushë Kosovë – Klinë – Pejë) is very important for the future connection of Corridor X – Railway route 10 and Corridor VIII. This line will connect Railway Route 10 and the Montenegro Railway Network in the future. Except connection for Western Kosovo, this will be as shortest direct railway connection of Sea Port Bari in Montenegro with the Core railway network of the Western Balkans.	261,395,000	The technical part is planned to be completed between 2024 and 2027, with construction scheduled to start in 2028.	The general rehabilitation and modernization of the Western Railway Line (Fushë Kosovë – Klinë – Pejë), covering 81.94 km, significantly contribute to the growth facility's objectives by enhancing Kosovo's transportation infrastructure. This project drives economic growth, regional integration, sustainability, safety, compliance with EU standards, social inclusion, and broader development goals. It is crucial for Kosovo's sustainable development and its integration into the regional and European economy.
General Rehabilitation and Modernization of the South/West Railway Line (Klinë - Prizren); 58.831 km	The South/West Railway Line (Klinë – Prizren) is very important for the future connection of Corridor X – Railway Route 10 and Corridor VIII. This is a regional project connecting Kosovo and a neighboring Country (Albania). Except for the connection for the South/West of Kosovo, this will serve as the shortest direct railway connection of Sea Port of Durrës in Albania.	187,675,000	The remaining technical aspects of the project are supposed to be finished between 2024 and 2027, with construction planned to start in 2028.	This project significantly enhances Kosovo's transportation infrastructure, driving economic growth, regional integration, sustainability, safety, compliance with EU standards, social inclusion, and broader development goals. By providing a critical connection between Corridor X (Railway Route 10) and Corridor VIII, as well as linking to the Sea Port of Durrës in Albania, it is pivotal for Kosovo's sustainable development and integration into the regional and European economy.
Construction of the Prishtina Bypass, 19 km	The Prishtina Bypass is seamlessly integrated with the existing R7, R7.1, and R6 corridors, forming a vital bypass that shortens the travel distance to Corridor X. Prishtina Bypass is a vital regional transit route, connecting main corridors and having cross-border impacts. It enhances regional integration and facilitates transportation links with Albania, Serbia, and other neighbouring countries. This promotes cross-border trade, economic cooperation, and regional development. The Bypass's significance extends to wider regional connectivity initiatives, making it a crucial component of the regional transportation infrastructure.	386,050,000	The remaining technical aspects of the project are supposed to be finished between 2025 and 2028, with construction planned to start in 2028.	The Prishtina Bypass Project, integrated with corridors R7, R7.1 and R6, shortens the travel distance to Corridor X, improving the transport infrastructure of Kosovo's capital and is in line with the objectives of the growth facility by improving Kosovo's transport infrastructure, promoting economic growth, regional integration, sustainability, security, compliance with EU standards, social inclusion and broader development goals.
Construction of the new railway line (Ferizaj – Gjilan - Border with Serbia - Bujanoc) with a length of 59 Km. in Kosovo part.	Construction of a new railway line between Railway Station Ferizaj in Kosova and Railway Station Bujanoc in Serbia in order to connect Railway Route 10 and integrate the South East Kosova economy with Corridor X.	188,215,000	The technical part of the project is supposed to be completed between the 2028/2030 period, including the commencement of construction.	The construction of the new railway line between Ferizaj and Bujanovac supports economic growth, regional integration, and infrastructure development. It enhances trade facilitation, strategic connectivity, and Kosovo's connection to international transport networks. This project strengthens Kosovo's role as a transit hub, facilitating the movement of goods between Southeastern Europe and developed European markets.
Construction of digitized bus stops and bus shelters on the national and	Reduction of travel time and delays, improvement of road surface conditions, which will result in vehicle operating cost savings, accident cost savings, saving the	27,500,000	The technical part is planned to be completed between	The construction of digitized bus stops and shelters on the national and regional roads of Kosovo is in line with the growth plan objectives by improving transportation infrastructure, promoting sustainable

regional roads of Kosovo	cost of travel time, and increasing road safety.		2024 and 2026, including the commencement of construction.	transportation practices, enhancing access to services and opportunities, integrating smart technologies, enhancing the passenger experience, supporting economic growth, and contributing to the achievement of sustainable development goals.
Expansion of the Regional Road R107 (Istog - Pejë - Deçan - Gjakovë - Prizren)	This project is included in the Multi-Modal Transport Strategy 2023-2030 and is part of the Action Plan of the Multi-Modal Transport Strategy 2023-2025.	225,000,000	The technical part of the project is planned to start in 2024 and be completed by 2025, at which point construction will also begin	The expansion of the Regional Road R107 (Istog - Pejë - Deçan - Gjakovë - Prizren) is in line with the objectives of the growth plan for several reasons: by improving connectivity, fostering economic development, promoting multi-modal transport, enhancing infrastructure, and enhancing regional accessibility.
Construction of the new railway line Kramovik - Gjakovë 20km	The South/West Railway Line (Kramovik – Gjakovë) is very important for the future connection of Corridor X – Railway Route 10 and Corridor VIII. This is a regional project that precedes the connection between Kosovo and a neighboring Country (Albania) in the future. Except for the connection for the South/West of Kosovo, this line will contribute to shorten the railway connection between Kosovo and Sea Port of Durrës in Albania in the future.	63,802,000	The technical part is set to be completed by 2027, with construction scheduled to begin by 2028.	The construction of the new railway line Kramovik - Gjakovë is in line with the objectives of the growth plan by enhancing connectivity, promoting trade and economic development, supporting regional integration, and strengthening Kosovo's transportation infrastructure.
<b>Energy</b>				
Energy Efficiency Measures in the Residential and Private Sector	Implementation of measures in the residential and SME sectors to address increasing energy consumption and contribute to Kosovo's energy efficiency targets.	51,000,000	The conceptual idea and pre-feasibility study for the project are currently underway and expected to be completed in 2024. Construction and subsequent phases are planned from 2025 to 2030.	Implementing energy efficiency measures in Kosovo's residential and SME sectors supports the growth facility's objectives by reducing energy costs, enhancing energy security, fostering local economic growth, creating jobs, attracting investments, improving competitiveness, supporting policy goals, and ensuring long-term economic stability. These measures not only address immediate energy challenges but also lay a foundation for sustainable economic development.
New Transmission project "Reinforcement of 400 kV and 110kV Transmission network"	"The Project comprises priority investments in the transmission network and will contribute to ensuring a reliable and secure operation of the transmission system achieving security of supply, supporting the integration of renewable energy sources, enhancing the regional network stability regarding high voltage problems and increasing commercial exchanges. The Project consists of: LOT 1: Reconfiguration of 400 kV network and new interconnect line 400 kV SS Nashec (Prizren 2)- SS Fierza LOT 2: Construction of the new interconnection line 110KV SS-Deçan - S.S. Bajram Curr""	61,641,600	For this project, work is scheduled to commence in 2025 and continue until 2031.	The new transmission project significantly contributes to the objectives of the growth facility by ensuring a reliable and secure energy supply, supporting renewable energy integration, enhancing regional network stability, facilitating increased commercial exchanges, promoting economic development and stability, fostering sustainable energy practices, and fostering regional cooperation. These contributions are crucial for Kosovo's sustainable development and its integration into the broader European energy market and community
Increasing the share of renewable energy sources in the power sector in Kosovo - construction of wind generation capacities	Ensuring a reliable and clean energy supply in Kosovo by increasing the share of renewable energy sources and facilitating the transition towards a decarbonized energy sector.	100,000,000	Technical aspects are ready and approved. Land property resolution and contract signing are planned for 2024, with construction and other phases set for 2025-2030.	Increasing the share of renewable energy sources in Kosovo's power sector through the construction of wind generation capacities aligns with the growth facility's objectives by promoting sustainability, economic growth, energy security, compliance with EU standards, social benefits, technological advancement, regional integration, and economic resilience.

Improving District Heating in Kosovo by Implementation of District Heating System in Municipalities with heating potential	Construction of heating systems based on the generation and/or cogeneration concepts for district heating systems in municipalities of Kosova	150,000,000	The technical phase began in October 2021, with some work completed by 2024. The remaining tasks are scheduled for completion, with implementation planned to commence sometime after 2025 and conclude by 2031.	By implementing district heating systems in Kosovo's municipalities, the country can achieve significant progress in energy efficiency, economic stability, environmental sustainability, and social inclusion, aligning with and contributing to the comprehensive objectives of the growth facility.
Reduction of Sulphur Dioxide (SO <sub>2</sub> ) Emissions from TPP Kosovo B (B1&B2)	Improvement of air quality by reducing pollution from Power Plant Kosovo B (unit B1 and B2).	105,000,000	Most technical aspects are ready. Preliminary design, detailed design, tender documentation, and construction contract signing have not started. Construction permits are currently in progress.	The reduction of Sulphur Dioxide (SO <sub>2</sub> ) emissions from TPP Kosovo B (units B1 and B2) aligns with the growth facility's objectives by promoting environmental sustainability, compliance with EU standards, public health improvements, economic growth, technological advancement, energy security, social benefits, regional cooperation, and economic resilience.
Decommissioning of non-operation parts of <i>Kosovo A</i> TPP	Protection of the environment through the decommissioning of three facilities in the complex of TPP 'Kosovo A' that are no longer in operation and the safe storage of hazardous waste in accordance with relevant of EU standards and good practices.	55,700,000	The technical part is done. Land property issues are being resolved. Contract signing and construction are planned for 2025-2031.	The decommissioning of non-operational parts of TPP Kosovo A and the safe storage of hazardous waste in accordance with EU standards contribute to the growth facility's objectives by promoting environmental protection, compliance with EU regulations, public health improvements, economic growth, enhanced energy efficiency, technological advancement, social benefits, regional cooperation, and economic resilience.
<b>Digital infrastructure</b>				
Investments in digital connectivity	The project aims to support the development of Kosovo's digital connectivity through various activities: upgrading existing fixed infrastructure to Very High Capacity Networks (VHCN), developing infrastructure for data services and AI, obtaining Kosovo Country Code Top Level Domain (ccTLD), establishing an Information Sharing and Analysis Center (ISAC) for cyber security, promoting broadband infrastructure rollout, and deploying 5G infrastructure along main transport sections connecting neighbouring countries.	40,000,000	The project's conceptual idea is currently being worked on in 2024. The other tasks are planned for the period between 2025 and 2030.	Development of Kosovo's digital connectivity through these initiatives aligns with the growth facility's objectives by promoting economic growth, competitiveness, and innovation; enhancing digital inclusion and access; improving cybersecurity; and fostering regional integration and cooperation. These efforts contribute to a more robust, inclusive, and resilient digital economy in Kosovo, supporting long-term sustainable development.



## 14. CONSULTATION

The reforms within each sector have been designed in partnership with all relevant stakeholders. The reforms, indicators and steps have been negotiated with representatives of each concerned line ministry on board. The agenda is further agreed with other line institutions responsible for implementation and the decision-makers on those sectors. In addition, independent agencies as well as Kosovo Judicial Council, Kosovo Prosecution Council and Assembly of Kosovo have been consulted and all parties agreed to the quantitative and qualitative steps, including the timeline. To discuss the Reform Agenda and seek political commitment from all stakeholders for next 3-4 years the National Council for European Integration meeting took place on 2<sup>nd</sup> of May, 2024, whereby the reform agenda was also embraced on a high political level.

Consultations with stakeholders outside of public institutions on the content of the Growth Plan Reform Agenda were carried out in the first half of May 2024, namely with International Financial Institutions (IFIs), civil society organisations (CSOs), business associations and the main labour trade union in the country.<sup>25</sup> The list of qualitative and quantitative steps has been shared and written feedback has been received. The feedback in some areas, although in a very short time, has been very relevant and jointly with the European Commission addressed and reflected in the reform agenda. To this end, the Government of Kosovo held a consultation meeting with over fifty stakeholders that are active in all policy areas within the scope of the Reform Agenda: European integration in general, governance (including public administration reform and public finance management), rule of law (including security and fight against corruption and organised crime), fundamental rights (including gender equality and minority protection), socio-economic development (including SMEs, trade, foreign direct investments, internal market and consumer protection), employment and labour market, environment, energy, education, innovation and digitalisation.

In addition, a separate consultation meeting with the business community took place through the National Council for Economy and Investments (NCEI) on 7 May 2024. NCEI being the main formal standing body for consultation with business associations and other relevant stakeholders on all legislation and public policies affecting the economy and the business environment. It is an appropriate forum for discussions concerning these important socio-economic reforms. The meeting was attended by the Prime Minister, the Deputy Prime Minister for European Integration and key Ministers responsible for the reforms over the next four years.

The consolidated draft of the Reform Agenda was shared with all these stakeholders in advance. They participated actively by sharing their analytical insights, as well as their past experience in key reforms with long-term implications in the policy areas they are active in. Their perspectives, experience and expertise are relevant and useful in terms of the content of these reforms and their implementation in the next four years. In addition, a joint commitment for cooperation in the implementation process was reiterated.

Last but not least, institutionalized democratic participation mechanisms in place will be utilized in the process of implementation of key reforms foreseen in the RGF Reform Agenda. In this context, pursuant to the legislation in force on democratic participation in public policy making and the relevant practice, key reforms will be consulted with stakeholders and the wider public through preliminary and public consultations. Such consultations on specific reforms will be carried out by respective institutions responsible for their implementation. More specifically, pursuant to the legislation and standards in place on consultations, the responsible institution for each draft-law and implementing legislation will consult each draft-law and draft-bylaw, during the drafting process, with other relevant institutions, in preliminary consultations, as well as with other stakeholders and the wider public, in public consultations (through the online Public Consultation Platform). In addition, in order to ensure proper alignment with the EU acquis, each draft-law and bylaw transposing acquis will be consulted with the European Commission. Such consultations will occur during public consultations, after acquis provisions have been aligned, using Tables of Concordance.

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<sup>25</sup> The meeting with IFIs was held on 24th April, whereas the meeting with CSOs on 3rd of May, 2024.

## **15. MONITORING, REPORTING AND EVALUATION**

Kosovo has over years developed a robust institutional setup, with long experience and well-established operational practice and capacities to coordinate the European Union integration process at all levels, including to ensure effective oversight, monitoring and reporting on implementation of the reforms supporting the EU accession and on the use of the EU funds for these reforms. This setup of coordination among, between and within all responsible institutions has proven to be stable in its functioning by Kosovo's track record of successful implementation of reforms in all areas, through various frameworks and instruments in place so far. Kosovo will mobilize this setup for monitoring and reporting on implementation of its Reform Agenda under the EU Reform and Growth Facility for the Western Balkans (RGF Reform Agenda) in the next four years. The institutional setup described in this section will only be put in place and functional during the period of implementation of the RGF Reform Agenda. Kosovo will also use funds from the Instrument for Pre-accession to bring European know-how for improving the reporting and monitoring systems and ensure all requirements of the Western Balkan Facility Regulation are met (ongoing IPA 2017 project on improving the PFM systems). Major changes that might be needed in the process will be discussed with the EC and made through the same legal instruments through which they were established. The European Commission will be subsequently informed on any change in timely manner.

### ***Monitoring process***

Kosovo will use its well-established institutional setup and practice to coordinate implementation of and monitoring and reporting on the RGF Reform Agenda. It will also utilize this setup for self-evaluation and for the purpose of reporting to the European Commission, including for the purpose of the financial package earmarked for Kosovo (grants and loans) implemented in the form of direct budget support and investment projects foreseen. In order to ensure a systematic and consistent approach throughout implementation of each reform step, effective follow-up and accountability, with a view to ensuring proper and timely implementation of each of them, this process will be steered, at the highest political level, by the Government as the central national institution in charge of implementing EU accession reforms. At this level, strategic reforms and investments foreseen in the RGF Reform Agenda will be prioritised for review and approval, including *acquis*-based legal reforms through approval of draft-laws foreseen therein, to be finally adopted by the Assembly.

This will be done in cooperation with the Assembly, justice system institutions and other independent institutions involved in implementation of these reforms during the next four years. The Government will coordinate this process through the Office of the Prime Minister (OPM) as the main coordinating institution for European integration at both the political and policy levels. At the political level, OPM will do so through the First Deputy Prime Minister, in charge of European Integration, as the highest-level political appointee in charge of this process and for the RGF Reform Agenda specifically – in the capacity of the RGF Reform Agenda National Coordinator (explained below in this section). At the policy level, this will be done by OPM departments in charge of European integration. As with implementation of reform steps, monitoring and reporting at the highest political level will be steered and overseen by the Government cabinet, in cooperation with leaders of independent institutions responsible for such reforms in their respective policy areas, as well as through coordination structures dedicated to RGF Reform Agenda that will be established through a Government decision upon the approval of this agenda (as described below in this section).

Likewise, proper and consistent accountability at the highest political level will be ensured by steering through regular sessions of the Government cabinet, which will regularly discuss implementation of each reform step, particularly focusing on the state of play and key gaps and challenges in this process, as well as discuss and endorse monitoring reports prior to their finalisation and submission for payment requests. Moreover, the First Deputy Prime Minister, in charge of European Integration, in the capacity of the RGF Reform Agenda National Coordinator, will have working meetings, as needed, with ministers and leaders of independent institutions in charge of implementing specific reforms in the RGF Reform Agenda. This streamlined approach from the highest political level will allow for decision-makers to effectively identify challenges to implementation in an early stage and take mitigating measures to prevent delays.

Implementation of the RGF Reform Agenda will also be steered and monitoring will be supported by the national coordination structures for European integration (as collegial bodies operating at political, top management and policy levels), including in their regular work dealing with EU accession reforms in all areas. As the highest-level coordination structure, the Ministerial Council for European Integration (MCEI), chaired by the Prime Minister, is the appropriate structure where political decision-makers will discuss implementation of reform steps foreseen in the RGF Reform Agenda and key challenges in this process, with a view to ensuring accountability through political steering. It will do so in its capacity as the RGF Reform Agenda Steering Board (described below in this section).

At the sectorial level, relevant Sectorial Working Groups for European Integration (SWGEIs) will serve as fora for policy-level discussions between civil servants dealing with EU accession reforms on daily basis, and will also support regular reporting on implementation of the RGF Reform Agenda. The latter will also, when needed, support informed decision-making by the Working Committee for European Integration (WCEI). As the coordination structure at the level of top managers (General Secretaries and equivalent officials) of ministries and other institutions, WCEI will do so by mobilizing and managing policies, expertise and resources needed for effective and timely implementation of reforms. Both SWGEIs and WCEI will support MCEI, as the highest coordination structure for the RGF Reform Agenda, as well as the Government cabinet and leaders of independent institutions throughout the process.

Implementation of the RGF Reform Agenda will also be institutionally supported through the joint EU – Kosovo stabilisation and association bodies established under the SAA: Stabilisation and Association Council (SAC), Stabilisation and Association Committee and stabilisation and association subcommittees and special groups. As standing, formal structures where political and policy dialogue between Kosovo and the EU on EU accession reforms takes place, they play a critical role in driving implementation of these reforms in all areas. As such, they will facilitate expert-level discussions and serve to provide clarifications and policy advice, when needed, in the process of implementation and monitoring of reforms foreseen in the RGF Reform Agenda, particularly alignment with the EU *acquis* and European standards of laws and bylaws.

### ***Reporting process***

The Government of Kosovo will carry out reporting on implementation of the RGF Reform Agenda throughout its implementation in the next four years on semi-annual (every six months) and annual basis. First, regular reporting will ensure effective oversight, accountability and steering in implementation of reforms through regular monitoring, as well as by identifying challenges and expected delays and coming up with follow-up actions and mitigating measures to address challenges identified and prevent expected delays at an early stage. Secondly, regular reporting will support institutional interventions and decision-making by both individual institutions in charge of each reform step and through the coordination system for the RGF Reform Agenda (described below in this section). Thirdly, regular reporting will allow Kosovo institutions to carry out regular self-evaluation of progress in implementation of the RGF Reform Agenda, to feed regular reporting to the EC, as required for the purpose of disbursement of EU funds earmarked under each reform step, as well as for regular assessment by the EC of Kosovo's progress towards EU accession in its annual country report on Kosovo. Fourthly, regular reporting will facilitate information sharing, as well as consultations and other forms of cooperation with civil society and other stakeholders in the process of implementation of the RGF Reform Agenda, as well as for public information and transparency in this process.

The Government of Kosovo will prepare *semi-annual reports* as per the timeframe of reform steps, namely Q4 2024, Q2 2025, Q4 2025, Q2 2026, Q4 2026, Q2 2027 and Q4 2027. They will provide detailed information on implementation of the reform steps planned to be implemented within that timeframe. They will be submitted to the EC as part of packages of requests for the disbursement of funds, including supporting documentation listed in the RGF Reform Agenda as sources of verification. A total of seven (7) semi-annual reports will be prepared and submitted to the EC.

The Government of Kosovo will also prepare *annual reports* at the end of each calendar year, namely at Q4 2025, Q4 2026 and Q4 2027. They will provide a snapshot of the state of play in implementation of reform steps planned for the entire reporting period, as well as open issues and challenges faced,

actions needed to tackle them and institutional responsibilities. Findings will also be used to present the state of play and progress achieved at all levels of the RGF Reform Agenda: steps, sectors/components, policy areas and the entire document, as well as by responsible institutions. Such an overall snapshot will provide a clear overview on performance status in implementation, and potential delays which particularly decision-makers will need to be regularly aware of. A total of three (3) annual reports will be prepared and published. Given that implementation of the RGF Reform Agenda starts at the beginning of the second half of this year, the first annual report will cover 15 months (from 1 July 2024 to 31 December 2025). The last annual report (Q4 2027) will be the final report covering the entire implementation period of the RGF Reform Agenda (July 2024 – December 2027). On the schedule of reporting, see the following table.

*Table 7: Schedule of reporting by the Government of Kosovo on implementation of the RGF Reform Agenda*

<b>Report title (preliminary) and reporting period</b>	<b>Reporting timeframe</b>	<b>Submission timeframe</b>
<i>Report on implementation of Kosovo's RGF Reform Agenda during July – December 2024 (first semi-annual report)</i>	January – February 2025	March 2025
<i>Report on implementation of Kosovo's RGF Reform Agenda during January – June 2025 (second semi-annual report)</i>	July – August 2025	September 2025
<i>Report on implementation of Kosovo's RGF Reform Agenda during July – December 2025 (third semi-annual report)</i>	January – February 2026	March 2026
<i>Report on implementation of Kosovo's RGF Reform Agenda during January – June 2026 (fourth semi-annual report)</i>	July – August 2026	September 2026
<i>Report on implementation of Kosovo's RGF Reform Agenda during July – December 2026 (fifth semi-annual report)</i>	January – February 2027	March 2027
<i>Report on implementation of Kosovo's RGF Reform Agenda during January – June 2027 (sixth semi-annual report)</i>	July – August 2027	September 2027
<i>Report on implementation of Kosovo's RGF Reform Agenda during July – December 2027 (seventh semi-annual report)</i>	January – February 2028	March 2028
<b>Report title (preliminary) and reporting period</b>	<b>Reporting timeframe</b>	<b>Publication timeframe</b>
<i>Report on implementation of Kosovo's RGF Reform Agenda during July 2024 – December 2025 (first annual report)</i>	January – February 2026	March 2026
<i>Report on implementation of Kosovo's RGF Reform Agenda during 2026 (second annual report)</i>	January – February 2027	March 2027
<i>Report on implementation of Kosovo's RGF Reform Agenda (final report, covering the entire implementation period, 1 July 2024 – 31 December 2027)</i>	January – February 2028	March 2028

In order to ensure consistency and accuracy of data in the reporting process throughout implementation of the RGF Reform Agenda, quality checks during each reporting cycle will be performed at two levels. The first will be at the level of line institutions, namely inside individual institutions directly responsible for implementation of each reform step. At this level data on progress and the state of play on each reform step will be reported by institutional units (departments/units in charge of a specific policy area/sector) to the institution's coordinating unit in charge of European integration and EU funds (Departments of European Integration and Policy Coordination [DEIPCs], for ministries, and equivalent units, for other institutions). DEIPCs / equivalent units will check the data reported by their institutions' sectorial departments/units mainly against their relevance, factual accuracy, completeness, as well as against whether they cover the entire scope of the reform and address final results intended to be reached and how. They will also identify and outline a preliminary list of challenges faced by their institution in the implementation of reform steps and open issues. DEIPCs / equivalent units will also check and make sure that supporting documentation proving results of implementation (those specifically listed as sources of verification and other relevant ones) is adequately collected and kept by them in a systemic and orderly fashion. In order to ensure steering by political and top management decision-makers within the hierarchy of each line institution, as well as accountability, follow-up and taking of mitigating measures as needed, they will make such checks in close cooperation with their Ministers (through their cabinets) and General Secretaries / equivalent authorities. At the end of this phase of reporting, DEIPCs/equivalent units will submit the consolidated data and supporting documentation on all reform steps under their institution's responsibility.

The second level where quality checks will be performed is the OPM as the main national coordinating institution for EU integration and development cooperation / NIPAC Office. At this level, the departments in charge will check once again all the data reported by DEIPCs / equivalent unit of line institutions against the same criteria against which they were checked by line institutions, focusing in particular on whether reforms reported as implemented have actually been fully and properly implemented. This will also include checking supporting documentation provided by line institutions so as to make sure that it is relevant and complete. While carrying out this task they will also request from line institutions additional data and documents they deem necessary to prepare the report. They will also complement the preliminary list of challenges and open issues within reform step, and will finalize reports as explained above in this section. In terms of further division of responsibilities, the aspect of implementation of reforms will be covered by the four policy departments in charge of European integration and that related to investment projects by the Development Cooperation Office / NIPAC Office. These OPM institutional units will carry out such checks in close cooperation with the cabinet of the First Deputy Prime Minister, in charge of European integration.

For purposes of reporting to the EC and subsequently presenting payment requests, semi-annual and annual reports will summarize the state of play and progress made on each reform step. Additionally, on implemented reform steps they will provide a summary of progress made and how the successfully implemented reform steps, individually and jointly, contribute to implementation of the respective reform. This includes analytical summaries on implemented reform steps, as well as statistical and other empirical data proving that the progress reported on each of them has actually been achieved. The official sources of verification proving that the progress reported on each reform step has actually been achieved will also be collected and organized as supporting documentation. They will be part of reporting packages that will be submitted to the EC together with official requests for the disbursement of budget support funds it has earmarked to disburse to Kosovo for each reform step as grants and means to allow Kosovo to apply for investment projects.

Overall coordination of regular monitoring and reporting of the RGF Reform Agenda will be done by the OPM departments for European integration as the main coordinating institution in charge of this process, namely the Office of Coordination of the Stabilisation and Association Process (OCSAP) as the overall horizontal coordinator and sectorial departments in charge of coordination in respective sectors: Office of Political Criteria (OPC), Office of Economic Criteria and Internal Market (OECIM) and Office of Sectorial Policies (OSP). At the level of responsible institutions, monitoring and reporting will be coordinated by Departments of European Integration and Policy Coordination (DEIPCs), for ministries, respectively equivalent units, for independent institutions. The latter will also collect data and report them to the OPM departments in charge of European Integration and the latter will prepare regular reports on implementation of the entire RGF Reform Agenda. OPM departments in charge of European Integration (including DCO / NIPAC Office) will also support, at the expert/technical level, official communication with the EC in the framework of the RGF Reform Agenda, through the First Deputy Prime Minister, in charge of European integration, as a single point of contact for the EC – in the capacity of the RGF Reform Agenda National Coordinator.

The next step is the finalisation of the additional documents that will accompany the requests for the disbursement of funds earmarked for each reform step and means to apply for investment projects. This will be done by the OPM's DCO, in its function as the NIPAC Office. For this purpose, DCO will also collect and checks other related information and data needed for such disbursements, including the general conditions for disbursement of all funds and the Statement of Assurance, will prepare requests for disbursement of funds, and will submit the whole package of documents to the National Coordinator. In addition, it will participate in assessments and evaluations carried out in and on Kosovo by and/or on behalf of it. In addition, it will participate in assessments and evaluations carried out in and on Kosovo by and/or on behalf of the EC in the framework of the Reform and Growth Facility for the Western Balkans. DCO will also serve as the contact point to prepare the Facility Agreement which will be concluded between Kosovo and the EU – as required under the national constitutional and legal order governing international financial agreements – and ratified by the Assembly. As such, DCO will also be in charge of procedures and preparations for eventual future amendments. In this context, DCO

will work in close cooperation with the Ministry of Finance, Labour and Transfers (MFLT) as the key ministry in charge of implementing international financial agreements.

In order to standardize and facilitate monitoring and reporting at the technical level through clear instructions, the OPM as the main coordinating institution in charge of EU integration will prepare a detailed guideline in 2024 before the first semi-annual reporting on implementation of the RGF Reform Agenda in early 2025. The RGF Reform Agenda reporting guideline will be an operational document to guide all institutions involved throughout the reporting cycle. It will establish clear, uniform criteria and procedures to report on implementation of each reform step. It will consist of three main sections: (1) Scanning of the current situation; (2) Data analysis and assessment of the state of play and evaluation of progress; and (3) Drafting of the report. The first section will provide guidance on data collection and update on the progress made, identifying open issues and proposing actions for intervention, evaluating the performance status based on the criteria set in advance, as well as documentation and verification of implementation. The second section will provide guidance on processing of substantive and statistical data at all levels of the hierarchy of the RGF Reform Agenda, as well as on assessing the state of play and evaluating the performance status on each reform step. The third section will provide guidance on drafting of the report, including its structure and content. This guideline may be modified, as needed, throughout the period of implementation of this agenda.

Reports on implementation of the RGF Reform Agenda will be consulted, during their preparation, with the EC. Progress in implementation of the reform measures included in the RGF Reform Agenda will also be reported in Kosovo's official contributions to the EC's Country Report on Kosovo. The Government will also cooperate with civil society organisations, business associations and other stakeholders in implementation of reforms and monitoring their implementation. This will be done through the well-established, institutionalized forms and structures of cooperation, focusing on consultations, sharing of expertise and other forms of cooperation.

Last but not least, all reports on implementation of the RGF Reform Agenda will be published in OPM's official webpage dedicated to the EU integration process. They will be published in narrative format, without all the supporting documents submitted to the EC. These latter documents will be available to be accessed upon request, pursuant to the Law on Access to Public Documents.

### ***Institutional setup and procedural steps***

The institutional setup dedicated to coordination of implementation and monitoring of the RGF Reform Agenda will be organized and function as described in this subsection.

In order to **steer** the process of this agenda as explained above, the Government will adopt a decision on the system of coordination of the RGF Reform Agenda. This decision will:

- Establish the RGF Reform Agenda Steering Board – by assigning this function to the already functioning Ministerial Council for European Integration (MCEI), chaired by the Prime Minister – as the highest institutional structure in charge of political steering of the RGF Reform Agenda. Its meetings will be co-chaired by the First Deputy Prime Minister, in charge of European integration, in the capacity of the RGF Reform Agenda National Coordinator. Other members will be ministers and leaders of all other institutions responsible for implementation of the RGF Reform Agenda. Leaders of other institutions involved will also be invited to attend its meetings, as needed.
- Appoint the First Deputy Prime Minister, in charge of European integration, in the function of the RGF Reform Agenda National Coordinator. The National Coordinator will be the highest authority in charge of implementation of the RGF Reform Agenda, with the overall responsibility to coordinate and monitor its implementation, and the single point of contact for the EC for this purpose.
- Establish the RGF Reform Agenda Implementation Committee as the institutional structure at the policy level in charge of coordinating implementation and monitoring of the RGF Reform Agenda. It will be chaired by the General Secretary of the Office of the Prime Minister, while the General Secretary of the Ministry of Finance, Labour and Transfers will be its deputy chair. Its membership will consist of representatives assigned by the National Coordinator, directors of departments in charge of European integration and development cooperation at OPM as the main national coordinating institution, as well as representatives assigned by ministers and leaders of other institutions responsible for implementation of each reform step and directors of Departments for European Integration and Policy Coordination (DEIPCs) / equivalent units. Other officials, as needed, will also be invited to participate in its meetings. The Implementation Committee will cover implementation of the RGF Reform Agenda in a systematic

manner, focusing on all reform measures requiring work and decisions at the level of institutional units dealing directly with specific reform measures, while issues requiring the intervention and decisions at higher levels will be followed-up to the Steering Board/MCEI.

- Assign the Working Committee for European Integration (WCEI) the function of overseeing implementation of the RGF Reform Agenda. It will also be chaired by the General Secretary of the Office of the Prime Minister and the General Secretary of the Ministry of Finance, Labour and Transfers will be its deputy chair. WCEI will focus on critical interventions needed during the implementation process that require decisions at the level of top management in line institutions, including issues of institutional cooperation in implementing specific reform measures, allocating and reallocating human and financial resources.
- Define functions, responsibilities and tasks of the Steering Board/MCEI and the Implementation Committee, as well as rules of their functioning and supporting structures and mechanisms for this purpose.
- Define the frequency of meetings of coordination structures: Steering Board/MCEI (at least quarterly), WCEI (at least quarterly) and Implementation Committee (at least monthly).

Regular **monitoring** of implementation of the RGF Reform Agenda will be carried out through working meetings of the RGF Steering Board/MCEI and RGF Reform Agenda Implementation Committee (on quarterly basis):

- Following their establishment by Government decision, the RGF Reform Agenda Implementation Committee will review and approve the mandatory template and guidelines for monitoring and reporting on implementation of the RGF Reform Agenda, and the RGF Reform Agenda Steering Board/MCEI will review and adopt it. The template will contain reform steps, baselines, indicators, timeframes, as well as institutional responsibilities and specific deliverables and sources of verification (to be provided during reporting as documents proving implementation of reform steps); this will also be noted in the meeting conclusions.
- The RGF Reform Agenda Implementation Committee will review how implementation of each reform step is going, evaluate the progress made, as well as identify challenges and possible delays and recommend mitigation measures. Its proceedings will be formalized in meeting conclusions that will be approved by the Implementation Committee itself and adopted by the Steering Board/MCEI.
- The RGF Reform Agenda National Coordinator will sign an official letter launching the reporting cycle, accompanied by the reporting guideline.

Regular **reporting** on implementation of the Reform Agenda, taking place every six months as per the timeframe of implementation of reform steps indicated in Annex I, will be organized as follows:

- The RGF Reform Agenda Implementation Committee will review and approve the mandatory template and guidelines for monitoring and reporting on implementation of the RGF Reform Agenda, and the RGF Reform Agenda Steering Board/MCEI will review and adopt it. The template will contain reform steps, baselines, indicators, timeframes, as well as institutional responsibilities and specific deliverables and sources of verification (to be provided in reports as documents proving implementation of reform steps).
- The RGF Reform Agenda Steering Board/MCEI will, in its regular meeting, adopt a decision to launch the reporting cycle, specifying all steps throughout the cycle, deadlines and institutional responsibilities for data collection, processing, verification and preparation of the final report.
- Pursuant to the RGF Reform Agenda Steering Board/MCEI decision on launching of the reporting cycle, the RGF Reform Agenda National Coordinator will sign an official letter launching the reporting cycle. It will be an official document setting out duties and responsibilities of relevant institutions throughout the reporting cycle, and will as such be binding for all institutions involved, at all levels, throughout that reporting cycle.
- This letter signed by the RGF Reform Agenda National Coordinator – together with the RGF Reform Agenda, the reporting template, guidelines and other relevant documents – will be submitted to responsible institutions responsible for implementation of each reform step foreseen in this Agenda as part of the request for regular reporting on their implementation.

In terms of **administrative capacities**, the National Coordinator will be supported by the staff of his political cabinet and the departments in charge of European integration and EU funds at the Office of the Prime Minister as the main coordination institution for this process: Office of Coordination of the Stabilisation and Association Process (OCSAP), Office of Political Criteria (OPC), Office of Economic Criteria and Internal Market (OECIM), Office of Sectorial Policies (OSP) and Development Cooperation Office (DCO) / NIPAC Office. OCSAP will cover overall coordination of monitoring and

reporting, including the preparation of the monitoring and reporting guideline and template. It will also provide guidance and methodological support to line institutions during reporting periods, as well as support the work of the institutional coordination structures and consultations with stakeholders on the RGF Reform Agenda overall. The three sectorial offices (OPC, OECIM and OSP) will be in charge of coordinating monitoring and reporting in terms of the content of reforms in the respective policy areas. They will also be involved in the work of coordination structures, carry out quality checks of data on implementation of reform steps reported by line institutions during the reporting periods, as well as work directly with line institutions to facilitate and support them in implementing the steps in the policy areas they cover. DCO / NIPAC Office will coordinate the work related to the financial component (grants and projects) of the RGF Reform Agenda, including the preparatory work related to payment requests, and will support the work of the institutional coordination structures in this regard.

Following the preparation of the draft of semi-annual report on implementation of the RGF Reform Agenda, it will undergo the following review, quality control and approval steps throughout the entire process, in line with the 4-eye principles and the quality control standards:

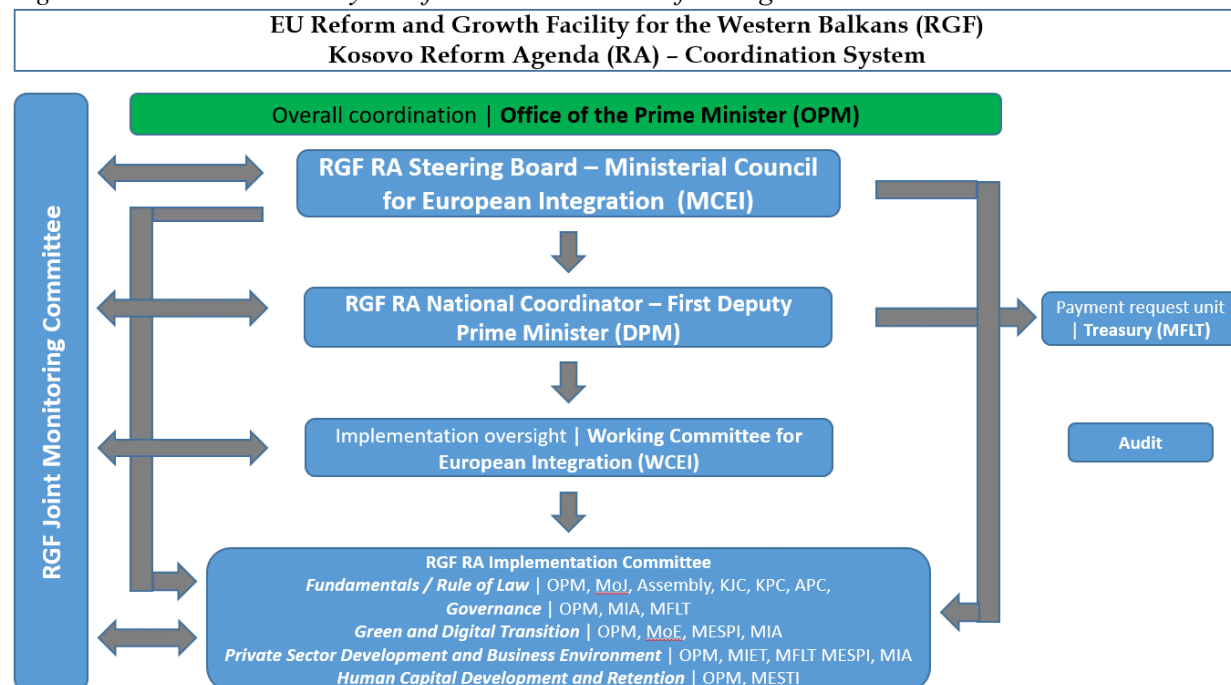
- First, initial drafts sections of the report on implementation of each reform step submitted by departments of line institutions who are directly in charge of their implementation to the Departments of European Integration and Policy Coordination (DEIPCs) / equivalent units of line institutions – containing detailed data on their implementation and documents listed as sources of verification – will be reviewed by DEIPCs / equivalent units in terms of accuracy, relevance and quality of data. At this stage of the internal process within each implementing institution, DEIPCs / equivalent units will correct and complement these initial draft-reports in terms of the content, as well as collect from reporting departments additional relevant data and documents, as needed.
- Second, DEIPCs / equivalent units will perform additional quality checks of these initial draft-reports on implementation of each reform step jointly with General Secretaries and Ministers (for ministries) / equivalent units (for other institutions). Following this, General Secretaries and Ministers / equivalent authorities – as the highest levels of the individual institution's hierarchy – will approve these draft-reports on implementation of each reform step. As the final step of this stage, these draft-reports will be submitted by DEIPCs / equivalent units to OPM departments in charge of European integration as the main coordinating institution in charge of monitoring and reporting on implementation of this agenda.
- Third, OPM departments in charge of European integration will perform another quality check of reports on implementation of each reform step submitted by DEIPCs / equivalent units of implementing institutions in terms of accuracy, relevance and quality of data, as well in terms of compliance with monitoring and reporting requirements. At this stage of inter-institutional quality checking, they will also correct and complement reporting, collect from implementing institutions (through DEIPCs / equivalent units) additional data and documents on implementation of each reform step, as needed. Quality checks at this step of the process will ensure that reports on implementation of each reform step are accurate, objective and supported by documents proving implementation of respective reforms steps, as well as in compliance with monitoring and reporting requirements contained in the guidelines provided by the EC for this purpose and applicable standards and practice. As the final step at this stage, the OPM departments in charge of European integration will compile separate data on implementation of reform steps received by DEIPCs / equivalent units into the semi-annual report on implementation of the Reform Agenda. These reports will provide a comprehensive overview on implementation of each reform step planned to be fully implemented within that timeframe, describing in detail reform measures and activities undertaken to implement each reform step and the results achieved within its scope, together with documents listed as sources of verification and other documents, as needed, proving such measures and activities were undertaken and results actually achieved.
- Fourth, each semi-annual report will be reviewed by the RGF Reform Agenda Implementation Committee, providing a thorough review and quality control of the progress reported and documents provided during reporting as sources of verification proving implementation of reform steps, and then approved by it and proceeded for adoption by the RGF Reform Agenda Steering Board/MCEI. This will also be noted in the meeting conclusions.
- Fifth, each semi-annual report will undergo a final review and quality control by the RGF Reform Agenda Steering Board/MCEI, and then finally adopted by it (this will also be noted in the meeting conclusions). Semi-annual reports on implementation of the Reform Agenda will also be discussed in Government sessions and endorsed therein.
- The next stage, after each semi-annual report described above in this section and after quality checks are performed as described herein, requests for the payment of tranches foreseen under the reform steps (as explained in Table 7 above) will be prepared.



- Finally, each payment request will be officially submitted to the EC by the National Coordinator, accompanied by the Statement of Assurance, also signed by the National Coordinator.

Each semi-annual reporting cycle on implementation of the RGF Reform Agenda will be formally launched by the National Coordinator, through an official letter addressed to all institutions responsible for implementation of reform steps, through ministers and heads of other institutions.

Figure 1: The coordination system for Kosovo's RGF Reform Agenda



In order to ensure *compliance with the ‘4-eye’ principle*, the Law on Public Internal Control has put in place a system of managerial accountability that consists of the Head of the Public Sector Entity for financial management and control, the Chief Administrative Officer, heads of subordinated levels of the public sector entity and Chief Financial Officer of the public entity, each of whom have the corresponding managerial and/or financial responsibilities for management and control of finances of the public entity.

The system of execution of the budget is digital and every transaction of every budgetary organization goes through the Treasury Single Account. The process of executing a payment from a budget organization follows a very strict process which ensures that public money is spent according to the laws in power and for the purpose it is intended. Each budgetary organization has what we call “the financial chain”. The financial chain includes the budget allocation official, the budget commitment official, the budget payment official and the budget certification of payment official. Each of these positions is held by a different person at the budgetary organisation and every payment has to go through each of them. This creates a system of checks and balances whereby each official will be checking a payment to ensure that it is being spent to the laws in power and for the purpose intended. All these officials have to sign that a payment is correct and can move to the next phase, and this zone of personal liability makes the system of checks and balances work. Moreover, as stated at the beginning, all these officials will be undertaking all actions related to a payment are executed in an online system – the Kosovo Financial Management Information System (KFMS) – administered by the Treasury. Every official is given specific access to KFMS for the role that they have and they cannot perform tasks of another official, because the system does not allow them access to other tasks.

Lastly, after every official has signed off for the payment, that payment goes to the Treasury for execution. This is yet another lawyer of control, whereby the Treasury rechecks if the payment is correct, in accordance with the laws in force and for the intended purpose. Only after such a check has been performed by officials at the Treasury – who are different from the “financial chain” officials of the budgetary organisation – does the payment go through the banking system and to the end

beneficiary. In addition, the Treasury performs monitoring activities of the payments made from different budgetary organisations, as yet another layer of control. The staff that perform monitoring activities are different from the staff in the Treasury who check the payments and the “financial chain” officials of the budgetary organisation. Moreover, each budget organisation also has its own internal audit unit that performs audits and external auditing performed by the National Audit Office (NAO).

If no final evaluation is organised by the European Commission, Kosovo may carry out a final evaluation with the objective to provide an independent assessment of the achievement under this Reform Agenda. In such case, the evaluation services will be contracted to a well-established company with excellent reputation and expertise in evaluation, and the evaluation report will be shared with the European commission and other stakeholders.

## 16. CONTROL AND AUDIT

The European Commission Country Report on Kosovo published in 2023 states that the legal framework on internal control is largely harmonised with the international standards, but its implementation needs to be further strengthened. Financial management and control and budget supervision should both be improved, following best EU practices. The report welcomes the adoption of new 2022-2026 PFM strategy and recommends Kosovo authorities focus their efforts in i) efficient implementation of the strategy, ii) adoption the new Law on public financial management and accountability based on best EU practices, iii) improvement of managerial accountability of budget users, and iv) improving cooperation between the Kosovo National Audit Office (KNAO) and Parliament by improving parliamentary scrutiny of budget implementation and continuously and efficiently implementing and following-up on the KNAO audit recommendations.

Kosovo is currently implementing these recommendations. A new Law on public financial management and accountability is being drafted and is scheduled to be adopted by end of second quarter of 2025 by Parliament. An Action Plan for the Public Finance Management Strategy is in implementation. A new administrative instruction (by-law) on the training of new internal auditors is being drafted at present. Overall, good progress has already been evident in the internal control system regarding the application of risk management in budgetary organizations, training for the application of the PFM manual, and the disclosure of outstanding expenditure obligations in budget implementation reports. The implementation of risk management, monitoring, and evaluation processes, as well as ongoing training initiatives, show a proactive approach to enhancing internal control mechanisms. Kosovo, through the Reform Agenda, is taking a commitment to further improve the public procurement and public investment management, as areas with highest potential corruption risk.

In addition to that, Kosovo will continue to improve the legal and methodological framework for effective internal control and prevention of irregularities, corruption and fraud, to strengthen the capacities of the central harmonisation unit, and of the budget users on central and local level on FMC/IA, to enhance the managerial accountability, to strengthen risk management, and to set up an effective system for reporting and follow-up of irregularities and fraud. Kosovo will also continue to improve the budgetary processes to ensure sound and transparent PFM in line with the EU standards. External audit will also be further strengthened through enhancing performance audit, improving the monitoring and follow-up policies, systems and procedures, and more effective implementation of NAO recommendations. An ex-post evaluation of the implementation of the Law on Public Internal Financial Control will be done. Its findings and recommendations will be used to guide the decision on the need for revision of this law. To progress on the PFM Reforms, Kosovo will continue to use the EU funds through the Instrument for Pre-accession.

**Public Finance Management Strategy** is the main policy document of the Government of Kosovo to address Public Administration Reform and specifically the Public Finance Management system of Kosovo. The main goal of the PFMS is to further develop sound financial management and improve service delivery through enhanced fiscal discipline and strategic allocation of resources. Furthermore, the PFMS aims to support and contribute to the overall development of Kosovo through the relevant development agendas. The PFMS has identified four (4) Strategic Objectives for achieving PFM policies. It focuses on specific objectives in Public Procurement, Internal Control, External Audit and Oversight, and Internal Audit. The aim is to further improve the efficiency and effectiveness of public procurement processes, strengthened internal controls, advancing with the independent and effective external audit function in line with the development of the INTOSAI framework, ensuring high-quality audits in line with the IFPP and best international practices to contribute to the improvement of PFM, and the expansion and professionalization of Internal Audit.

The reforms in the PFM are interlinked: positive developments in some core functions encourage change in other functions. The Reform Agenda encompasses a number of steps which will improve the budget management on expenditure side, and will contribute to more transparency, better internal control and prevention of corruption in Kosovo. Several of these reforms are planned in 2025 and early 2026. These include:

- E-procurement system and Kosovo Financial Management Information System (KFMIS) are fully interoperable. Multi annual contractual commitment recordings are provided. (Deadline June 2025)
- Annual performance audit on procurement activities in line ministries in high-risk areas to detect and prevent corruption and irregularities. (June 2027)
- Ensure that all POEs registry are publicly available and up-to-date, including information on the ownership. 100% of the POEs have established an independent audit committee to address findings from internal and external audits including the fiscal risk management findings. The unit responsible for monitoring POEs as a monitoring mechanism requires a report on the elimination of the auditor's findings and fiscal risk management within the deadline set by the Board of Directors, analysing and demanding accountability based on audit recommendations and fiscal risk elements. (December 2025)
- The organisation and composition of the Public Procurement Review Body is fully aligned with the new PP law; all procurement procedures processed through the upgraded e- procurement platform following the new PP Law. (June 2026)
- 50% of the independent external audit recommendations for the year 2023 have been fully implemented by the central POEs. (June 2026)
- Adoption by the Assembly of the new primary laws on Public Procurement and Public Private Partnership aligned with the latest EU acquis and EU standards. (December 2025)
- 10% of large public procurement contracts are awarded with the use of best price-quality ratio as the contract award criterion. (December 2027)

Implementation of these reforms will improve controls, will strengthen the PFM systems and ensure integrity across the administration.

The legal framework for the **Public Internal Financial Control** is established through Primary legislation, the Law No. 06/L-021 for the Public Internal Financial Control of 2018, which regulates the system of internal control of public finances, including financial management and control, internal audit, by setting clear lines of managerial accountability (Articles 4-10 of the Law), internal control responsibilities (Articles 1-11), risk management control (Article 12), and control procedures for authorisation and approval, segregation of duties for approval, execution, accounting and control, double signature system, rules on access to assets, ex-ante compliance review, ex-post controls, procedures for completeness, reliability, accuracy and timeliness of accounting operations, and rules for documenting all transactions and activities of the entity (article 13). Secondary legislation - which consists of Regulations and Administrative Instructions, define the basic rules of Financial Management, Control and Internal Auditing in all public sector entities such as Financial Rule No. 01/2013/MF which consolidated several administrative instructions that dealt with aspects of expenditure and internal control, issued by the Treasury, in a single document and the document that addresses the decentralization of expenditure management to budget organizations, Regulation MF-No. 01/2019 for Financial Management and Control, Regulation QRK-No. 01/2019 on the Establishment and Implementation of the Internal Audit Function in the Public Sector Entity and Administrative Instruction MF-No. 01/2019 on the Establishment and Operation of the Audit Committee in the Public Sector Entity. Tertiary legislation consists of Manuals and Methodological Guides for Financial Management and Internal Control and Audit.

The **internal control system** includes preventive measures such as segregation of duties, access controls and appropriate documentation processes to prevent irregularities, fraud, corruption and conflicts of interest. The clear lines of accountability, competences, division of duties and responsibilities for overall policy implementation including the lawful budget management and control are defined by the legal framework: Law on Organization of Public Administration and Independent Agencies, Law on Public Officials, Law on Management of Public Finance and Accountability and Law on Public Internal Control. The Law on PIFC requires that all managers of the internal structures of the public sector entity, as the heads of programmes, sub-programs or activities shall be responsible and accountable to their direct superior according to the hierarchic level, among others for managing and controlling the activities and budget for which responsibilities have been delegated to and reporting to the respective supervisor of any deficiency that need to be addressed. These rules create a system of checks and authorizations with clear accountability and reporting lines in all budget organizations. The activity of the public service unit is directed and coordinated by the ministry or a responsible executive

agency. The operations are organized in a hierarchical system involving the Secretary General, Sectorial Departments and divisions. Kosovo commits also to include on the spot checks as a part of the control systems. This chain carries the duties of implementing policies and tasks in a lawful manner and is the first line of reporting on overall execution of their legal tasks and controls.

In terms of financial control, the chain of authorization and verification of budget spending starts with the Secretary General who according to the law is the Chief Administrative Officer responsible with the principal legal responsibility for ensuring that his/her budget organization, autonomous executive agency or public undertaking, and its personnel, thoroughly and adequately comply with, observe and implement all applicable provisions of the law and the financial management and control rules. The next level in the financial control chain is the Chief Financial Officer who is responsible for the proper and lawful financial operations of the concerned budget organization, autonomous executive agency or public undertaking. Every institution has a CFO.

As regards *the internal audit*, the Law on Public Finance Management and Accountability established the obligation for each budget organisation to establish an Internal Audit Unit (IAU) or an internal auditor as a minimum. The internal audit function supports the management accountability by providing independent and objective assurance to the Head of a public sector entity on the adequacy and effectiveness of the financial management and control system and advice for its improvement.

The Internal Audit Central Harmonisation Unit within the Ministry of Finance, Labour and Transfers supervises and supports the improvement of the internal audit function across Kosovo. The capacities of the internal auditors to provide advice to the management of the budget users on improving the FMC system needs further enhancement.

The operational independence of internal auditor has been established whereby the internal auditors reports directly only to the head of the public sector entity and informs the Audit Committee. Kosovo has already established audit trails as a part of internal audit standards whereby a functional classification is dedicated to internal and external auditors in KFMIS granting them access to every module of the financial system. This structure ensures traceability of every transactions any time for the purposes of audit. Internal audit trails are documented with a series of working documents including: Checklist, Initial Meeting Request, Draft Meeting Agenda, Internal Audit Questionnaire, Information Review Log, Checklist for assessment of the control environment, Checklist for risk assessment, Notes from the collection of information, Analysis of system risks, Procedures for testing, Audit program, Planning and follow-up of human resources, Auditor's statement, Testing procedures, Draft the report, the closing meeting, the final audit report and follow-up of the implementation of the recommendations. Kosovo will strengthen the Audit committee.

In the case of irregularities, conflict of interests or suspicions of fraud, the internal auditor is obliged to notify, in writing, the unit director or the official in charge in the institution. When the internal auditor has grounds to consider the infringements as criminal violations, he/she reports the case to the investigative authorities (prosecution and police). According to the Law on Internal Audit, the Head of Public Sector Entity that has received the audit report also has the obligation to report irregularities to investigative authorities and share the internal audit report with them. In cases when internal audit findings fall in the mandate of another administrative body, such as for instance the conflict of interest, the internal audit reports the findings to those administrative or investigative institutions. Internal audit findings on the conflict of interest are shared with the Agency for Prevention of Corruption who is the primary administrative body responsible for the conflict of interest. APC can then launch their own administrative investigation and/or initiative an ex-officio procedure with the investigative authorities. This mechanism applies to the Reform and Growth Facility as well. Still, in principle, the efficient monitoring and reporting on irregularities, corruption cases and conflicts of interest in public administration (including electronically) needs further improvement.

Commendable progress has been made in the internal audit system in the recent years. This includes improvements in the methodological framework for internal auditors, the introduction of performance audits, quality assurance measures for the Internal Audit Unit (IAU), the ability of small budgetary

organizations to share an IAU so as to ensure that mechanisms of control are in place in every budgetary organization, and cooperation with external audit entities. However, further improvements of capacities of the internal audit are needed including the swift coverage with new internal auditors of all budgetary institutions, mainly due to the retirement of experienced internal auditors. Responding to this, a new administrative instruction (by-law) is being prepared on the training of new auditors which will be adopted by end of 2024. Once adopted, the Administrative Instruction will enable an efficient training programme of newly recruited internal auditors and a steady supply of auditors to budget organisations. IPA funding is being proposed for strengthening the audits skills and methodological improvements.

Furthermore, the *system of execution of the budget* is digital and every transaction of every budgetary organization goes through the Treasury Single Account. The process of executing a payment from a budget organization follows a very strict process which ensures that public money is spent according to the laws in power and for the purpose it is intended. Each budgetary organization has what we call “the financial chain”. The financial chain includes the budget allocation official, the budget commitment official, the budget payment official and the budget certification of payment official. Each of these positions is held by a different person at the budgetary organization and every payment has to go through each of these people. This creates a system of checks and balances whereby each official will be checking a payment to ensure that it is being spent to the laws in power and for the purpose intended. All these officials have to sign that a payment is correct and can move to the next phase, and this zone of personal liability makes the system of checks and balances work. Moreover, all these officials are undertaking all the actions related to a payment through an online system, the Kosovo Financial Management System which is administered by the Treasury. Every official has been given a specific access to the system for the role that they have and they cannot perform the duties of the other official since the system does not allow them access to the other duties. Lastly, after every official has signed off for the payment, that payment comes to the Treasury for execution. This is yet another layer of control whereby the Treasury rechecks if the payment is correct, in accordance with the laws in power and for the intended purpose. Only after such a check has been performed by the officials at the Treasury, who are different from the “financial chain” officials of the budgetary organization, the payment goes through the banking system and to the end beneficiary. The Treasury also performs monitoring activities of the payments made from different budgetary organizations as yet another layer of control. The staff that performs the monitoring activities is different from the staff in the Treasury that checks the payments and the “financial chain” officials of the budgetary organization.

Risk management is another aspect of internal control. The law requires that Heads of Public Sector Entities are responsible for managing risks in their institutions. This includes identification of events that may affect achievement of objectives, and action to mitigate, avoid, or minimise the risks. The procedure for implementing this in practice consists of risk assessment by institutions each year in the framework of conducting self-assessment questionnaires by the Central Harmonisation Unit where institutions identify risks and mitigation action as regards their annual plans.

The *structure and procedures for fraud prevention*, in the context of the use of EU funds, are in the process of establishment. Following consultations with relevant EU partners, Kosovo commits to set up the Anti-Fraud Coordination Service (AFCOS) in 2025. The AFCOS will be established as a specific division that reports directly to the Director of the Treasury with the mandate to coordinate legal, operational and technical cooperation and the exchange of information on irregularities and suspected cases of fraud with the competent institutions in Kosovo, with the European Anti-Fraud Office (OLAF) and other relevant institutions of the European Commission. The duties and responsibilities of the Anti-Fraud Coordinating Division are clearly described in legislation.

The Treasury internal regulation establishing AFCOS will be adopted by end of 2024. The institutional framework of the system for the suppression of irregularities and fraud (AFCOS-system) will be set up through a special regulation which will be adopted by end of second quarter of 2025 at the latest. This regulation will cover all relevant institutions that are required by the OLAF guidelines on the AFCOS network.

At present, there is a Kosovo Police contact that serves as a contact point for OLAF to facilitate exchange of information and coordinate joint efforts, and overall cooperation.

In addition to existing legal and institutional framework in place for the early detection of fraud, corruption and conflict of interest, the Central Harmonisation Unit has drafted a Regulation for Reporting Fraud and Irregularities within the internal control system of institutions. Its scope includes regular financial monitoring, audits and established reporting systems for internal and external communication with the aim of streamlining further the existing reporting mechanisms. Upon detection of any irregularity, the regulation foresees an immediate corrective action by the chain of units in the system. This may include disciplinary action, recovery of misused funds and risk management to prevent future risks. The regulation will be adopted by end of first quarter of 2025. Kosovo will harmonise this regulation with the regulation on the AFCOS and AFCOS network in view of the specific functions and tasks of these bodies.

Mechanisms for the prevention and control of double funding have been established for the use of funds in the national budget irrelevant of the source of funding based on the principle of use of budget funds for a specific purpose. The Law on Budget requires that the budget is allocated as the amount allowed by law which is in the disposal for expenditure from Kosovo Fund for a sub-program, specific purpose, for an expenditure category of a budgetary organization, as provided by this law. This principle of allocation of funds prevents the use of funds for the same purposes that are already financed from other public sources.

**Prevention of double financing is carried out through the planning and execution of funds from the state budget of the Republic of Kosovo.** In the state budget, funds are planned for the implementation of public policies in accordance with the sectorial and institutional competence. This is presented in budget table 3.1 in the budget law where funds are presented by institution, program, sub-program, and sources of funding. Funds are planned according to funding sources and the purposes categorized under the economic classification of capital investments, goods and services, salaries, subsidies and transfers and utilities. For any budget spending (program, sub-program, project) there is a specific and unique code assigned which allows the use of information for purposes of audit, monitoring and reporting for any given payment. This is made possible by the Kosovo Financial Management System – an online payments system. The Treasury generates periodic reports on the execution of expenditures from the state budget providing detailed information on the use of funds according to funding sources and project beneficiaries. The institutions in charge of implementing the quantitative/qualitative steps of the Reform Agenda within Growth and Reform Facility are responsible for proper planning of funds in the state budget and avoiding double planning of funds for the same purposes. During the drafting of the state budget, the State Treasury and Budget Department check the planned amounts and potential double financing for all costs financed through the state budget.

Double funding checks are carried out through these main processes: a) defining the needs and programming the IPA assistance through joint EU-Kosovo working committees, b) defining the needs and investment projects under the national sources of funding and with the external sources of financing (Western Balkans Investment Framework, Bilateral loan and financing agreements), and c) defining the bilateral program/project/partnership agreements.

In this way, users are informed in advance about the impossibility of double financing. In the programming phase for funding from external sources and in the budget planning phase for internal sources of financing, the institution responsible checks whether there are is duplication or cross funding with other funding sources that have already been approved or used for the same purpose. At this stage also the identification for co-funding is done. Checks are carried based on data available from national IT payments systems through which budget is executed, budget information on loans and through data available on bilateral and multilateral assistance. The national coordinator and the corresponding implementation bodies for the Growth Plan can conduct detailed checks in the context of the preparation of requests for payment. These checks may include double funding checks, co-funding and complementarity, or overcrowded funding by the institutions directly or partially responsible for quantitative/qualitative steps.

The internal reporting system of **irregularities, fraud and corruption** relates closely to the **whistleblowing** legal framework. The Law on the Protection of Whistle-blowers entered into force on January 2019, as the first step towards the creation of a consolidated legal framework regarding the

protection of whistle-blowers, regulating the whistleblowing procedure, the rights and protection of whistle-blowers, as well as the obligations of public institutions and private entities in relation to whistleblowing.

As an obligation derived from this law, the Ministry of Justice (MoJ) in 2021 approved Regulation No. 03/2021 For the Determination of the Procedure for the Acceptance and Handling of Whistleblowing Cases (Regulation) which aims to define the rules and procedures for the acceptance and handling of whistleblowing cases as well as the rights and responsibilities for the whistleblowing officials. This regulation has defined in more detail the obligations of the institution for the appointment of officials responsible for whistleblowing, as well as the obligations regarding the provision of sufficient resources for the official to fulfil his duties, such as: space and equipment for work, place for safely storing documents and others.

Whistleblowing means reporting or disclosing information on actions and omissions that pose a threat or damage of the public interest. Reporting entails the reporting within a public institution or private entity or to the competent authority, whilst disclosure means making the information public. By the Law, whistle-blower is any person who reports or discloses information on threat or damage to the public interest in the context of own employment relationship in the public or private sector. The type of wrongdoings are also specified along with the three types of whistleblowing: internal (to employer); external (to competent authority) or public (media, NGO, internet etc.). A whistle-blower who reports information in accordance with the law is protected from criminal, civil, or disciplinary actions. They are entitled to protection if they report or disclose information they reasonably believe to be true. Additionally, the whistle-blower is not required to prove the good faith or authenticity of their report.

Whistleblowing can be done in writing, by mail or email, or verbally. If submitted verbally, the responsible officer must draft a written record of the information, which is then signed by both the whistleblower and the official.

Regarding judicial protection, article 24.5 of LPW stipulates that “all cases related to whistleblowing shall be handled with priority by the Court”

Whistleblowing is protected with misdemeanour and criminal offences provisions. Article 27 of LPW determines the severity of misdemeanour sanctions in cases of violations in report to whistle-blowers and the whistleblowing process itself, in which case the fine reaches 20,000 EUR.

Provisions for whistle-blower protection are also incorporated in the Criminal Code no.06/L074 of the Republic of Kosovo, which entered into force on 14 April 2019. In chapter 31 of this Code, are listed the criminal offences against administrative justice and public administration, where among them is “Retaliation”, a criminal offence sanctioned by article 388 of this Code. Paragraph 2 of this article stipulates that “Whoever takes any action harmful to any person with the intent to retaliation for reporting or disclosing information for acts and missions that pose a threat or violation of public interest shall be punished by fine or imprisonment of up to two (2) years.”

**Fraud is a criminal and punishable offense** according to Criminal Code of Republic of Kosovo. Article 323 of the Criminal Code stipulates that “When the object of the fraud is to obtain an unlawful benefit from public funds or public institutions the perpetrator shall be punished by a fine and imprisonment of two (2) to eight (8) years”. Articles 324 and 325 also regulate fraud in the use of grants and fraud related to receiving funds from the international community. These offenses are punishable by a fine or imprisonment up to a maximum of eight (8) years. The new legal framework on anti-corruption has been adopted in 2022. It introduces, among others, 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 can now use new tools such as corruption proofing, corruption risk assessments and monitoring of integrity plans in the institutions, Kosovo will continue its efforts to ensure the efficient implementation of these integrity plans and relevant reporting. The new Law on asset declaration adds new categories of public officials



obliged to declare assets. The online system of declaration has been introduced by the Agency in 2023. The purpose of the Law on Prevention of Conflict of Interest in Discharge of a Public Function is to strengthen the integrity of the public sector as well as guaranty the discharge of public duties in an objective, impartial and transparent manner in service of public interest through identification, prevention, management and resolution of conflict of interests of officials.

The Agency for Prevention of Corruption (APC) has a fully functioning electronic platform for the declaration of assets. APC is in the final stages of developing the new platform for reporting cases on the prevention of conflict of interest, whistleblowing and declaration of gifts. The platform will have a section for electronic case management. Another feature of the platform is the possibility for the active involvement of reporting officials in the investigation by providing additional information to the initial reports in the platform.

**Conflict of Interest is a criminal offense** foreseen by Article 417 of the Criminal Code of the Republic of Kosovo. An official person who participates personally in any official matter in which he or she, knew or reasonably should have known, that he or she, a member of his or her family, or any related legal person, has a financial interest shall be punished by a fine and imprisonment up to three (3) years.

The legal framework on anti-corruption defines the principles, rules and procedures of permitted and prohibited activities of public officials in the performance of public duties. Based on the Law on Conflict of Interest (Article 5) public officials are required to perform their duties in accordance with the law, upholding honesty, diligence, and impartiality to maintain institutional authority and enhance public trust. They must prioritize public interest over personal gain, ensure transparency, and respect the public's right to be informed about their activities. Officials are accountable for their actions and must not engage in illegal activities or neglect their duties for personal advantage. They are prohibited from accepting or soliciting unauthorized rewards and must avoid any conflict of interest, whether real, potential, or apparent. Additionally, officials cannot use their positions to advance their own interests or those of their relatives.

A public official who is in a potential conflict of interest, must promptly consult with and inform their superior or the managing body, and suspend any related actions until a decision is made on the matter (Article 8). The manager or managing body should take all the necessary measures to prevent and resolve cases of the conflict of interest, however in cases when manager or managing body is not convinced about the existence of the conflict of interest or if they consider that they have or may have a conflict of interest as well, they will address this to the Agency for Prevention of Corruption, which shall make a decision on the case.

**The Agency for Prevention of Corruption** is an independent and specialized body for the implementation of national policies for the prevention of corruption in Kosovo. The Agency is responsible for implementing and enforcing laws related to conflicts of interest, asset declaration, and protection of whistle-blowers. Its duties include overseeing, preventing and addressing cases of conflicts of interest, monitoring asset declarations, overseeing the receipt of gifts, providing guidance on these matters, and overseeing and taking necessary measures for the protection of whistle-blowers.

The administrative procedure at the Agency can begin:

- *Ex officio,*
- *At the request of a senior official,*
- *At the request of the official and following the approval by the employing institution,*
- *At the request of the institution, and*
- *On basis of reporting by another person or on basis of anonymous information.*

In case of based suspicion on existence of a conflict of interest, the Agency shall immediately initiate the procedure to establish whether there is a conflict of interest and its consequences.

If after selection, appointment, or after the confirmation of mandate, the official continues to exercise an activity or a function which in accordance with this law is not compatible with the new function, the Agency shall inform the official and the employing institution that he must either quit this activity or resign from the function within seven (7) days. In case the official continues to exercise activities or

functions that are incompatible in accordance with this law, regardless of warnings by the Agency, the Agency shall request the employing institution to initiate a procedure for dismissing the official.

All decisions issued by the Agency regarding a conflict of interest in discharge of public office and breach of the provisions of this law, including prohibited or restricted acts during the exercise of public functions, the exercise of other activities, incompatibilities in the exercise of public function, shall be respected by officials and relevant institutions. The Agency shall request the body who has issued a decision which is in conflict of interest, to review, revoke and/or annul a legal act issued during conflict of interest. From the moment when the Agency requests review of a decision, every action towards its implementation is suspended until the point when such body decides on the validity of the decision. Agency decisions on conflicts of interest are final in an administrative procedure. Sanctions on violation of obligations provided by the Law on Conflict of Interest are foreseen in Article 23 of the law. **State aid rules** are introduced in Kosovo to ensure transparency, fairness, and compliance with international trade and competition standards. The Law No. 05/L-100 on State Aid defines the principles and procedures, general conditions and authorization rules, monitoring and revocation of state aid. The law establishes an independent State Aid Commission and the State Aid Department under the Ministry of Finance, Labour and Transfers as regulatory bodies. These entities are tasked with assessing state aid proposals, monitoring their implementation and ensuring that aid measures do not unduly distort competition or trade. State aid regulations create a structured framework where the state support to economic activities, in the form of subsidies, tax breaks, or other assistance, is subject to scrutiny and approval. This process ensures that aid measures are necessary, proportionate, and do not harm fair competition or trade relations. The process of completing the necessary legal and institutional framework, as well as strengthening their capacities, is ongoing.

Reform measures on state aid are presented more specifically above under Policy Area 3 Business Environment. Republic of Kosovo aims to have a fully functional state aid system, guaranteeing a level-playing field and preventing distortion of competition.

#### ***External audit and cooperation with OLAF and other EU authorities***

The Law on the Auditor General and the National Audit Office, as highlighted in the 2021 SIGMA PAR Monitoring Report, regulates the independence of the Auditor General and the National Audit Office in accordance with the INTOSAI Framework. However, recent international assessments and strategic documents of the National Audit Office have identified several remaining weaknesses in the institution's ability to undertake performance auditing or auditing based on a risk assessment. Namely, these include the legal obligation to primarily focus on compliance audits, limiting opportunities for other types of audits such as performance audits and audits of Public Enterprises. All these issues have been addressed in the new draft law for the National Audit Office, which has now been included in the Government's legislative agenda. The draft law is in its initial phases whereby only a preliminary first draft has been prepared, nevertheless we expect the draft law to be approved by the Government within 2024.

The separation between implementation, audit and investigation functions in Kosovo is ensured by means of a clear legal and institutional framework. Particularly, Law no.03/L-048 on Public Finance Management and Accountability, the Law no. 05/L-055 on the Auditor General and the National Audit Office and the Law no.06/L-021 on Public Finance Internal Control clearly set forth the duties and responsibilities for each of the functions. The responsibilities and powers of each function are clearly set forth in the specific laws, thus providing for managerial accountability and compliance with the law governing the public finance management and the public administration in general. This clear segregation guarantees each function to operate independently and effectively, thus underpinning the transparency and accountability in the public sector.

The implementation function is managed by the operating units of budget organisation, the external audit function is a responsibility of the National Audit Office, whilst the internal audit is a responsibility of the organisations under the legal framework. The investigation function is a responsibility of the specialised institutions, such as the Prosecutor's Office.

The implementation function is the responsibility of the operating units of budget organisations, which manage daily activities and fund administration in accordance with Law no. 03/L-048 on Public Finance Management and Accountability.

The audit function is performed by the National Audit Office (NAO), which is independent and responsible for assessing the efficiency and compliance of public operations with policies and laws.

Investigations on legal violations and corruption cases fall under the competence of specialised institutions, which are separate from the implementation and audit functions. Investigations are carried out by specialised institutions, such as the Prosecutor's Office and relevant law enforcement agencies, and are separate from implementation and audit functions.

Managerial accountability has been integrated in the budget organisations' structure and emphasised in the respective laws and regulations. According to the legal requirements, managers are obliged to report on the fulfilment of duties and the benefits of activities and to ensure that internal procedures and policies comply with the law.

In general, this system provides for an independent and effective performance of the implementation, audit and investigation functions, thus underpinning the integrity and accountability in the public administration of Kosovo.

As regards the external audit, the National Audit Office (NAO), in line with Law no. 05/L-055 on the Auditor General and the NAO, is responsible for conducting annual regularity audits, by carrying out the examination of the financial statements and main accounts of the auditees. This process includes the review on the reliability of financial reports, compliance with the laws and bylaws and the analysis on the functioning of the financial management system, internal audit and internal control. Moreover, NAO conducts special risk-based audits of the systems as well as performance and compliance audits.

The National Audit Office has a total of 163 employees, of which 111 are certified auditors who are qualified and specialised in auditing, including financial and compliance audits, systems and performance audits. The staff has gained considerable experience in the audit area and is capable of conducting detailed and reliable audits. The necessary financial resources for these institutions are provided through the annual Law on Budget.

It is worth noting that while conducting the external audit an assessment on the provision of the internal audit units with resources and the way they operate is also carried out. These assessments are presented under special chapters in the reports published on the NAO webpage.

The operational independence of the NAO is guaranteed by the Constitution of the Republic of Kosovo and Law no.05/L-055, which clearly defines its mandate and structure, ensuring that NAO operates in an independent and unbiased fashion. This mandate guarantees that audits are performed in accordance with international standards and to the public interest.

The summary of performed audits and controls is maintained through a system established by the National Audit Office (NAO), which ensures the storage of all underlying information necessary for audit trails. NAO conducts annual audits and categorises the recommendations as new, repeated, and partly repeated, for which they make continuous assessments regarding the level of their implementation.

In order to ensure the implementation of recommendations, NAO requires from each budget organisation to prepare an action plan on implementation of recommendations within 30 days of receipt of the final audit report. The recommendations given in the financial and compliance audits of the annual financial statements of budget organisations are followed up on an annual basis, whilst those of performance audits are followed up after two or three years.

Moreover, the Internal Audit Unit (IAU) is obliged to monitor the extent the recommendations have been implemented to and report to the IA-CHU within the Ministry of Finance, Labour and Transfers. This system ensures that all audits and recommendations given therein are continuously tracked and monitored, thus underpinning the independence and effectiveness of the audit process.

The National Audit Office (NAO) handles fraud and corruption issues in accordance with the international auditing standards, including Standard 240. The NAO also has approved and effective procedures to address the risk of fraud, corruption, conflict of interest and double funding.

NAO conducts systematic audits to assess the efficiency and compliance of financial management and control systems in public institutions. These audits help identify potential shortcomings and risks that could lead to fraud or corruption. In addition, NAO conducts detailed audits of support for investments and reforms to ensure that funds are used effectively, efficiently and economically.

The Department for Legal Affairs in Auditing (Anti-Fraud Unit), which is a special function within the NAO, is responsible for examining and confirming cases of suspected fraud during audit work. It reviews information and evidence gathered from audits to determine whether there is reasonable suspicion of fraud. When auditors find elements of fraud or corruption during the audits, they must refer the cases for review by the Anti-Fraud Unit of the NAO. This Unit analyses the audit reports and refers indicative cases of fraud to the State Prosecutor's Office for further legal proceedings.

When elements of fraud or corruption are identified during the audits, the Anti-Fraud Unit of NAO examines these cases and, if necessary, refers them to the State Prosecutor's Office for further legal proceedings. This process ensures that any suspected cases of fraud or corruption are dealt with in accordance with international legislation and standards.

The Anti-Fraud Unit and the audit teams of the NAO are not vested with the power to investigate suspected cases of fraud. Their role is to assess and confirm suspicions rather than conducting in-depth investigations.

In accordance with the international standards and for the purpose of strengthening the rule of law in the Republic of Kosovo, the National Audit Office (NAO) and the Chief State Prosecutor have entered into a cooperation agreement. This agreement sets forth the way of cooperating and coordinating the inter-institutional activities, including the standards procedures for exchanging the information on cases that pursuant to the Criminal Code of the Republic of Kosovo constitute criminal offences. This cooperation provides for a more effective handling of fraud and corruption cases and contributes to the strengthening of financial management integrity.

All the audit reports are published on the NAO's official webpage, thus providing transparency and access to the public and respective auditees. Meanwhile the IAU may report cases of fraud and corruption to the audit committee and directly to the State Prosecutor's Office.

The 2023 SIGMA peer review has demonstrated that KNAO has been undertaking activities to develop its practices to meet the expectations of the IFPP, and to build an independent and credible institution. However, there are a few gaps and issues that need to be addressed, and there is still significant opportunity to further develop and embed practices within the institution, further development in performance audit practices including follow-up of recommendations, broader quality management policies and processes, further opportunities to be examined for increasing the value and impact of the audit work as well as clarification of the role and functions of KNAO in case of fraud and irregularities and harmonised with the new regulation on the establishment of AFCOs and AFCOs network. WU funding through the Instrument for pre-accession has been agreed.

The legal framework in the context of the EU funding for Kosovo (the Law on ratification of the IPA III framework agreement and the future Facility agreement in the context of the WBFR), provide the legal basis for supervision, control and audit by the European Commission, the European Anti-fraud Office (OLAF) and the European Court of Auditors over the EU funds and underlying systems.

In order to ensure that the Commission, OLAF (European Anti-Fraud Office), ECA (European Court of Audit) and EPPO (European Public Prosecutor's Office) are given full and direct access to data on final recipients, they may access to data for audit and control purposes only in accordance with the established procedures, such as the cooperation agreements. These agreements define the details of access to data for audit and control purposes.

Although the Law on the NAO does not specifically mention the obligation to provide information to the international institutions, the NAO constantly provides for cooperation in accordance with other

laws in force on international agreements and international regulations to maintain a high level of transparency and accountability, and to implement the international engagements applicable to the audit area and investigations.

## **17. COMMUNICATION**

**Objective:** The communication and visibility plan aim is to increase public awareness and understanding of the Growth Plan in overall and specifically Kosovo's Reform Agenda. It will serve as a bridge between citizens and institutions and inform on what is expected of the reforms and its implementation. A roadmap for increased focus on EU related reforms and accelerating socio-economic convergence with the EU, equipped with key messages aligned also with the EU's overall objectives on the Growth Plan.

**Target Audiences:** Main audience are the citizens of Kosovo, which then will be also targeted according to what is of interest for different levels, namely agriculture (for farmers), energy (for citizens and businesses), public administration (for employees of public institutions), business environment (for small, medium and big enterprises). The main aim and messaging will be directed towards is to explain how Kosovo will benefit from the Growth Plan, and how this will be distributed to citizens to impact positively their lives. A clear and careful elaboration of projects and reforms, aims and ways how citizens impacted can benefit and also use it as an opportunity to further push forward dynamic change in our country's European perspective.

**Communication Activities/Channels:** Social media will be an important factor of the communication and visibility strategy, as we use many platforms to approach citizens. Coming recently also from the visa liberalization campaign, we have been able to develop and structure our capacities in this regard. Videos, infographics and many other means will be used in this regard, for a rich and diverse approach of access to information. Media will play a key role to further expand the messaging, from national and private TV's, radios and online media. Through interviews, responses to questions from journalists but also covering and broadcasting events organized regarding the Growth Plan and Kosovo's work in this direction. Planned events shall be roundtables, town hall meetings, conferences, local organizations, meetings and cooperation with different sectors and civil society organizations, over a period of time of initially 1 year.

**Planned budget:** The Office of the Prime Minister has an ongoing framework contract with a private company that will be utilized for content generation and dissemination.

**Selected Key Projects:** The Government of Kosovo will highlight key 5-6 investment projects and 5-10 key reforms within the Reform Agenda that demonstrate its impact on governance, digitalization and economic development, social inclusion, justice reform and environmental sustainability. The plan envisages to provide accessible and engaging materials that explain the objectives, expected outcomes, and timelines of the reforms and investment projects.

**Coordination Arrangements with the Commission:** Direct channels of coordination already exist in the area of communications with the EU Office in Kosovo, but we should enhance collaboration and cooperation between communicators from our office and the Commission. It will be needed for quick and effective exchange of information, coordination of activities, and aligning messaging. Further, based on EU communication and visibility guidelines, another aim is to ensure full transparency and adequacy in communication.

**Monitoring and Evaluation:** Through our social media and sponsored ads for more coverage, we will be able to reach most part of citizens and it will allow us to also have a clear view of the reach, engagement and insights. Also, on the coverage from TV's, radios and online media publications, it will be easier to monitor the viewership and how information is perceived by citizens. Depending on the results and continuity of the communication and visibility plan, further analysis will be made to further evaluate the ongoing process. To sum it up, the evaluation and continuity will be data driven.

By implementing this comprehensive communication and visibility plan, Kosovo aims to increase public awareness and support for the Reform Agenda, highlight the EUs added value as donor and partner for Kosovo's alignment with EU standards and values as well as convergence with EU economy.

## 18. ANNEX 1: STEPS AND PAYMENT CONDITIONS BY POLICY AREA

*For each sub-area:*

- the list of reforms is intended to reflect a prioritisation; they are not intended to encompass all the reforms that are to be undertaken by the WB beneficiary;
- each reform can have one or several indicators, each indicator being accompanied by one or several steps;
- the list of indicators is intended to reflect a prioritisation; it is not intended to encompass all the indicators that are part of the relevant reform(s).



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