



**Republika e Kosovës**  
**Republika Kosova - Republic of Kosovo**  
*Qeveria –Vlada–Government*

# **ECONOMIC REFORM PROGRAMME (ERP) <sup>1</sup>**

**2023-2025**

**Prishtina 2023**

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<sup>1</sup> For any difference between ERP versions, the English language prevails

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## LIST OF ABBREVIATIONS

<b>ADR</b>	Alternative Dispute Resolution	<b>MAFRD</b>	Ministry of Agriculture, Forestry and Rural Development
<b>ALM</b>	Active Labour Market	<b>MCC</b>	Millennium Challenge Corporation
<b>ARDP</b>	Agriculture and Rural Development Programme	<b>MCYS</b>	Ministry of Culture, Youth and Sport
<b>BCI</b>	Business Climate Indicator	<b>MED</b>	Ministry of Economic Development
<b>BEEPS</b>	Business Environment and Enterprise Performance Survey	<b>MESP</b>	Ministry of Environment and Spatial Planning
<b>CBK</b>	Central Bank of Kosovo	<b>MEST</b>	Ministry of Education, Science and Technology
<b>CEFTA</b>	Central European Free Trade Agreement	<b>MLSW</b>	Ministry of Labour and Social Welfare
<b>CMIS</b>	Case Management Information System	<b>MoF</b>	Ministry of Finance
<b>CPI</b>	Consumer Price Index	<b>MOJ</b>	Ministry of Justice
<b>EARK</b>	Employment Agency of the Republic of Kosovo	<b>MSME</b>	Micro, Small and Medium Enterprises
<b>EC</b>	European Commission	<b>MTEF</b>	Medium Term Expenditure Framework
<b>EE</b>	Energy Efficiency	<b>MTI</b>	Ministry of Trade and Industry
<b>EED</b>	Energy Efficiency Directive	<b>NDS</b>	National Development Strategy
<b>EFTA</b>	European Free Trade Association	<b>NEET</b>	Not in Education, Employment, or Training
<b>EMIS</b>	Education Management Information System	<b>NGO</b>	Nongovernmental Organizations
<b>EPC</b>	Engineering, Procurement and Construction	<b>NPISAA</b>	National Programme for Implementation of the SAA
<b>ERA</b>	European Reform Agenda	<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>ERP</b>	Economic Reforms Program	<b>OPEC</b>	Organization of the Petroleum Exporting Countries
<b>EU</b>	European Union	<b>OPM</b>	The Office of the Prime Minister
<b>FDI</b>	Foreign Direct Investment	<b>PFM</b>	Public Finance Management
<b>GDP</b>	Gross Domestic Product	<b>PISA</b>	Programme for International Student Assessment
<b>GoK</b>	Government of Kosovo	<b>PPRC</b>	Public Procurement Regulatory Commission
<b>HBS</b>	Household Budget Survey	<b>REER</b>	Real Effective Exchange Rate
<b>HE</b>	Higher Education	<b>RES</b>	Renewable Energy Sources
<b>HEI</b>	Higher Education Institutions	<b>RDI</b>	Research, Development and Innovation
<b>HEMIS</b>	Higher Education Management Information System	<b>SEED</b>	The South East Europe harmonised qualification of professional Drivers
<b>HHI</b>	Herfindahl- Hirschman Index	<b>SEETO</b>	South East Europe Transport Observatory
<b>IFI</b>	International Financial Institutions	<b>SIDA</b>	Swedish International Development Agency
<b>IMF</b>	International Monetary Fund	<b>SME</b>	Small and Medium Businesses
<b>IPA</b>	The Instrument for Pre-Accession Assistance	<b>SPO</b>	Strategic Planning Office
<b>KAA</b>	Kosovo Accreditation Agency	<b>STIKK</b>	The Kosovo Association of Information and Communication Technology
<b>KB</b>	Kosovo's Budget	<b>TPD</b>	Tourism Product Development
<b>KCA</b>	Kosova Cadastral Agency	<b>TPP</b>	Thermo Power Plant
<b>KEDS</b>	Kosovo Electricity Distribution and Supply	<b>ULC</b>	Unit Labour Costs
<b>KESP</b>	Kosovo Education Strategic Plan	<b>UNDP</b>	United Nations Development Programme
<b>KFCG</b>	Kosovo Fund for Credit Guarantees	<b>USAID</b>	United States Agency for International Development
<b>KIESA</b>	Kosovo Investment and Enterprise Support Agency	<b>VET</b>	Vocational Education Training
<b>LFPR</b>	Labour Force Participation Rate	<b>WB</b>	World Bank
<b>LFS</b>	Labour Force Survey	<b>WTO</b>	World Trade Organization
<b>LMIS</b>	Labour Management Information System		

## 1. OVERALL POLICY FRAMEWORK AND OBJECTIVES

The ERP 2023- 2025 drafting process was led by Ministry of Finance, Labour and Transfers as the National Coordinator, in coordination with the Strategic Planning Office (SPO) in the Prime Minister's Office, and policy area coordinators from line ministries. Coordinators met regularly to discuss the content of the measures, their consistency with related strategic planning documents and with policy guidance received through the Economic and Fiscal Dialogue with the European Commission.

Inter-ministerial working groups met to assure that short-term activities from the draft ERP were included in the National Development Plan 2023-2025 and are consistent with activities planned in the draft SAA National Implementation Plan (SAANIP) and the European Reform Agenda (ERA), as well as with the 2023 Budget. SPO, in cooperation with area coordinators, assured that the majority of measures are directly linked to the National Development Strategy and its implementation Roadmaps.

Considering the current economic structure of Kosovo and numerous obstacles to economic growth, it is necessary to orient the structural reforms aimed at a functioning market economy and boosting competitiveness, which are also reflected as the main fundamentals in the Government Program 2021- 2025.

In this line, the Government remains committed to supporting economic recovery and improving employment prospects. The overall ERP policy framework is a combination of: (1) economic recovery program which aims to tackle the latest overlapping crisis; (2) a rule-based fiscal policy oriented towards stability of public finances and, within the available fiscal space, supporting economic growth through capital investments and increased funding for priority development areas; and (3) a set of priority structural reforms addressing the key obstacles to economic growth, supporting the development of competitive economic sectors, and assuring that economic growth is inclusive and welfare enhancing.

## 2. IMPLEMENTATION OF POLICY GUIDANCE

**[1.A] If needed, use the available fiscal space in the 2022 budget to cushion the potential impact of adverse shocks through targeted support to vulnerable households and firms; [1.B] provided the economic recovery is well entrenched, and as envisaged by the ERP, target in the 2023 budget and medium-term expenditure framework a return to the 2% deficit ceiling of the fiscal rule. [1.C] Ensure proper costing of new pension and social policy initiatives and compliance with the legal ceiling applicable to the public wage bill and spending on war veteran pensions. [1.D] Undertake and publish a review of tax expenditure quantifying the size of the revenue forgone from all exemptions and reduced rates.**

*[1.A]* Kosovo experienced an improvement in the economic situation after the pandemic. However, due to disruptions in the global economy, Kosovo faced high uncertainties and higher prices in 2022. The satisfactory performance of budget revenues and a proper consolidation of budget expenditures, mainly in 2021, allowed the government to build fiscal buffers in order to cushion the potential impact of adverse shocks through targeted support to vulnerable households and firms in 2022. Some measures of the Revival Package of 2021 continued in 2022 as well. In

addition, there were new measures undertaken under the two new packages aiming to tackle the negative consequences of high inflationary pressures. Measures that were active or started in 2022 are as follows:

- Support for the unemployed (6 months) and employed new mothers (3 months), which have already become regular budget lines;
- Permanently increase of the basic pensions in those categories where the basic pension is lower than EUR 100, i.e. basic pension (EUR 90 to 100), pensions for disabled persons (from EUR 75 to 100), and family pensions (from EUR 90 to 100). On top of this, a lump sum of EUR 100 was given to the abovementioned categories twice in 2022 (April and October);
- Doubling the amount for families of the social assistance scheme twice in 2022 (April and September);
- Financial support to NGOs/entities that provide social services (meals or groceries packages);
- Financial support for companies that employ persons with special needs, aiming to enhance vocational trainings for persons with special needs to help them secure jobs;
- Continuation of children allowances, which is now being fully implemented (for children up to 16 years of age);
- Support for students with a lump sum of EUR 100 - twice in 2022 (June and November);
- Support for workers in public and private companies with a lump sum of EUR 100 (April and May);
- Monthly support for the public sector workers with a sum of EUR 50 from September 2022 onwards;
- Monthly support (Sep 2022 – Feb 2023) for the families that save at least 5% in KWh compared to 2021 whereby, subsidising the current month's invoice by double the rate of the saving.

As the increase in employment is the government's main priority, several measures have been undertaken to directly support job seekers, as in the following:

- **Women employment support:** aims to support businesses that have employed women, subsidizing up to 50% of the gross monthly salary for three months, where the subsidy cannot exceed the amount of EUR 170. After 3-months, the support under this measure will continue for another nine months, in the form of subsidizing the pension contribution of employees in the amount of 10% of gross monthly salary, with a EUR 100 cap. This measure was concluded in June 2022. However, due to the success of this measure, the latter was resumed aiming to support businesses that have employed women subsidizing 50% of the gross monthly salary for three months, where the subsidy cannot exceed the amount of EUR 264.
- Employers, who increase wages, benefit the support of 50% of the wage increase for the first three months. This aims to help employees in the private sector mitigate inflationary pressures as well as reduce informality by tackling underreporting of the wages in the private sector.

- **‘Government for Family’ Initiative:** designed to target the families without any employed member. This measure provides support up to 70% of the employee’s wage, with a cap of EUR 300 for companies, which are interested to employ people under this measure.

In addition, business’ investment loans support, which started in 2021 will continue until 2023, i.e. loan subsidy for produces/manufacturers, women’s business and liquidity (up to EUR 400,000)

*[1.B]* In the 2023 Budget Law, a full return to the fiscal rule is projected over the medium- term. More specifically, the budget deficit is expected to reach 2% of GDP in 2023, and to remain within the 2% fiscal rule in the subsequent two years. The fiscal deficit rule of 2% was maintained even in 2022, reaching a surplus of 0.16% of GDP, due to the satisfactory performance of budget revenues and contained expenditure.

*[1.C]* The Law on Salaries in the Public Sector was approved by the Parliament in December 2022 and is expected to enter into force in February. Due to the Law on Salaries in the Public Sector having entered into force after the 2023 Budget Law, it was not possible for the latter to contain the monetary value of the salary coefficient. Thus, the value of the wage coefficient will be set via an upcoming amendment to the 2023 Budget Law, ensuring that the costs will remain within limits set in the Budget Law 2023, which foresees a total allocation of 745.5 million euros. Nonetheless, the 2023 Budget Law foresees an allocation of 65 million Euros in order to accommodate the impact of this new law.

With regard to the costing of new pension and social policy initiatives, the staff of the MFLT has received two technical assistances so far from the World Bank, aiming the handover of the pension model, which would allow the multiyear financial analysis of pension and social schemes under both, baseline and various policy scenarios.

*[1.D]* The Fiscal Policy and Financial Markets department at the MFLT regularly monitors and analyses a subcategory of tax expenses, related to customs duties exemptions for the import of specific products; excise tax exemption for the import of energy sources for productions purposes; and incentives included in the Law on Economic Recovery<sup>2</sup>, such as the reduction of the VAT from 18% to 8% for hotels and restaurants supplies and food services only for year 2020. This is part of the annual Fiscal Report, published on MFLT website.<sup>3</sup> However, a comprehensive analysis on tax expenditure is not yet realized, and its fulfilment in the future depends upon receiving technical assistance from partner IFIs specialized in the field.

**[2.A] Improve the execution of capital spending by implementing the recommendations made under the IMF’s Public Investment Management Assessment. [2.B] Improve the financial oversight and accountability of publicly owned enterprises (POEs) and continue regular quarterly reporting on all POEs. [2.C] Review the options paper on the establishment**

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<sup>2</sup> <https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=35478>

<sup>3</sup> <https://mf.rks-gov.net/desk/inc/media/022E6F73-86CC-4140-825B-58FBE304AC93.pdf>



**of an independent body for fiscal oversight, so that the suggested options ensure operational independence and adequate budgetary safeguards.**

[2.A] MFLT has continued implementing the administrative instruction on selection criteria of capital projects. Most of new capital projects initiatives come from local level and those that do not meet minimal criteria are allocated to ‘reserves’ category and potentially are brought back in the budget once they improve in meeting the minimal criteria. . MFLT has also required from budget organizations to fill in and update required data in the PIP system. In addition, legal requirements are introduced in the budget law regarding capital projects, long term commitments and formation of a single project implementing unit per budget organization regarding projects under the investment clause.

[2.B] The Unit for Policies and POE Monitoring, since 2020, has been reporting on quarterly basis at the Treasury Department in the MFLT with regard to the POE debt data. In addition, quarterly financial reports, according to a previously agreed template, are shared with the Division of Macroeconomic Policies at the MFLT, enabling them to conduct the POE-related fiscal risk analysis. These quarterly financial reports are being published on the website of the MFLT<sup>4</sup>, as stipulated by the EU Macro Financial Assistance and World Bank Development Policy Loan.

[2.C] During the last quarter of 2020 and the first quarter of 2021, MFLT received technical assistance from IMF’s FAD with regard to assessing options to develop independent fiscal oversight in light of Kosovo’s legal and institutional frameworks and available capacity. This options paper is the initial step for the decision and implementation of this institution and it lists actions to be undertaken under the identified options. However, the public finance management system has continuously improved throughout 2021-2022, and as a Government we are committed to continuously add mechanisms that ensure prudent fiscal policies and a long-term sustainability of public finances.

**[3.A] Carefully assess and analyse price developments, publish time series for core inflation and stand ready to use the limited tools available under the chosen monetary framework to ensure price stability. [3.B] Ensure that core areas of the central bank, including financial stability and banking supervision, are adequately staffed. [3.C] Continue to ensure a transparent and accurate reporting of asset quality and adequate provisioning, further reduce remaining obstacles to NPL resolution, and [3.D] continue to reduce data gaps in particular as regards the real estate sector.**

[3.A]CBK regularly publishes on its website the time series of inflation expectations obtained by the quarterly bank lending survey that CBK conducts with commercial banks (although still very short time-series).<sup>5</sup> Since May 2022, CBK has started publishing monthly core inflation data on

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<sup>4</sup> <https://mf.rks-gov.net/page.aspx?id=1,187>

<sup>5</sup> <https://bqk-kos.org/financial-stability/bank-lending-survey/banks-expectations-for-inflation/?lang=en>

its website, under the same thread.<sup>6</sup> The publication will be revised/republished every month, immediately (one day) after the publication of inflation by KAS on their website

[3.B] To ensure the increase in capacities and capabilities for the fulfillment of macroprudential mandate, since September 2022, two additional employees have been recruited in the macroeconomic analysis unit in the Financial Stability and Economic Analysis Department. Regarding the staffing in the Banking Supervision, two new banking examiners are hired by CBK during 2022. CBK considers that the recommendations regarding the adequately staffing in CBK core functions have been implemented.

[3.C] CBK has placed credit risk in the banking sector as a supervisory priority, focusing on the assessment of risk identification, classification and provisioning practices in accordance with the requirements regulations (IFRS 9 as well as the Regulation on non-performing exposures and restructurings). This has been ensured through on-site examinations and off-site monitoring, in which case it has been assessed that the banking sector is in compliance with the regulatory requirements of IFRS 9 and non-performing exposures, in terms of classification and provisioning.

These actions are also reflected in the satisfactory performance of the quality of assets, which are disclosed according to IFRS 9 classifications and adequate provisioning levels, wherein pillar 3 provisions cover non-performing loans by 72%.

[3.D] Related to the house price index, the responsibility for the compilation of the index remains exclusively with Kosovo Agency of Statistics, as the official institution mandated for compiling the country's statistics. Representatives from KAS are undertaking efforts to develop this index.

**[4.A] Adopt a coherent long-term energy and climate strategy for lowering carbon emissions, including plans for a phase-out of coal and fossil fuels subsidies as committed under the Sofia Declaration. [4.B] In line with the commitments of the Green Agenda for the Western Balkans: increase energy efficiency incentives for the private sector and households and [4.C] improve the support schemes for renewable energy projects with the introduction of competitive bidding/auctions; [4.D] Adopt an action plan for the gradual adjustment of energy tariffs reflecting actual costs and providing mitigation measures for vulnerable consumers, and implement the plan to liberalise the retail energy market.**

[4.A] In June 2022, the Draft Energy Strategy 2022-2031 was published on the Public Consultation Platform, which was followed by public meetings in seven regional centers of Kosovo and public discussion with donors. All comments received from the public consultation process have been addressed in the Final Draft, approved by the Government in December 2022, and the same is expected to be adopted in the Assembly. This Strategy is a comprehensive sectorial document in the energy field, and represents a new planning approach to address current challenges and setting of a foundation for a future of Country's energy sector, which will provide security of electricity supply, clean energy, energy efficiency, and active participation of citizens and support

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<sup>6</sup> <https://bqk-kos.org/financial-stability/bank-lending-survey/time-series-of-core-inflation/?lang=en>

for vulnerable groups. Also, it aims to integrate Kosovo into the regional and pan-European market.

Moreover, the draft for the Energy Strategy Implementation Program (ESIP) 2022-2024 has been prepared. After the adoption of the Energy Strategy 2022-2031 by the Assembly, the ESIP Draft will go through a preliminary and public discussion before adoption in the Government.

Based on the decision of the EC Ministerial Council (November 2021), the drafting of the National Energy and Climate Plan (NECP) is expected to commence in Q1 2023, whereas the Final Draft will be completed in Q2 2024. The process of drafting the NECP will be grounded on the revision of the existing draft, with the aim of the first draft being prepared and forwarded to the Energy Community Secretariat in June 2023, according to the new mandatory requirements, whereas the Final Draft in June 2024. During this reporting period through the technical assistance of the German Economic Team, the review of the basic scenario within the modeling process has begun.

*[4.B]* Within the framework of increasing incentives for energy efficiency, a number of measures have been undertaken:

- Subsidy of 6 million Euros for 10,000 households to buy high-efficiency heating equipment with direct impact on: (i) reducing the demand for energy/electricity, and (ii) increasing consumer awareness of the need on saving the energy in preparation for the winter season. The subsidy was applicable to biomass furnaces; thermal pumps; efficient air conditioners; and individual efficient biomass stoves.
- The Project for the Implementation of Energy Efficiency Measures and Renewable Resources in public facilities at the central level, financed by the World Bank Loan. These measures are expected to contribute to energy savings of 3,197,011 kWh/year.
- Project ‘Subsidies for Energy Efficiency in Kosovo’ of Millennium Foundation Kosovo, amounted to 20.6 million dollars, which provides essential support in order to strengthen the efforts of the Government of Kosovo in (i) reducing domestic consumption despite the decrease of energy costs in the residential sector, and (ii) supporting the acquisition and increasing the competitiveness of the energy services market in Kosovo.
- Monthly support (Sep 2022 – Feb 2023) for the families that save at least 5% in kWh compared to 2021 by subsidising the current month’s invoice by double the rate of the saving.

The Draft Law on Renewable Energy is expected to be published in the Platform of Public Consultation, according to legal procedures. There is ongoing work on drafting the necessary documentation for the announcement of the first auction for RES (Renewable Energy Sources). In this regard, preparations are made to secure the land that will be used for the development of the project with a capacity of 100 MW from solar energy. With the support of the EU Office, a study was conducted to identify suitable public lands for the development of RES, solar energy and wind energy projects, based on its strategic objectives.

*[4.C]* As it has been highlighted in previous ERO reports, the tariffs reflect the costs of each activity and the retail tariffs reflect the general costs of electricity supply. Regarding end- user tariffs, since

2014, ERO has made the necessary changes in order to reflect the supply costs for each tariff group. In the annual review of electricity tariffs, the discount was applied only to non-household customers (commercial and industrial ones) by about 8% in 2016, 3.5% in 2017 and, 5% in 2018. In the last tariff review (2021), ERO revised the tariff structure for household consumers in order to address demand management and reflection of the electricity supply costs.

Despite these actions, since 2017 all consumers are entitled to be supplied under market conditions. This enables consumers to choose their offers based on competitive conditions. Consumers under the category of social cases are currently supported by a direct payment scheme to partly cover the energy cost, whereas the Fund for Vulnerable Consumers will be established in 2023.

[4.D] The electricity market in Kosovo is continuously developing and is inextricably linked with the regional market and beyond. It began gradual liberalization in 2017 with the issuance of the guide for the liberalization of the electricity market in Kosovo by ERO. The wholesale electricity market faces the lack of a day-ahead or intraday market, thus, wholesale electricity trading is mainly carried out through bilateral contracts between the producers and suppliers (traders). To meet the local demand with the right of the Universal Service Supply and to cover system losses, as well as for consumers with deregulated prices, a part of the electricity is imported through bilateral contracts in free market and/or regional organized day-ahead or intraday markets (through traders). The price deregulation for end consumers, according to the Guide for the Liberalization of the Electricity Market in Kosovo, continues to be done gradually, where consumers connected to the 220 kV and 110 kV voltage network are already supplied with deregulated prices. In order to facilitate the market liberalization process, ERO will offer a price comparison tool, accessible to all consumers, in electronic form. This price comparison tool enables consumers to compare suppliers' offers based on their consumption parameters at any time.

**[5.A] Update the action plan of the 2019–2023 National Strategy for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes, and ensure its implementation. [5.B] Improve the business environment through measures to simplify, merge, abolish and digitise licenses and permits with an aim to reduce the barriers to formalisation of employment and businesses and [5.C] continue to address tax evasion in identified high-risk sectors in line with the strategy and the action plan, which should be updated based on sector risk assessments and tax gap analysis. [5.D] With an aim to prevent evasion of property income tax, improve transparency by publishing all sales prices of real estate property**

[5.A] The new Action Plan 2022- 2023 of the National Strategy for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2019-2023, has been approved by the Government in late October 2022. In December the semi-annual report January-June 2022 on the implementation of the abovementioned National Strategy of Informal Economy has been published on the MFLT website. In the beginning of 2023, the Secretariat will also begin working on the new above-mentioned National Strategy.

[5.B] To reduce costs and administrative burden for smaller companies with limited access to legal expertise, MFLT has published 3 types of work contracts, which aim at increasing employee registration. Furthermore, the Tax Administration of Kosovo has enabled an online form which allows the employees to identify whether their employer included them on the list of the payroll<sup>7</sup>. Moreover, regarding the business environment the following measures have been undertaken:

- a. The law on inspections was approved in the parliament and published on 18.01.2022.
- b. The company selection for the development of the digital inspection platform is in process.
- c. On 04.07.2022, the Concept Document for Beneficial Owners was approved. Drafting of the Law is in process.
- d. On 26.10.2022, the Concept Document for the business organizations has been approved.

Additionally, the Action Plan includes several core activities with the aim of the reduction of barriers to formalization of employment and businesses such as conducting information campaigns (through official channels, social networks and joint activities with social partners) for the broader public regarding the consequences of the informal economy.

[5.C] Institutions have continued to address tax evasion in identified high-risk sectors in line with the National Strategy and its Action Plan. To address this issue, Kosovo Customs and Tax Administration of Kosovo have functionalized a group for handling goods with a high risk of tax evasion, in addition, an increasing number of visits and audits has been carried out by TAK as well as an increasing number of businesses have been equipped with fiscal cash registers while Financial Intelligence Unit has prioritized the assessment of the high risk sectors A draft report on the assessment of the tax gap has been prepared by the WB.

[5.D] The MFLT publishes data regarding the mass evaluation of immovable properties for the purpose of taxation on a rolling schema of 3 years. A memorandum of cooperation between FIU and the Department of Property Tax from the MFLT has been established aiming to increase cooperation and coordination, as well as the exchange of information regarding the prevention and detection of money laundering and other related criminal offenses and the fight of financing terrorism. In addition, in order to prevent property income tax evasion and improve transparency by publishing all sales prices of real estate property, a memorandum of cooperation, between the Ministry of Justice and TAK, should be established to provide data exchange from notaries on transaction in real estate.

**[6.A] Thoroughly apply existing quality assurance mechanisms at all levels of education through increased school inspections, including training of inspectors, and effectiveness of quality coordinators, as well as monitoring and follow up procedures of higher education institutions and their study programmes by the Accreditation Agency. [6.B] Narrow the skills mismatch gap by upgrading and using existing skills needs monitoring and forecast**

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<sup>7</sup> <https://apps.atk-ks.org/regemployer>

**mechanisms as well as by increased cooperation with social partners and businesses for an informed planning of initial and continuous vocational education and training, curriculum development and adequate active labour market measures. [6.C] Finalise, in co-operation with all relevant ministries, their agencies and stakeholders, a Youth Guarantee Implementation Plan, adopt it and initiate its implementation.**

*[6.A]* The draft law for KAA (Kosovo Accreditation Agency) has been approved in the first reading by the Assembly of Kosovo, in 2022 and is expected to be approved in the second reading in the beginning of 2023. The KAA will be strengthened through drafting of legal acts, defining its responsibilities and guaranteeing its independent status. With the approval of the law, KAA will expand its activity in the field of quality assurance, in accordance with the Monitoring Methodology and post-accreditation procedures. The Monitoring Process will be carried out by KAA officials, while the process of post-accreditation procedures will be carried out by international experts. Meanwhile, the support of MESTI in the process of revising programs of higher education is expected to address the gap between the labor market needs and supply of skills. MESTI has applied a series of quality assurance mechanisms at all levels of education by increasing the number of inspectors. During 2022, MESTI opened a competition for the admission of twenty new inspectors, who are expected to be recruited during January and February 2023, and will undergo continuous training to increase their professional capacities. By 2025, the number of inspectors is expected to reach to ninety.

*[6.B]* The Ministry has established the working group, which is currently finalizing the labour market analysis as a key step in evidence based policy-making. The narrowing of the skills mismatch in the labour market will be the key goal of the Strategy on Employment and the Labour Market. A working group is formed for restructuring the Employment Agency to improve the functionality of the institution and to provide adequate employment services and active labour market measures with particular focus on vocational education. To this end, the Ministry has also created the working group for the Concept Document in the field of Employment, which will address the regulative aspect of employment. Furthermore, the Employment Agency is in the final phases of drafting the manual on the voucher scheme aiming to outsource vocational training to private entities on professions not provided by the Agency.

*[6.C]* The Youth Guarantee Implementation Plan has been approved by the Inter-Ministerial Committee as well as the Government, while piloting is expected to start during 2023.

### 3. MACROECONOMIC FRAMEWORK

#### 3.1. External Economic Environment

Russia's invasion of Ukraine and the pandemic COVID-19 are the two major events that continue to affect the global economy to a large extent. The main effects of these developments on the global economy include the slowdown of economic growth, a record level of inflation, the disruption of the supply chain, and high uncertainty.

The war is affecting the global economies by causing an increase in prices, especially in the sector of energy and food. The price of gas in Europe has been increasing drastically since Russia cut its deliveries to a large extent. Moreover, given that both countries in the war are big exporters of agriculture products, the price of food has been increasing substantially, which has mostly affected low-income households all over the world.

The COVID-19 pandemic continues to affect the economy of China as they followed a zero-COVID policy until recently, which was manifested with frequent lockdowns. Another development characterizing China is the weakening of the property sector which represents around 20% of its economy. These events are expected to affect global trade as well given China's important role in the global supply chain. In the third quarter of 2022, China registered a real economic growth of 3.9%, which is higher than the growth in the second quarter but less than in the first quarter.<sup>8</sup>

The latest projections of the International Monetary Fund (IMF), published in October 2022, suggest that global economic growth, from 6.5% in 2021 will slow down to 3.2% in 2022, and 2.7% in 2023.<sup>9</sup> While advanced economies are expected to grow by 3.2% in 2022 and 2.7% in 2023. Forecasts for emerging and developing economies are that they will grow by 3.7% in 2022 and 2023.

On the other hand, according to the IMF, global inflation will reach the rate of 8.8% in 2022. In the following years, global inflation is expected to be 6.5% in 2023, and 4.1% in 2024. Emerging and developing economies are expected to face higher inflation in the following years compared to advanced economies. Given circumstances, the IMF suggestion to governments is tightening monetary policy as a crucial step in order to avoid de-anchoring inflation. In addition, the IMF suggests that governments should implement a fiscal policy that targets the most vulnerable groups affected by global crises, and it is sufficiently tight to keep the monetary policy on target.

According to the European Commission Autumn Forecast, shown in Figure 1, the presented groups of economies will experience a moderate economic growth in the following years.<sup>10</sup> While the growth ranges from 2.7% to 3.4% in 2022 for the presented groups of economies, in 2023 the

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<sup>8</sup> The figures for economic growth are based on OECD publications for the GDP growth of G20 quarterly (yea-on-year) <https://www.oecd.org/sdd/na/g20-gdp-growth-Q3-2022.pdf>

<sup>9</sup> 'World Economic Outlook 2022 Oct Countering the Cost-of-Living Crisis' International Monetary Fund (IMF) <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>

<sup>10</sup> European Economic Forecast, Autumn 2022 [https://economy-finance.ec.europa.eu/system/files/2022-11/ip187\\_en\\_3.pdf](https://economy-finance.ec.europa.eu/system/files/2022-11/ip187_en_3.pdf)

variations of growth is expected to be higher. More specifically, European Union and Euro Area are expected to slightly grow in 2023 with a rate of 0.3%. On the other hand, the World Economy (2.5%) and emerging and developing countries (3.8%) are expected to grow with a higher rate compared to EU and Euro area in 2023; similar trends will be followed in 2024 as well.

Figure 1. Forecast for economic growth

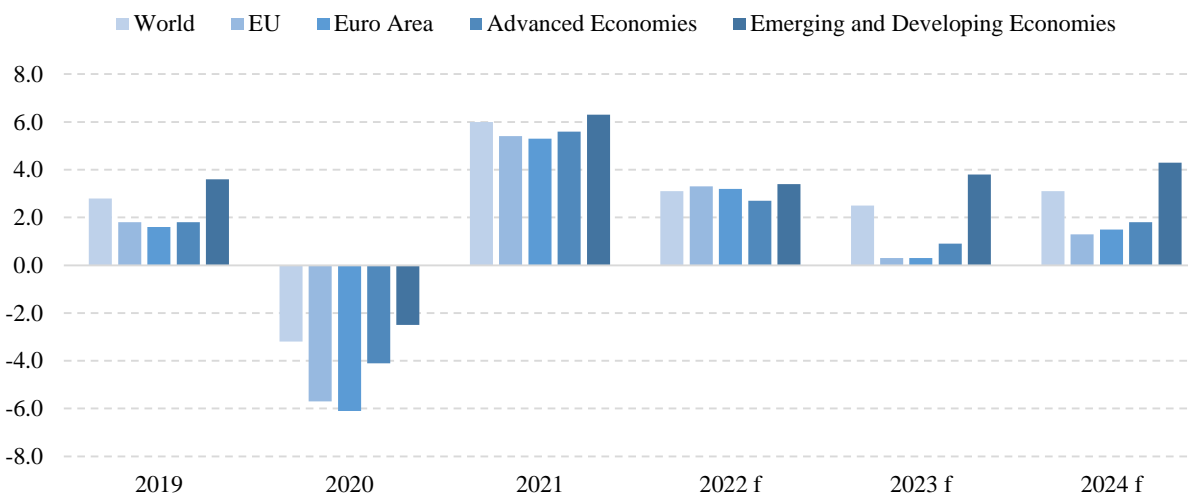


Table 1 provides information about the change of indices of several items in percentage during the period 2018-2022.<sup>11</sup> Over the past two years the price index has been increasing for all of items shown in the table. A considerable increase of prices is observed in categories of energy, natural gas, and fertilizers.

Table 1. Change of price indices over the years for several items

y-o-y percentage change	2018	2019	2020	2021	2022
<i>Energy</i>	28.8%	-12.4%	-32.7%	81.0%	60.0%
<i>Food</i>	0.3%	-3.8%	7.1%	30.8%	17.9%
<i>Fertilizers</i>	11.1%	-1.4%	-10.1%	80.5%	62.6%
<i>Base Metals</i>	6.6%	-9.9%	-1.8%	46.8%	4.0%
<i>Natural Gas</i>	19.1%	-25.5%	-25.6%	187.2%	115.4%

## 3.2. Recent Economic Developments in Kosovo and Outlook for 2022

### 3.2.1 Real Sector

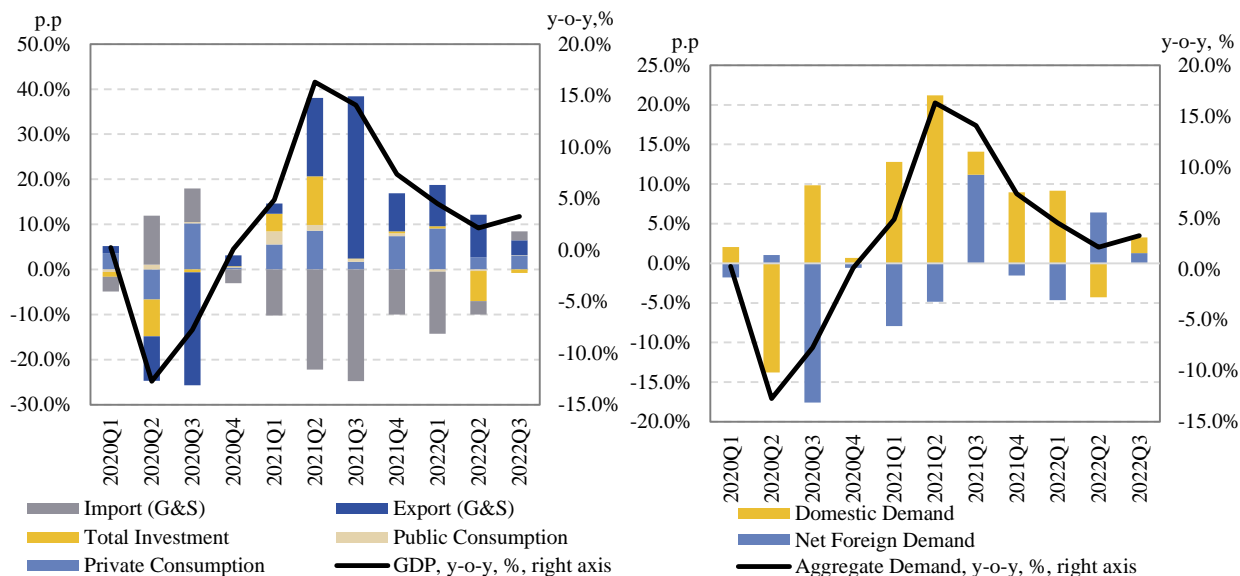
After a double-digit growth of 10.8% in the preceding year, preliminary data from KAS on national accounts show a real annual growth of 3.2% of Gross Domestic Product for the period January-September 2022. The real annual growth in the first quarter was 4.5% followed by a slower growth rate of 2.1% and 3.3% in the consecutive two quarters (Q2 and Q3,

<sup>11</sup> The calculations shown in this table were conducted using data of World Bank for Commodity Markets



respectively). This was partly in line with initial expectations for a more modest growth rate during this year, mainly because of the base effect from the last year especially in the second and third quarter of 2021, amplified by the easing of restrictive measures taken in the context of the Covid-19 pandemic. In spite of this, the magnitude of economic growth in 2022 has been lower than the initial expectations of the MFLT, mainly as a result of global inflationary pressures and external economic developments, triggered by the continuing war in Ukraine.

**Figure 2. GDP real growth(%) and key contributors(p.p) Figure 3. Domestic and Foreign Demand contribution on Aggregate Demand**



**In terms of aggregate demand, economic growth reflected the expansion of private consumption and net export, while investments fluctuated in the negative territory.**

Based on KAS preliminary data on national accounts, for three quarters of 2022 **total consumption** increased by 4.6% in real terms. Private consumption increased by about 5.8%, while public consumption had a negative growth rate of 1.9%. The increase of private consumption was driven by numerous government measures undertaken within the fiscal package ‘Economic Revival Package’; the increase in compensation of employees by 16.3% (y-o-y) and the increase in remittances by 5.0% (y-o-y), while the new loans for consumer purposes decreased by 2.5% (y-o-y). Despite the continued positive growth rate throughout the year, the contribution of private consumption to GDP growth decelerated from the second quarter of 2022 onwards, due to the sharp increase of consumer prices, which negatively affected consumers’ purchasing power. **Total investment** (private and public) for the first three quarters of 2022 decreased by 6.7% in real terms, mainly because of significantly higher prices, especially for goods used in construction, which impacted the dynamics of public investment execution. As a result of development in consumption and investment, **domestic demand** had a significant positive contribution on GDP growth for the first two quarters of 2022, but declining in the third quarter mostly due to base effect. The **trade**

**deficit (foreign demand)** during the reported period shrank by 4.6%, driven by the satisfactory performance of export of goods, with a contribution of 1.78 p.p.

**In sectorial terms, economic growth during the first three quarters of 2022 reflected the simultaneous expansion mainly of trade (wholesale and retail), followed by manufacturing and transport, while the construction sector contracted.**

**Table 2. Leading and Coincidence Indicators for Aggregate Demand Components**

<b>Indicator*</b>	<i>Proxy Variable</i>	<i>Indicator Type</i>	<b>2019 (Avg.)</b>	<b>2020 (Avg.)</b>	<b>2021 (Avg.)</b>	<b>2022* (Avg.)</b>
Energy Consumption	<i>Total Consumption</i>	<i>Coincidence</i>	9.4%	1.5%	14.1%	-2.5%
Imports of Services	-	<i>Coincidence</i>	6.1%	-19.5%	44.4%	34.6%
Exports of Services	-	<i>Coincidence</i>	7.3%	-40.6%	91.6%	32.6%
Foreign Direct Investment	<i>Private Investment</i>	<i>Coincidence</i>	-6.4%	35.8%	21.7%	46.6%
Turnover (TAK)	<i>Private Consumption and Investment</i>	<i>Coincidence</i>	7.1%	-15.9%	51.6%	22.2%
Import of consumer goods	<i>Private Consumption</i>	<i>Leading</i>	5.6%	-2.9%	29.8%	16.4%
Imports of Capital Goods	<i>Investment</i>	<i>Leading</i>	3.7%	0.0%	33.7%	7.8%
Remittance Inflows	<i>Private Consumption</i>	<i>Leading</i>	6.4%	15.1%	17.7%	5.4%
VAT Collection	<i>Total Consumption</i>	<i>Leading</i>	5.8%	-8.9%	34.8%	17.5%
Government Consumption	<i>Total Consumption</i>	<i>Coincidence</i>	9.9%	18.8%	0.5%	13.0%
Government Investment	<i>Investment</i>	<i>Coincidence</i>	0.2%	-28.5%	10.6%	-0.1%
Total Import of goods (CBK & Customs)		<i>Coincidence</i>	3.8%	-5.7%	41.7%	29.7%
Total Export of goods (CBK & Customs)		<i>Coincidence</i>	4.4%	20.8%	58.4%	15.5%
New consumer loans	<i>Private Consumption</i>	<i>Leading</i>	-4.1%	-4.0%	40.3%	-6.3%
New investment loans	<i>Private Investment</i>	<i>Leading</i>	0.9%	13.4%	-6.2%	8.9%

*Note:* \*For 2022:

Data for energy consumption cover the period January-September;

Imports and exports of services and Foreign Direct Investment covers the period January-October;

Data on Turnover (TAK), import of consumer or capital goods and remittances cover the period January-November;

Data on fiscal indicators (VAT collection and government consumption and investment), total import and export of goods and new loans cover the period January-December;

According to the MFLT estimates, the growth rate for 2022 is expected to be 4.1% in real terms. Such estimation presents a downward revision from the initial forecasts, especially when considering the momentum gained after Covid-19 recovery in 2021, mainly due to negative consequences of the persisting war in Ukraine via high inflationary pressures, which are affecting all sectors of the economy.

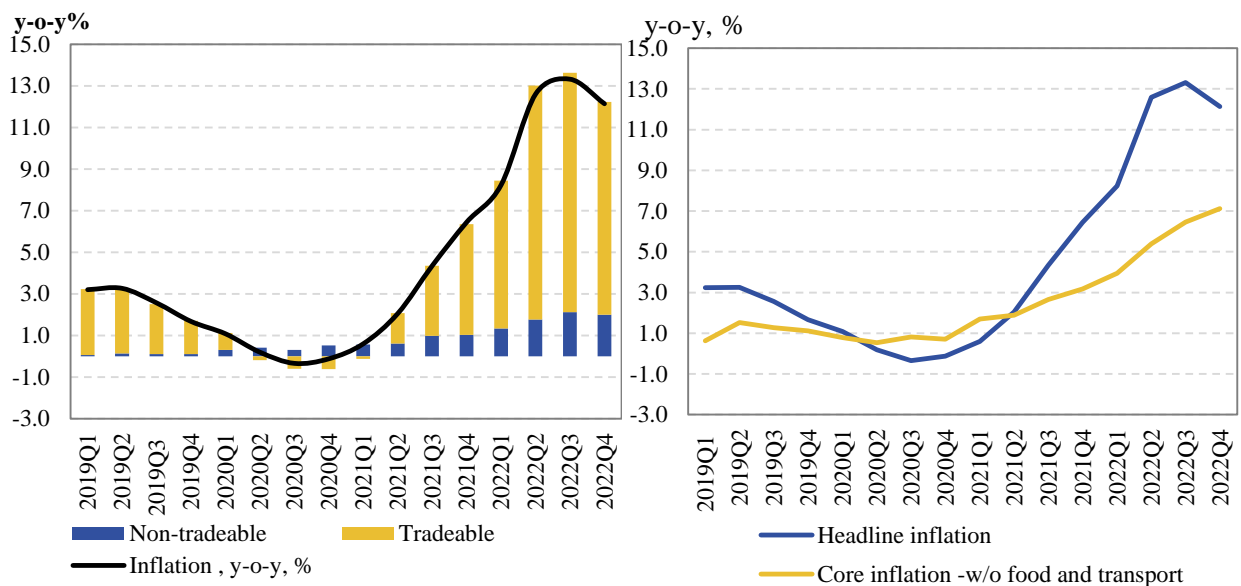
**Consumer price inflation** increased substantially in 2022, reaching an average of 11.6%. Inflation had an increasing trend starting from 7.1% in January, peaking in July with 14.2% which is the

highest level during the period, for which data for inflation are available. This increase is a reflection of the increase in ‘food’ and ‘transport’ prices, whose developments are very much determined by the global fluctuations of food, energy and oil prices. The contribution of the ‘food’ category to headline inflation was 6.2 p.p. and the contribution of ‘transport’ was 2.4 p.p.

Such inflation rates reflect global developments such as imbalances between supply and demand in the post-pandemic period, the energy crisis started in the last months of 2021 and prolonged in 2022, as a result of the war in Ukraine.

It is important to note that the war also caused the increase of prices in other sectors. The core inflation<sup>12</sup> in 2022, measured excluding the categories "food and non-alcoholic beverages" and "transport", marked an average annual rate of 5.6% during January- December 2022, indicating that inflation is broad-based and reflect foreign and domestic pressures, as well. Likewise, the contribution of tradable inflation to total inflation is significant at around 9.8 p.p., whereas the contribution of non-tradable inflation is 1.8 p.p.

**Figure 4. Contribution of tradable and non-tradable inflation**    **Figure 5. Headline Inflation vs. Core Inflation**



### 3.2.2 Main labour market indicators

Labor market data from KAS is available only up to fourth quarter of 2021. In 2021 the participation rate was 39.3% or 0.5 p.p., which is higher than the previous year rate. The participation rate remains very low for women where 78.0% of women of working age are

<sup>12</sup> The core inflation measures the change in prices of consumer basket products, excluding temporary and transitional volatility, which mainly characterizes the food or energy category.

registered as inactive in labor force. The unemployment rate was 20.7%, which was also more emphasized among women (25.0%).

The sectors with highest employment are trade with 16.8% of total employment, followed by construction with 10.5%, manufacturing with 10.4% and education with 10.1%. Male employment was higher in the sectors of trade, construction, and manufacturing, while female employment was higher in education, trade and healthcare sectors.

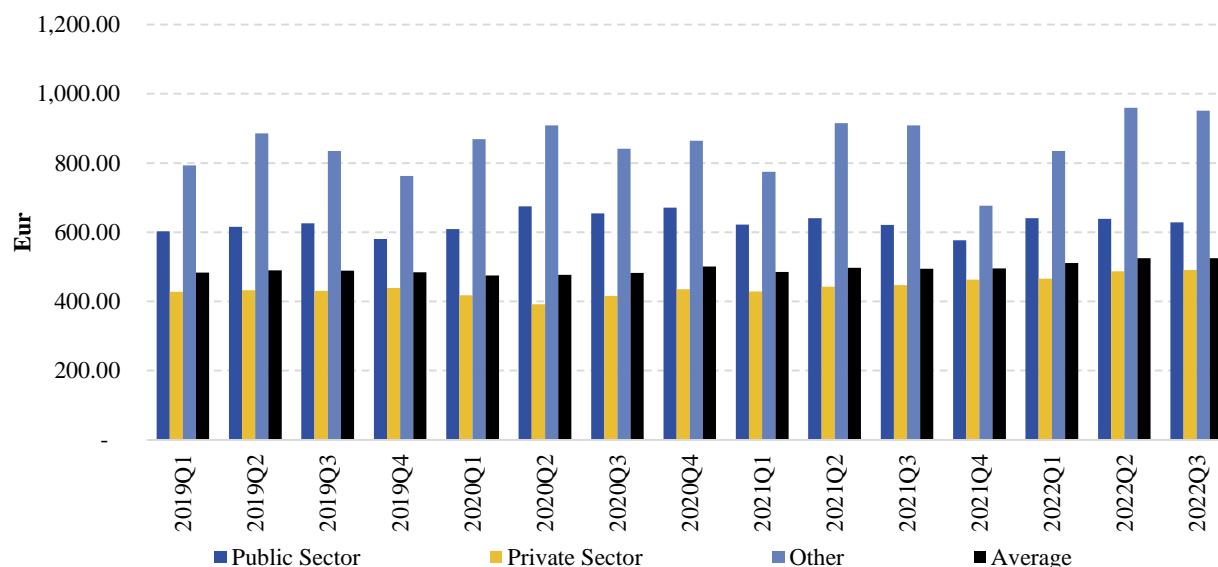
**Table 3. Main labour market indicators**

Indicator	2018	2019	2020	2021
<b>Total population</b>	<b>1,793,467</b>	<b>1,796,376</b>	<b>1,795,666</b>	<b>1,798.187</b>
<i>Female</i>	889,508	892,946	894,972	893.059
<i>Male</i>	903,959	903,430	900,694	905.128
<b>Working age population</b>	<b>1,190,272</b>	<b>1,206,806</b>	<b>1,222,104</b>	<b>1,231,695</b>
<i>Female</i>	590,180	600,929	613,219	618,077
<i>Male</i>	600,092	605,877	608,885	613,618
<b>Labour force</b>	<b>490,103</b>	<b>488,485</b>	<b>468,450</b>	<b>483,465</b>
<i>Female</i>	110,340	126,971	127,686	135,860
<i>Male</i>	379,763	361,514	340,764	347,605
<b>Employed</b>	<b>345,131</b>	<b>363,180</b>	<b>347,071</b>	<b>383,304</b>
<i>Female</i>	73,508	83,242	86,480	101,853
<i>Male</i>	271,623	279,938	260,591	281,451
<b>Labour Force Participation Rate (LFPR)</b>	<b>40.9%</b>	<b>40.5%</b>	<b>38.3%</b>	<b>39.5%</b>
<i>Female</i>	18.4%	21.1%	20.8%	22.7%
<i>Male</i>	63.3%	59.7%	56.0%	56.6%
<b>Employment Rate</b>	<b>28.8%</b>	<b>30.1%</b>	<b>28.4%</b>	<b>31.1%</b>
<i>Female</i>	12.3%	13.9%	14.1%	16.5%
<i>Male</i>	45.3%	46.2%	42.8%	45.9%
<b>Unemployment Rate</b>	<b>29.6%</b>	<b>25.7%</b>	<b>25.9%</b>	<b>20.7%</b>
<i>Female</i>	33.4%	34.4%	32.3%	25.0%
<i>Male</i>	28.5%	22.6%	23.5%	19.0%

Source: KAS Labour Force Survey annual and quarterly publications

To provide additional insights into labor market developments, and to provide an overview of labor market developments in 2022 (up to Q3), the administrative data from TAK (Tax Administration of Kosovo) are used, since the data published by the KAS Labor Force Survey are limited only to 2021. The data from TAK show a moderate increase in formal employment of 4.0%, which is in line with main developments in the economic activity.

**Figure 6. Gross average wages TAK, in Euro**



The average gross monthly wage increased by 5.7% during the period Q1-Q3 of 2022 compared to the same period of the previous year. Wages in private sector increased by 9.4%, which can be primarily attributed to inflationary pressures as well as to government measures, supporting private sector employment, which included support for companies that increase wages. Meanwhile, the increase in public sector average wage was 1.3%. It is worth noting that the available data on wages obtained from TAK do not allow for a deeper analysis which considers changes in skill sets, offsetting private sector performance or potential under-reporting of earnings in the private sector.

### 3.3. Medium-term macroeconomic scenario

#### 3.3.1. Real sector projections

**Following moderate growth during 2022, the economy of Kosovo in 2023 is expected to grow at a faster pace, estimated at around 5.5% in real terms and 9.9% in nominal terms.**

The main contribution to economic growth in 2023 is expected to come from *public investment*. During this year, public investment is expected to have a faster execution dynamics not only as a result of new planned projects but also due to the functionalization of the Procurement Review Body board in the second half of 2022 (after an absence of about a year), as well as the implementation of contracts pending the Law on ‘Public Works Support’, which enables the compensation of the increase in the prices of construction materials and follow-up works, which is expected to enter into force in the last quarter of 2022. Also, *private investment* is expected to accelerate, supported by the reduction of uncertainty in the country, a series of fiscal stimulus policies for the private sector and the improvement of private sector balances. Total investment in 2023 is expected to increase by 1.3% in real terms and have a contribution of 1.2 p.p.

The export of goods and services is expected to continue their positive contribution, but to a lesser extent than in the previous year, mainly due to the base effect but also due to the stabilization of the prices of basic goods in international markets.

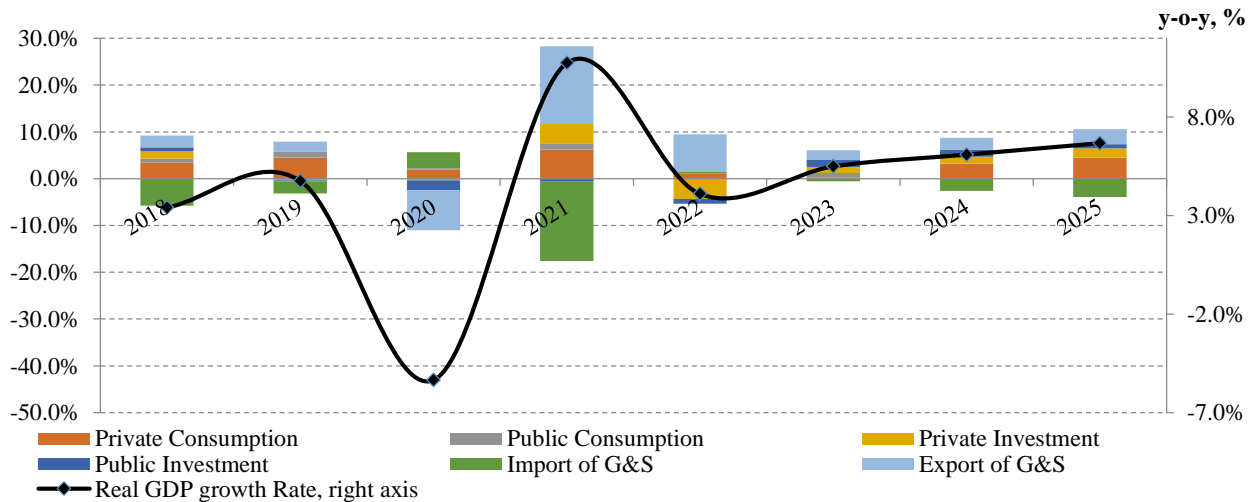
Private consumption is projected to grow by 0.2% and have a contribution of 0.2 p.p. The continuation of the upward trend of bank credit and the implementation of the new Wage Law will continue to support the growth of private consumption in the coming year as well, while remittances might be negatively affected as a result of pessimistic expectations for the economic performance in the host countries of Kosovar emigrants. Similarly, public consumption in real terms is expected to increase by 8.6% with a contribution of 1 p.p, due to higher planned expenditure for both “goods and services” and “wages and salaries”. Total consumption in 2023 in real terms is expected to increase by 1.3% and have a contribution of 1.2 p.p.

Over the next two consecutive years (both in 2024 and 2025), real economic growth is expected to be 6.1% and 6.7% respectively – well above its pre-pandemic historical levels.

In 2023, based on the expectations of commodity prices in international markets, inflation in Kosovo is expected to fluctuate at around 4.2% and in the medium term to stabilize at 1.2%, on average.

However, the underlying inflation and economic growth projection is surrounded by increased risks related to further and pronounced increases in commodities prices in the international market, a stronger economic slowdown in our main trading partners and domestic developments in the energy sector of Kosovo.

Figure 7. Real GDP and main contributors



## **Information Box 1. Differences between actuals and projections, 2021 and 2022**

### **2021 actuals vs. 2021 projections**

According to KAS, the real GDP growth rate for year 2021 is 10.75% while it was projected to fluctuate around 9.7%. Whereas the actual nominal GDP growth rate resulted to be 17.5%, which is higher than the projected growth, at around 12.2%.

The difference between actuals and projected values of GDP in 2021 are mostly due to lower expectations for consumption, investments and exports. Due to increased sizeable government support, the growth of new consumer loans, and remittances inflows, private consumption resulted to be higher than expected. Increase in total investment resulted to be higher than expected due to the increase in private investment driven by foreign direct investment, bank lending, but also the mitigation of restrictive measures. As expected, export of goods and services performed satisfactorily.

The inflation projection for 2021 turned out to be very close to the actual data (3.1% vs. 3.3%).

### **2022 previous projections vs. 2022 updated projections**

For 2022, the forecasted real GDP growth rate is revised upwards to 4.1%, which is around 3.7 p.p lower than the rate projected in the previous ERP submission.. This significant downward revision was primarily because of the high inflationary pressures generated from the war in Ukraine, which started in February 2022, while pandemic-related risks have been gradually subsiding.

Private consumption is expected to increase by 1.3%, which is slightly different from the value in the previous ERP, which foresaw a growth of 1.5%. Total investment is expected to decrease compared to the previous projection, due to lower execution than initially expected in public investment. However, exports of goods have been revised upwards, as a result of a significantly better performance shown during January -October 2022. . Similarly, exports of services are expected to increase significantly (29.3%), given that diaspora visits this year were considerably high. Import of goods and services, on the other hand, are expected to slightly decrease by 0.4% while in the previous ERP, they were projected to increase by 5.0%.

Inflation in 2022 (on average 11.2%) is higher than the inflation forecasted in the previous round of projections (on average 2.5%). This significant difference is mainly attributable to the increase in prices of food, energy and oil in international markets after the escalation of the conflict in Ukraine and heightened geopolitical tensions.

**Table 1. Main differences between actuals and projections for year 2021 and main differences between previous and actual round of projections for year 2022**

Macroeconomic Indicators, <i>annual growth rates in real terms in %, unless otherwise stated</i>	2021 previous ERP projections	2021 actual	2022 previous ERP projections	2022 current ERP projections
Real GDP	9.7	10.7	7.8	4.1
Nominal GDP	12.2	17.5	10.6	12.5
Consumer Price Index	3.4	3.3	2.5	11.2
Private Consumption	6.3	7.3	1.5	1.4
Public Consumption	0.6	9.0	4.5	-0.8
Total Investment	10.5	10.7	20.1	-14.6
Total Exports	72.0	76.8	6.6	24.1
Export of Goods	47.2	51.6	11.4	10.9
Export of Services	83.9	88.8	4.7	29.3
Total Imports	27.6	31.4	5.0	-0.4
Import of Goods	23.8	28.9	5.4	-5.4
Import of Services	46.9	44.3	3.3	24.3

### ***3.3.2. Monetary and exchange rate policy and inflation***

In 1999, Kosovo unilaterally adopted the Deutsche Mark and later (in early 2002) the Euro currency as its official currency. Consequently, the country is restricted in the availability of traditional monetary policy instruments to control inflation developments in its economy or to signal changes in current consumption behaviour towards future consumption. However, this does not mean that the Central Bank of Kosovo (CBK) has no means of influencing the economy.

Firstly, sound implementation of macro-prudential policies can mitigate systemic financial risks and avoid excessive credit accumulation during expansionary periods or excessive credit contracting during recessionary periods, which would help in moderating inflation or real exchange rate fluctuations.

Secondly, the Central Bank strives to promote and maintain a sustainable and efficient financial sector in Kosovo through licensing, regulation and supervision of banks, insurance companies and micro-credit organizations.

Thirdly, the CBK can influence the growth of commercial banks' credit by determining the level of demand for reserves or through other regulations on banking operations. On April 25, 2019 the Board of the Central Bank of the Republic of Kosovo approved the Regulation on the Repurchase of Securities with the Central Bank of the Republic of Kosovo, which authorizes the CBK to carry out credit operations with commercial banks in the country performing the role of securities-backed lender as collateral. This regulation will provide the banks with an alternative to manage liquidity and short-term financing.

Despite monetary policy constraints, over time inflation in Kosovo has been relatively stable, with the exception of year 2022, which is mostly attributed to external developments. In terms of



exchange rate developments, Kosovo is not much exposed to exchange rate fluctuations. This is due to the fact that the majority of trading partners are from the Eurozone countries and a significant portion of other sources of financing are in Euro currency (e.g. bank lending or remittances). During 2022 (January- November), the euro was valued at around 1.4% compared to the currency basket of the leading international trading partners (NEER). This appreciation is mainly due to the appreciation of the Euro against the Turkish Lira (about 71.4%), meanwhile it marked a depreciation against the American Dollar (about 11.4%), and Swiss Franc (about 7.2%). Lastly, the real effective exchange rate appreciated by 5.4% compared to January- November of last year.

### *3.3.3. The external sector and its medium-term sustainability*

#### *3.3.3.1. Current Account*

**The current account balance** during the period January-October 2022 amounted to a deficit of - 629.4 million euros which compared to last year represents a significant widening of the deficit by 40.5%. This is mainly attributed to the widening of the balance of goods deficit, whereas, although services and secondary income had a positive balance their contribution to the current account deficit was modest.

**Export of goods** in 2022 for the period January-October increased by 26.1% compared to the same period of last year. Export of “base metals and articles of base metals” continues to be the biggest category with a share of 23.8% in total exports for the abovementioned period. Similarly, the category of “miscellaneous manufactured articles” and the category of “plastic and rubber” continue to be the second and third biggest categories in the exports’ structure with a share of 19.6% and 13.8%, respectively. Categories that follow are the “mineral products category” with a share of 11.9% of total exports and the category of “prepared food, beverages and tobacco” with a share of 7.1% of total exports. For 2022, export of goods is projected to have an annual increase of around 30.9%.

Diversification is a positive development for an economy such as Kosovo because changes in the primary export mix help build buffers in the economy, and Kosovo should aim to further diversify its export of goods. These buffers will reduce the negative effect stemming from the volatility of world commodity prices and lessen the vulnerability of the economy to adverse external shocks. In addition, diversification can also lead to economic development by progressing towards the export of more sophisticated products.

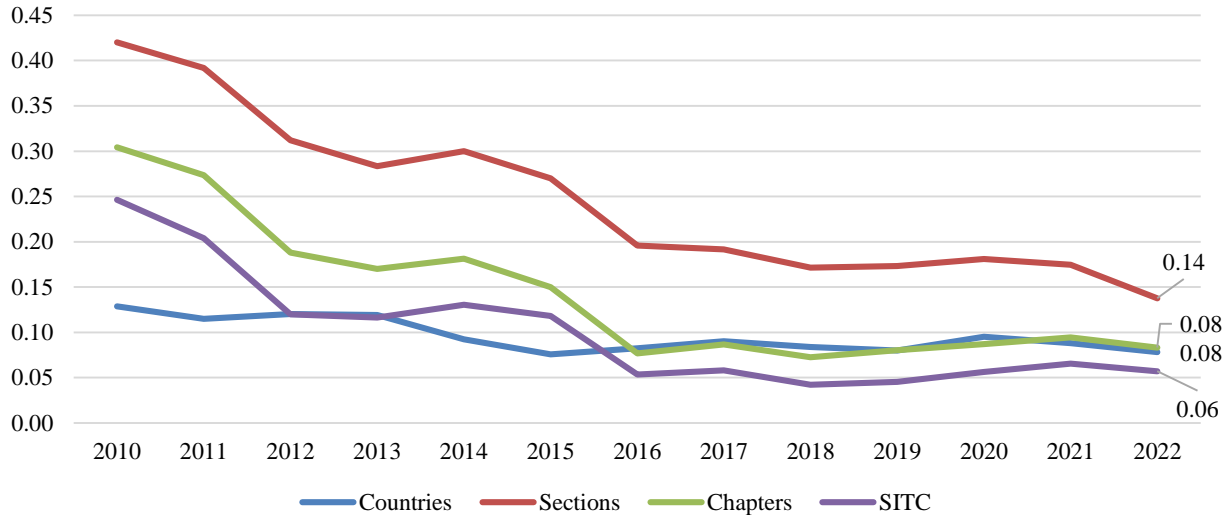
The **Herfindahl-Hirschman Index**<sup>13</sup> has been used to measure export diversification. According to this index, although at a slow pace, in the past few years Kosovo has continued to diversify its exports. In 2022, as expected, the HHI shows an increasing trend of the exports diversification,

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<sup>13</sup> The Herfindahl Hirschman Index is calculated as the sum of squared shares of each product in total export. A country with a perfectly diversified export portfolio will have an index close to zero, whereas a country with a concentrated portfolio will have a value of 1 (least diversified).

especially in terms of sections, which can also be attributed to recent policy measures targeted to incentivizing domestic producers and exporters.

**Figure 8. Herfindahl-Hirschman Index**



**Export of services** for the period January-October 2022, increased by 32.6% in annual terms. This increase is attributed mainly to the export of travel services with a contribution of 21.3 p.p and an annual increase of 26.5%, followed by the “telecommunications, computer, and information services” with an annual increase of 119.8% and a contribution of 5.6 p.p and “transport” services with an annual increase of 59.3% and a contribution of 2.3 p.p. Export of services for 2022 is expected to reach 2,741 mln Euro thereby marking an annual increase of 43.8%.

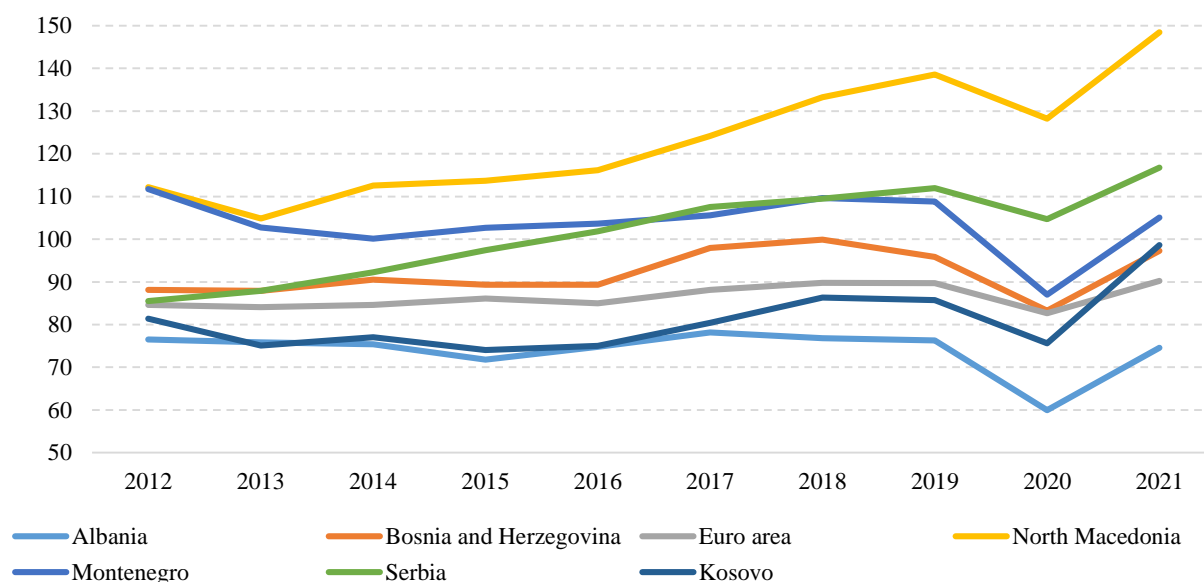
For the period January-October 2022, **import of goods** increased by 23.4%. This increase is mainly attributed to the import of “mineral products” with a contribution of 9.8 p.p or an increase of 74.7%, followed by the category of “base metals and articles of base metals” with a contribution of 2.3 p.p (annual increase of 20.8%) and the category of “prepared food, beverages and tobacco” with a contribution of 2.2 p.p (annual increase of 18.6%). Kosovo continues to import from relatively the same countries and group of countries as in recent years mainly due to the SAA and CEFTA. In 2022, Turkey was the leading country for Kosovo’s imports (14.6% of total imports) followed by Germany and China with 10.6% and 9.8% of total imports respectively. In 2022 import of goods is expected to increase by 21.3% compared to 2021.

**Import of services** for the period of January-October 2022 registered an annual increase of 34.6%. The import of “travel services” had the highest contribution at around 15.1 p.p and an annual increase of 36.1%; followed by that of “transport services” with a contribution of 10.4 p.p or an increase of 44.4%; and the category of “telecommunications, computer, and information services” with a contribution of 3.5 p.p and an annual increase of 66.3%. Import of services in 2022 is expected to experience an increase of 27.0% compared to 2021.

As per the above, for the period January-October 2022 the balance of goods experienced a widening of the deficit by 21.6% while that of services had an annual increase of 31.2% in surplus.

Overall, despite being a small open economy with a liberal trade regime, compared to most neighboring countries Kosovo is characterized by lower **trade openness**<sup>14</sup>, mainly due to the low export base, which represents one of the main structural challenges of the country's economy. As shown in the graph, the COVID-19 pandemic in 2020 halted the increasing trend of the trade openness level in the country. However, the trend gained momentum in 2021, spiking up to well above pre-pandemic levels. This upturn was mainly as a result of the ease of travel restrictions as well as measures undertaken by the government to stimulate exporters and help producers with their investment loans.

**Figure 9. Trade Openness Index**



In the medium term, imports are expected to stabilize, mainly due to lower energy prices. Exports which are expected to continue their positive contribution, but to a lesser extent than in the previous year, mainly due to the base effect. However, the energy crisis that began at the end of 2021 as well as the continuation of the war in Ukraine have produced an uncertain environment for these medium term projections (2023-2025).

<sup>14</sup> The Openness Index is an economic metric calculated as the ratio of country's total trade, the sum of exports plus imports, to the country's gross domestic product. = (Exports + Imports)/(Gross Domestic Product). "The higher the index, the more influence trade has in that country's domestic activity."

**Table 4. Export and Import of goods and services**

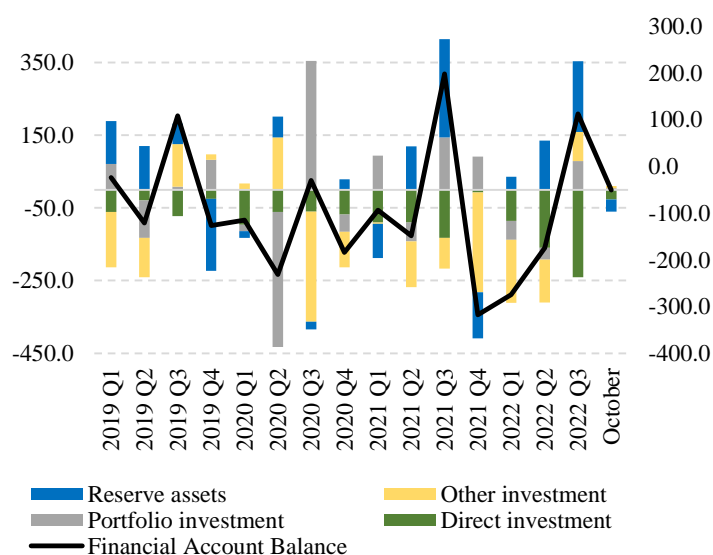
% change, unless stated otherwise	2021 Actuals	2022 Estimation	2023 Projections	2024 Projections	2025 Projections
<b>Exports</b> (nominal in million Euro)	2,659	3,727	4,107	4,483	4,906
<b>Exports</b>	81.0	40.2	10.2	9.2	9.4
-Goods	58.5	30.9	15.0	10.0	10.0
-Services	91.8	43.8	8.5	8.8	9.2
<b>Imports</b> (nominal in million Euro)	5,191	6,347	6,866	7,473	8,114
<b>Imports</b>	42.2	22.3	8.2	8.8	8.3
-Goods	41.7	21.3	7.8	8.6	8.3
-Services	44.7	27.0	10.0	10.0	9.0

The **primary income** balance marked a decrease of 17.1% in annual terms for the period of January-October 2022 with the main contribution attributed to the category of “employee compensation”. For the whole of 2022 primary income balance is expected to register an annual 7.5%, while for the medium term is expected to increase on average by 13.6%.

The **secondary income** balance increased by 11.5% in annual terms which is mainly attributed to the annual increase of remittances by 5.8% and the increase in the category 'financial corporations, non-financial corporations, and NGOs' by 21.0%. The latter increase is due to the improvement of the balance in the category 'financial corporations, non-financial corporations, and NGOs', mainly as a result of the new classification of the export of services in the insurance sector in secondary transfers. Remittances are expected to continue to be a significant financing source for the whole year of 2022. As a result for 2022 the secondary income balance is expected to increase by 10.7% in annual terms and by 5.2% in the medium-term.

### 3.3.3.2. Financial Account

**Figure 10. Financial account components, mln Eur**

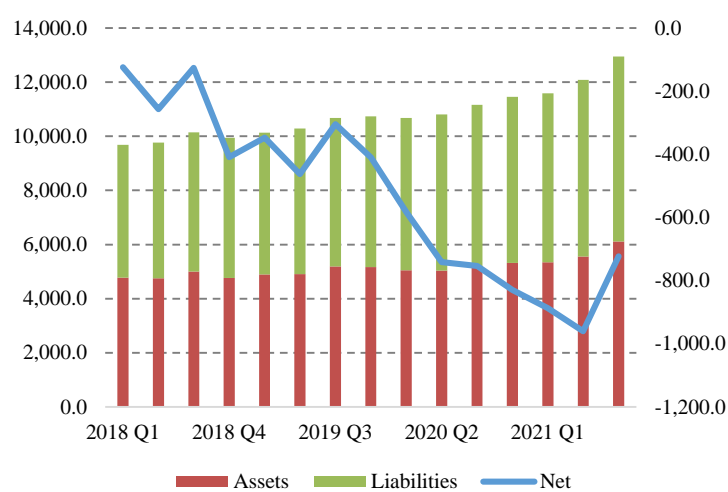


For the period January-October 2022, direct investments abroad increased by EUR 52.3 million marking the highest increase for the country’s investments abroad. By contrast, portfolio investments in foreign assets decreased by EUR 186.5 million while other investments contracted by EUR 13.2 million. In regards to liabilities, both portfolio investments and other investments experienced a decline of EUR 6.4 million and EUR 91.8 million respectively while, direct investments

inflows had a surge, increasing by EUR 206.3 million.

It is worth noting that Foreign Direct Investment continues to comprise the biggest share in financial account liabilities marking an annual increase of 46.6% for 2022. As such, FDI is seen as a sustainable financing source since it has better risk sharing capabilities and it is more amenable to macro stability. During January-October 2022, FDI was mostly directed toward “real estate activities”, accounting for 67.8% of total FDI. This is followed by “financial and insurance activities” placing them as the second largest absorber of FDI amounting to 7.3% of total FDI. This capital inflow into the non-tradable sector (such as real estate and financial and insurance activities) is more prone to creating financial fragility through the balance of payments’ mismatches since such sectors are difficult to generate revenue. However, as FDI makes up for the majority of the financial account liabilities it is non-debt generating and thus less vulnerable.

**Figure 11. Net International Investment Position, mln Eur**



The International Investment Position (IIP) reached -1,392.9 million Euro in the third quarter of 2022. During the first three quarters of 2022, assets were dominated by the category of “other investments” which amounts to around 34.0% of total assets; followed by the category of “portfolio investments” composing 33.9% of total assets; “reserve assets” and “direct investment” accounting for 21.3% and 10.8% respectively. Regarding liabilities, “direct investments”

continues to be the largest category in the composition of liabilities. During the first three quarters of 2022, “direct investments” account for around 66.6% of total liabilities whereas, “other investments” make up for 33.4% for the rest of the countries liabilities.

### 3.4. Financial sector

#### 3.4.1 Overview of the financial sector

Kosovo financial system continued to expand during third quarter of the year, although with a slower pace compared to the same period of 2021, which was a year of strong rebound of economic activity as the economy came out of the pandemic. As of September 2022, financial system assets reached 9.45 billion of euros, an annual increase of 10.0% (compare to 12.1% increase in the previous period), mainly attributable to the banking sector as well as pension funds. Other sectors contributed to the growth of overall system’s assets, but due to small share, their impact was trivial. Commercial banks are the largest players in the system, comprising 68.3% of the market, followed by pension funds with 24.6%. Microfinancial institutions comprise just 4.1% of the system,

followed by insurance companies with 2.8% and financial auxiliaries with just 0.3%. Financial intermediation has expanded gradually standing at 106.5% (107.9% in September 2021), a decline mainly attributed to higher growth rate of financial systems assets compared with growth of overall economic activity during 2022. The banking sector continues to be dominated by foreign banks that comprise 85.2% of banking sector assets. Market concentration has continued to decline gradually. As of September 2022, CR3 was 52.4%, (54.7% in September 2021, and 61.3% in September 2017). But in terms of CR5, the decline in market concentration is to a lesser degree, at 78.8% in September 2022 compared to 80.1% in September 2021 and 83.7% in 2017. In addition, market concentration measured by Herfindahl- Hirschman Index, stood at 1403 points, 44 points lower than in September 2021 (in September 2017 HHI was 1625 points).

Banking sector assets reached 6.48 billion euro as of November 2022, which is around 72.7% of GDP. The sector's financial intermediation has continued to expand in recent years in terms of lending portfolio, comprising 48.6% of GDP (46.4% in November 2021 and 42.7% November 2019). The increase in financial intermediation is also as a result of increased competition within banking sector, which has contributed to easier access to credit for both households and non-financial corporations. **Lending activity** was characterized by a higher growth compared to previous years. As of November 2022, lending amounted to 4.31 billion euros with an annual increase of 16.5%, compared to the average growth of the past two years being 10.8% (and 10.2% increase in pre-pandemic year). Until November 2022 new loans increased by 8.2%, reaching a value of 1.74 billion of euro, mostly as a result of growth of new loans toward non-financial corporations (13.2% increase), while new loans for households grew only by 2.1%. An increase of new loans towards household was impacted by new mortgage loans with an annual increase of 11.2% (or 19.6 million euro increase), whereas new consumption loans decreased by 6.2% (or by 30.2 million euro). According to the Bank Lending Survey for third quarter 2022<sup>15</sup>, an accelerated growth of lending was largely influenced by credit demand, as credit supply has tightened to some extent. Lending to non-financial corporation during the third quarter was determined by credit demand, reflecting the increased need for companies to cover higher input costs. For households, the need for financing consumption to cover increased costs of living was a factor that may have contributed positively to the demand for loans, while the adverse outlook for real estate market dynamics was a factor that contributed negatively to the credit demand in the third quarter.

Moreover, for the fourth quarter of 2022, banks are expecting that the demand for loans will increase, while credit supply will remain mostly unchanged.

**Deposits**, which are a reliable and stable source of funding banking activities, in the second half of the year continued to grow at a double-digit rate, after a slowdown recorded during the second quarter. By November 2022, the growth rate of deposits was 13.7% (12.8% in November 2021 and 15.9% in November 2019), reaching the value of 5.3 billion euro (4.67 billion-euro November 2021). Household deposits, which represent the largest category of deposits, marked an increase

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<sup>15</sup> [AKB nr.-13.pdf \(bqk-kos.org\)](#), [Anketa e Kreditimit Bankar | Banka Qendrore e Republikës së Kosovës \(bqk-kos.org\)](#)

of 10.0%, compared to the average increase of the past two years being 12.8%. Nonfinancial corporation's deposits increased by 21.4%, compared to the average increase of 14.3% in the past two years. Furthermore, other financial corporation's deposits, which are mainly pension sector deposits, increased by 32.9% as of November 2022, followed by a decrease of 33.1% last year and an increase by 7.2% in November 2020.

Market dynamics associated with high inflationary pressures brought about the surge in global interest rates, as central banks in many countries moved towards tightening monetary policies. This has also affected **domestic interest rates**, through financing costs channels by foreign owned banks. As of November 2022, interest rate for loans increased to 6.3% (5.8% in March 2022). Interest rates were slightly more favorable in the household segment, standing at 6.2%, compared to those for enterprises standing at 6.3%. The interest rate on deposits has also increased, reaching 1.9% in November 2022, from 1.2% in March 2022. This might indicate an increased competition in banking sector regarding attraction of depositors, under the dynamics of higher inflationary pressures and a very high credit growth. This puts pressure on the interest rate margin and profitability of the banks. The spread between interest rates on loans and deposits narrowed to 4.3 percentage points as of November 2022, from 4.6pp in March 2022. According to BLS, the financing of the banking sector was supported by household deposits, parent banks as a source of financing and, to a lesser extent, by loans from international financial institutions. Looking forward, bank deposits will continue to be the main source of finance, supported by parent bank lending and other sources of financing by international financial institutions.

**The banking sector has a low level of non-performing loans.** As of November 2022, the NPL ratio stood at 2.0% (2.3% in November 2021), and its coverage with provisions stood at 153.3% (149.5% as of November 2021). By economic sector, as of September 2022, services and agriculture have the highest rate of NPL of 6.1% and 5.3%, respectively (agriculture share in total gross loans remains at 1.6%). Whereas the trade sector, with the largest share in total loans (26.4%) has a 2.2% NPL ratio. The household segment remains the segment with the lowest NPL ratio of 1.2%. The latest study on household over-indebtedness<sup>16</sup>, conducted by CBK with data as of March 2021, suggests that 27.4% of individual borrowers in the sample are loan indebted (when the amount of monthly loan instalments exceeds 50% of monthly income), when considering only the individual borrower's monthly income, and 11.7% of all borrowers in the sample, when considering the monthly income of the entire household unit. **While asset quality remained satisfactory throughout 2022, the record credit growth encountered especially since March onwards, all while the macroeconomic setting was characterized with high inflation and lower economic activity, signals the need for a closer monitoring of credit portfolio performance.** Also, the performance of active loans that were restructured are of significant interest, although the latest data available indicate that the value of non-performing loans of restructured loans decreased by 0.7 percent in March 2022 from December 2021.

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<sup>16</sup> <https://bqk-kos.org/publications/indebtedness-of-bank-clients-in-kosovo/?lang=en>

The banking sector encountered a **record high net profit of 131.9 million euros as of November 2022**, an annual growth of 22.6% compared to last year, mostly as a result of a considerable increase in revenues. Revenues increased by 14.7%, while expenditures increased annually by 10.1%. The soar in revenue growth was due to the accelerated growth of interest income (increase in loan interest income mainly) and of non-interest income (increase in fees and commissions). A rise in expenditures was a result of increase in personnel and administrative expenditure (as the main category of expenditures), and to lesser degree, by non-interest and interest expenditures. Thus, as a result of higher profit generated, profit indicators such as ROA and ROE increased, standing at 2.6% (2.3% in November 2021) and 21.0% (17.5% in November 2021), respectively.

A strong build-up in capital position, as a result of high level of profitability and moderate dividend policy by banks, shielded the sector from potential deterioration of asset quality due to the crisis. **Its capital adequacy ratio** stood above the regulatory minimum required level of 12%, being 14.9% as of November 2022 (17.3% in November 2021). The increase in RWA as a result of accelerated growth in lending activity has affected a 2.4 percentage point decrease in the CAR ratio.

**Despite increased risks associated with inflationary pressures, banking sector maintained a high level of liquidity.** As of November 2022, banks liquidity position remained significantly above the recommended minimum level, even though it slightly decreased compared to previous year. The liquid assets (broad) to short term liabilities ratio marked a ratio of 34.1%, down by 3.1 percentage points from last year. The decrease in the liquidity indicator was affected by an increase of short-term liabilities by 9.9% annually, whereas liquid assets increased only by 0.9% annually. Despite a high liquidity level and stable inflows of domestic deposits, liquidity risk still should be closely monitored given new circumstances in the market such as the risk of an increased financing cost as well as probable deterioration in the macroeconomic environment.

**Pension funds'** assets, which comprises the second largest sector of the financial system, amounted 2.32 billion of euros as of September 2022, an annual increase by 4.2%. The return of pension funds has been affected by the decrease of the unit price value, due to the unfavourable circumstances created by the continued war in Ukraine and rising inflationary pressures. The return from investments in the third quarter of 2022 was 171.4 million euros (a positive return at 133.4 million euros in September 2021). Pension contributions reached value of 177.5 million of euros (157.1 million of euros in September 2021).

**Microfinancial institutions** increased significantly its activity through higher lending. Total value of assets as of November 2022 stood at 391.0 million of euros, an annual increase by 13.7% (8.7% in November 2021). Being non-deposit takers, they are financed through borrowing from other financial institutions abroad, which category in November 2022 increased by 12.9%, standing at 239.5 million of euros. Credit activity increased by 17.9% (16.4% in November 2021), following similar patterns for non-financial corporation (24.9% or by 17.4 million euro increase compare to 15.8% in November 2021) whereas households had a lower growth of 14.3% compared to a growth of 16.7% last year. Leasing activity, mainly to non-financial corporation, continued to expand with



an annual increase of 11.9% being lower compared to an annual increase of 13.5% in November 2021. Being financed only from credit lines from abroad, the sector charges a much higher interest rates on loans compare to banking sector. As of November 2022, interest rate on loans stood at 19.4% up from 18.8% in November 2021, offering more favourable interest rates for non-financial corporations (15.9%) compared to households (21.4%). This sector operated with a record high profit at 16.2 million of euros (12.8 million of euros in November 2021), which is as a result of a higher increase of interest income rather than the increase of expenses. It continues to have a sound and healthy credit portfolio, with NPL of 2.1% as of November 2022 (2.9% in November 2021) and well coverage with provisions at 143.6% (134.8% in November 2021).

**The assets of the insurance sector were** valued at 259.0 million by the end of September 2022, an annual increase of 9.9%. The insurance sector was characterized by a higher annual increase in written premiums, whereas an increase in incurred claims affected the financial performance of the sector being slightly lower than the last year. The gross written premiums by insurance companies in September 2022 amounted to euro 98.2 million, an annual increase of 13.1% (20.2% in September 2021). The increase in the level of written premiums and policies reflects the performance of sales of liabilities to third parties that comprises 60.5% of total non-life written premiums. Claims paid by the insurance sector, including insurance companies and Kosovo Bureau of Insurance (KBI), increased by 2.2 percent, to a value of 46.6 million euros as of September 2022 (45.6 million euros in September 2021). The net profit of the sector was 5.5 million euro, compare to 5.9 million euros recorded in the same period of the last year.

### ***3.4.1 Financial System Risks***

**The financial system remained resilient up to third quarter of 2022, with no materialized risks, despite the heightened risks and uncertainties due to inflationary pressures and economic slowdown that mostly were attributed to the outbreak of war in Ukraine. Heightened geopolitical and economic uncertainties persist going forward into 2023, with probable effects on the overall financial stability. While the magnitude with which these circumstances will affect the economy and the repayment capacity of borrowers is associated with a high degree of uncertainty, the banking sector has been proactive in adapting prudent crediting practices and in retaining satisfactory reserves of capital and liquidity to cope with the increased risks.**

The main risks for financial stability in Kosovo stem from the macroeconomic dynamics. The operational challenges for businesses, with special emphasis on certain sectors (construction and production) have increased due to the significant increase in the cost of inputs but also the clouded economic outlook. In circumstances of very high inflation and a slower economic growth, as well as the limited fiscal space, the credit risk of the banking sector is increasing and requires close monitoring and prudent safeguard practices against the materialization of these increased risks in the capital position of the sector.

Enterprises have generally passed over the effect of price increases to consumers, impacting an upward pressure on wages as well as a shrinkage in consumer demand. The construction sector is

among the sectors with the highest increase in credit risk due to the high increase in the cost of inputs as well as uncertainties regarding probable price volatilities in the near future. A strong demand for real estate seems to have been evident especially during the first half of the 2022, a dynamic that could be attributed to inflation pressures and a worsening economic sentiment. New lending for mortgage purposes have supported the demand during this period, but it started to slow down in the second half of the year.

The household sector, despite the higher credit growth recorded in recent years, has been less sensitive to the pandemic crisis and inflation pressures, judged on the basis of the good performance of NPLs. This is partially due to the level of debt in the financial sector (relatively low level of household loans to GDP of 17.8 percent in September 2022, as well as by the results of a survey sponsored by CBK in March 2021, which suggested that 60.3 percent of surveyed households did not have active credit obligations). Moreover, active and new banking credit for households is mainly concentrated towards public sector employees and private sector employees with steadier as well as higher income levels. This, along with remittance aids, is considered to have reduced the sensitivity of the household sector to loan defaults as a result of the crisis. However, the new circumstances of prolonged inflation may contribute to household vulnerabilities by weakening debt repayment capacity, with effects on the higher materialization of losses. Commercial banks have projected a 3.5% NPL rate in 2023. The level at which the effects of the deterioration of the private sector financial position (in particular the construction and real estate sector) will indirectly pass through to the banking sector, will be subject to the overall price dynamics and the energy crises in particular.

**The response of central banks to inflation with an increase of interest rates have contributed to the elevated interest rate risk.** The monetary policy decision by the ECB has had an impact domestically, causing changes in the nature of remuneration where loans with the floating interest rates has increased their share in loan portfolio of the banking sector. As of September 2022, the floating interest rate loans increased their share to 21.8% of total loans compared to 16.7% in last year.

**The capital position of the banking sector remains strong, besides the slight decline due to accelerated increase in credit and thus the RWAs<sup>17</sup>. The quality of capital is also high, composed mainly of CET 1<sup>18</sup>. However, a persisting high inflation and the expected increase in interest rates globally could be reflected on the sector's performance, through the need for provisioning - subject to the credit risk increase.** The profitability of the sector remained strong, due to the accelerated growth of interest income (increase in loan interest income mainly) and of non-interest income (increase in fees and commissions). Whereas expenditures have also raised, a result of an increase in personnel and administrative expenditure, that is from wage corrections for inflation.

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<sup>17</sup> Risk-Weighted Assets

<sup>18</sup> Common Equity Tier 1

**The main indicators of liquidity, despite the downward trend, remained at high levels. However, persistent high inflation is pressuring financing costs as a result of global developments in interest rates, which will directly and indirectly affect financing costs of the banking sector of Kosovo going forward.** Deposits, which are the main funding source of banking activities, slowed down during the first months of the year, and started to take a higher growth path after September 2022. However high lending growth has increased the need for financing, which has led to an increased interest rates on deposits as banks ‘fight’ for retaining their depositors. Under the new circumstances of rising cost of living and lower economic activity, the pressures on the banking sector's funding and liquidity position will get stronger, both in terms of maintaining the level of deposits as well as in terms of the cost of their maintenance.

### **3.5. Alternative Scenarios and Risks**

The baseline macroeconomic scenario presented on this update of the ERP is prepared based on a careful consideration of both downside and upside risks, associated with expectations on economic developments in the medium term. Unlike the ERP that was submitted last year, where the risks were mainly related to the pandemic situation, during 2023 the potential risks surrounding the basic macro-fiscal scenario mostly come from external environment and continue to be significantly high. The analysis of fiscal risks for ERP 2023- 2025 shows that over the medium-term, fiscal risks are considerably higher than in the previous ERP, mostly stemming from the negative consequences of the Russian war in Ukraine. It is noteworthy to mention that the baseline scenario presented in the current version of ERP (2023- 2025) does not take into account the impact which could result from the successful implementation of some of the structural reform measures listed in this year's ERP.

#### **Domestic risks**

##### **1st Risk: Internal energy crisis**

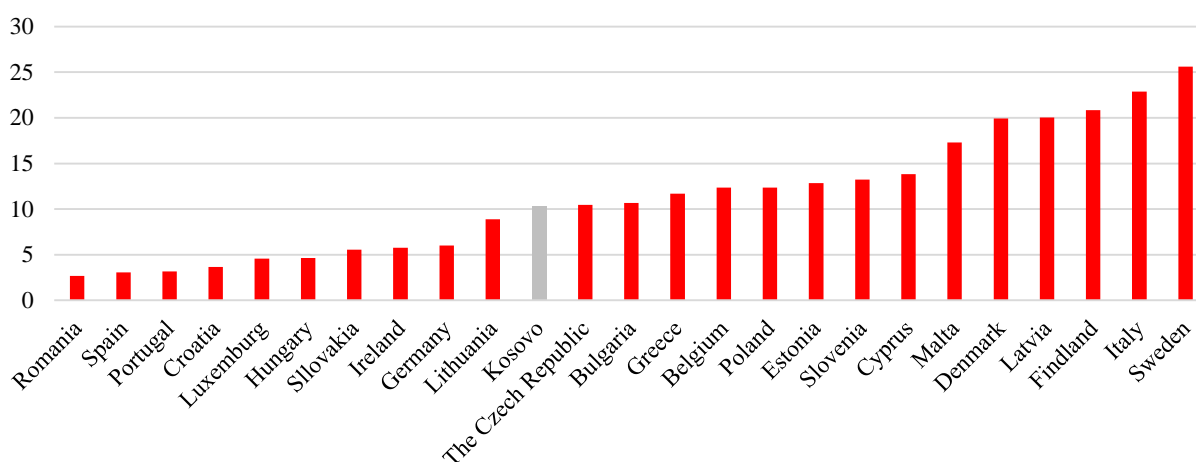
The crisis caused by the significant increase in the price of energy as a result of the conflict in Ukraine, and the high demand for consumption during the winter period, in the conditions of outdated domestic energy production capacities, may significantly increase the demand for import of energy. This scenario would negatively affect production and therefore consumer prices. Moreover, if the crisis is accompanied by severe reductions in energy, it would have a negative impact on economic activity and consequently on the collected budget revenues.

##### **2nd Risk: Fiscal risks from Public Enterprises**

The POE fiscal risk analysis was carried out based only on the financial data belonging to 18 POEs that are supervised by the Ministry of Economy. The POEs sector is relatively small compared to countries in the European Union (Figure 12).

The fiscal risk analysis presented in this ERP is limited only up to 2021, given that for 2022 financial statements are not yet available for the whole year, while the quarterly financial statements are preliminary and do not cover the whole quarters of 2022.

**Figure 12. Liabilities of non-financial public corporations (PEs) as a percentage of GDP (2021)**



At the end of 2021, POEs assets reached 22.3 percent of GDP, a slight increase of 0.2 percentage points from 2020 (22.14 percent of GDP in 2019), liabilities also increased to 10.3 percent of GDP (from 9.7 percent in 2020). Their total revenues are equivalent to 6.2 percent of GDP (from 5.5 percent in 2020). Overall, the POE sector generated a profit of 20 million euros in 2021, a deterioration from the previous year when they had a profit of 23.5 million euros. However, only about a third of the POEs generated a profit. Aggregate return on equity also decreased from 3 percent in 2020 to 1 percent in 2021. The liquidity of this sector is weakening, but remains satisfactory; in general, POEs have twice more short-term assets as are needed to meet their short-term liabilities. On average, about 46 percent of POEs financing comes from debt, which represents an increase compared to 2020 (40 percent). However, poor financial profitability means that this level of debt is high compared to the income generated by the sector.

**Table 5. Summarized financial statements for the POEs sector (thousands of euros)**

	2017	2018	2019	2020	2021
<b>Total revenues</b>	356,992	345,307	385,344	374,058	440,683
<i>percentage of GDP</i>	5.57	5.13	5.42	5.48	6.18
<b>EBITDA</b>	100,737	95,278	120,509	122,799	123,912
<i>percentage of GDP</i>	1.57	1.42	1.7	1.8	1.74
<b>Net Profit or Loss</b>	10,813	704	17,722	23,507	20,051
<i>percentage of GDP</i>	0.17	0.01	0.25	0.34	0.28
<b>Total Assets</b>	1,240,880	1,227,591	1,408,229	1,510,878	1,593,010
<i>percentage of GDP</i>	19.35	18.25	19.82	22.14	22.34
<b>Current assets</b>	361,855	346,954	390,163	434,188	568,306
<i>percentage of GDP</i>	5.64	5.16	5.49	6.36	7.97
<b>Total Liabilities</b>	664,687	654,014	667,137	662,190	737,183
<i>percentage of GDP</i>	10.36	9.72	9.39	9.7	10.34

<b>Short-term liabilities</b>	139,858	167,303	187,205	205,489	281,661
<i>percentage of GDP</i>	2.18	2.49	2.64	3.01	3.95
<b>Equity</b>	576,193	573,464	741,090	848,689	855,827
<i>percentage of GDP</i>	8.98	8.53	10.43	12.44	12

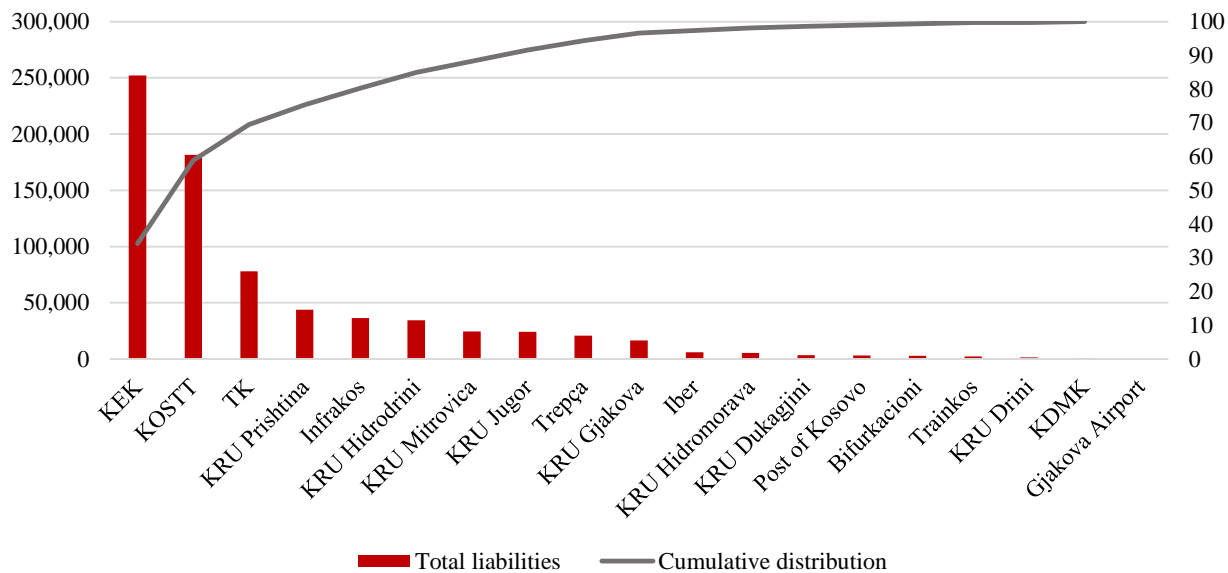
POEs can directly affect fiscal indicators, for example in the case when the need for higher than expected subsidies, credit or capital (equity) investments appears; when there is a crystallization of contingent (possible) obligations; or tax and dividend income is lower than expected. POEs can also have an indirect impact on fiscal indicators through the impact of their activities on economic growth.

The materialization of risks in the company is more likely to cause fiscal risks when the POEs are not capitalized enough, are loss-making and have a low level of liquidity. In addition to the unplanned fiscal support that was provided to POEs during the pandemic period (about 11.7 mln Eur), other fiscal risks related to POEs have materialized. The government has reimbursed the dividend paid by KOSTT and provided support for the energy sector with around 100 million euros as a response to the electricity crisis. Due to financial difficulties faced by the company KOSTT, the Government of Kosovo provided a short-term liquidity loan, in order to ensure the continuation of the operation of critical infrastructure. Whereas two loans were provided to Kosovo Telecom, one for restructuring of the company and another for the implementation of the investment plan of the company.

The infrastructure and equipment of some of the POEs are outdated and depreciated, and there is an immediate need for these to be replaced, however, since some of the POEs are in a bad financial condition, they are unable to afford the costs associated with these investments. For Public Railway Enterprises and Kosovo Post, the rates they charge to consumers are determined by regulatory bodies, but they are insufficient to cover their costs.

Based on the audited annual statements for 2021, the fiscal risk assessment analysis of 18 POEs was drawn up, where six main financial indicators were calculated for each company: i) cost coverage ratio; ii) return on capital; iii) the ratio of the fulfilment of short-term obligations with short-term assets; ('current ratio'), iv) days for the fulfilment of accounts receivable; v) ratio of debt to assets; and vi) the ratio of debt to EBITDA (earnings before interest, taxes, depreciation and amortization). These indicators have been chosen as they provide a good overview of the profitability, liquidity and solvency of each of the POEs. For each indicator, a risk assessment has been assigned, based on international norms. Out of the 18 POEs, one was classified as "high risk" or "very high risk", which is an improvement compared to 2020 when there were six. The risk assessment shows that, in general, most of the POEs have a sound liquidity position, but some of the companies are having difficulties in collecting debts from their debtors. Many POEs have high levels of debt when considering their poor ability to generate profits to meet those liabilities.

**Figure 13. Share of total liabilities by POE/s (percentage of GDP)**



**3<sup>rd</sup> Risk: Risk from contingent liabilities arising from on-lending and state guarantees**

In Kosovo’s public debt portfolio, a potential source of this risk are guaranteed public sector loans and international loans sub-borrowed to the companies providing essential public services. Guaranteed loans at the end of the fourth quarter of year 2021 amounted 30.6 million euros, accounting for 1.8% of the total debt. The portion of the portfolio that may require closer monitoring are the state guarantee to Urban Traffic and on-lending to the companies providing public services.

Financial and economic risk analysis have raised concerns about the poor performance of public companies. A deeper deviation of the financial results of these companies may cause a burden on the Government in the medium term both for subsidizing the services they provide and for assuming financial obligations to external creditors. To limit the impact of risk from contingent liabilities, a number of measures will continue to be implemented, such as: (a) monitoring the financial position of beneficiaries (b) initial assessment of the possibility of materialization of existing contingent liabilities. Depending on the assessments for the alleged losses, the applicable guarantee fees according to the Law on Public Debt will be determined.

A measure to manage these risks is to include guarantees in the amount of total debt, in the calculation of the debt limit to GDP.

**4<sup>th</sup> Risk: Under-execution of capital expenditures**

The risk of non-realization of projects related to capital expenditures, especially under the Investment Clause is expected to prevail over the medium- term, as well. In order to support cautious planning, the medium- term macroeconomic projections, which serve as the main basis in projecting tax revenues, takes into account the historical under-execution of capital expenditures

financed by the regular budget and even more conservative assumptions for loan – financed projects.

Thus, in the baseline scenario the investment clause is projected to be executed at a level of 40% in 2022 and at an accelerated level of 90% and 100% in years 2024 and 2025, respectively; while for capital expenditures financed by regular budget, it is assumed an execution level of 90% on average over the medium- term compared to the budgeted levels.

Nonetheless, under execution of capital projects from the assumptions of the baseline scenario, especially for projects financed by loans, is seen as a potential risk for lower economic growth and therefore lower budget revenues. The execution of capital projects financed by concessionary debt, after the signing of financial agreements, remains challenging for budget organisations. This is historical issue mainly due to a rushed decision- making on loans in the past, without making sure that all the preconditions are met and the right needed preparations, studies and market analysis are done, in order to ensure the immediate initiation of projects after loan ratification and efficient use of funds. Therefore, for the purposes of downside risks assessment, an even lower execution level of capital expenditures is assumed: a level of 40% for capital expenditures under the investment clause on average (more specifically 30%; 40% and 50% in years 2023, 2024 and 2025, respectively) and an average level of 78% for those financed by regular budget over the forecast horizon (2023- 2025)

### *External risks*

#### **1<sup>st</sup> Risk: Increase of electricity prices in Europe**

A further escalation of the war in Ukraine will negatively affect the economy of Kosovo. First, higher energy prices combined with aging power generation capacity could put additional pressure on public finances, similar to what happened at the end of 2021 and continued into 2022, thus limiting the fiscal space for other priority expenses. Second, although trade relations with Russia and Ukraine, which are in conflict, are negligent, Kosovo, as a country that imports food, agricultural and energy products, is significantly exposed to the increase in global prices of these goods. Thirdly, the prolongation or further intensification of the war in Ukraine may affect the countries where Kosovar immigrants live, worsening their financial situation, which may further be reflected in the slowdown of remittances, export of travel services, or direct foreign investments.

#### **2<sup>nd</sup> Risk: Measures to address high inflation in the Eurozone and expectations of economic recession**

One of the main challenges in almost all countries has been the decision-making of monetary policy in such a way that it addresses inflationary pressures, but taking into consideration the impact on economic activity. During 2022, almost all central banks have tightened monetary policy in response to high inflation. According to the latest projections of international institutions, the chances are high that the countries of the Eurozone (where a large part of our trading partners and emigrants are located) will experience a recession, which would negatively affect the income of

emigrants and consequently the economy of Kosovo. In this view, caution is needed given numerous interlinkages of our economy with the foreign economy, especially through two main channels: trade and remittances.

### Summary of shocks and risks

The impact of some of the above mentioned risks on Real GDP growth and main fiscal indicators is summarized in the following table. The first shock relates to the domestic environment (under-execution of public investment), while the other shocks (prices, remittances and foreign demand shock) relate to the first risk stemming from the uncertainty surrounding external environment.

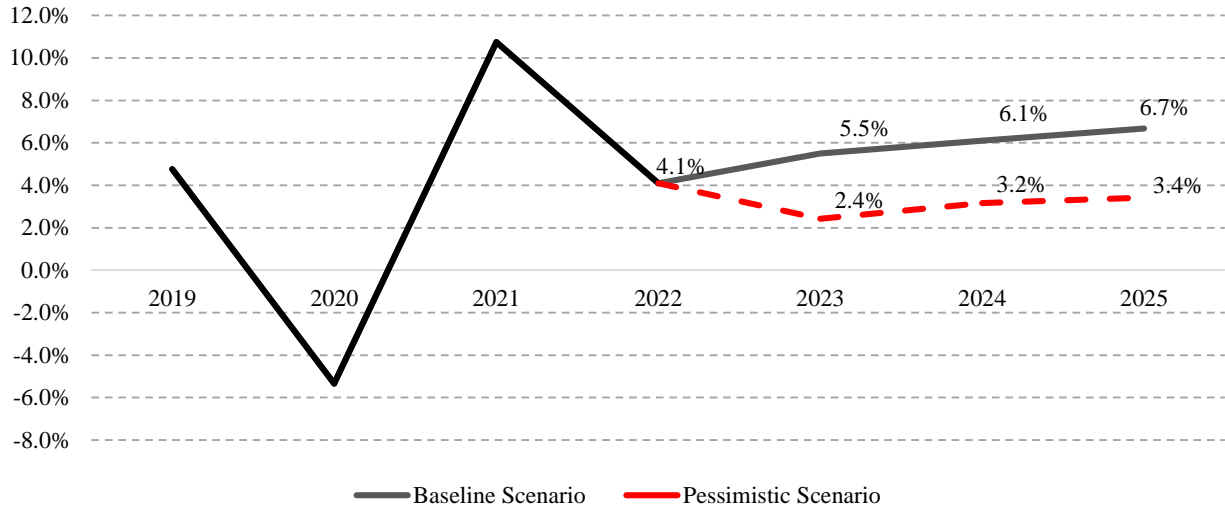
**Table 6. Sensitivity analysis of the budget to fluctuations of macroeconomic variables for 2023- 2025**

Name of Shock	Magnitude of Shock compared to baseline	Real GDP	Revenues	Expenditure	Budget Balance
		<i>impact in p.p</i>	<i>impact in million Eur</i>		
<b>Under execution of Public Investment</b>	from 13% to 25%	from -0.6 p.p to - 0.8 p.p	from -€17 mln to -€57 mln	from - €78 mln to - €225 mln	from + €61 mln to + €169 mln
<b>High inflationary pressures due to high import prices</b>	From 2 pp in 2023 to 1 pp in 2025	on average - 0.7 p.p	from + €35 mln to + -€20 mln	No impact	From + €35 mln to + €20 mln
<b>Remittances</b>	From -10% in 2023 to -5% in 2025	on average -0.7 p.p	from - €11 mln to - €67 mln	No impact	from - €11 mln to - €67 mln
<b>Foreign Demand Shock</b>	On avg. -5% for export of goods, and on avg. -5% for export of services	on average -1.1 p.p	from - €29 mln to - €86 mln	No impact	from - €29 mln to - €86 mln

When aggregating all downside risks, real GDP growth is estimated to fluctuate around 3.0% on average over the period 2023- 2025, which is around 3.1 percentage points lower than the baseline scenario. This pessimistic scenario is mostly attributed to the under execution of public investment and foreign demand shock, to be followed by slowdown in remittances and high inflationary pressures.



**Figure 14. Real GDP growth: Baseline vs. Pessimistic Scenario**



## 4. FISCAL FRAMEWORK

### 4.1. Budget implementation in 2022 (Preliminary Data)

According to preliminary data, public revenues and expenditures experienced strong growth during 2022 compared to the previous year, exceeding projections for the year. Expenditure, on the other hand, was lower than projected based on preliminary end-2022 data.

In 2022, budget revenues increased at a rate of 13.2% compared to the previous year. In absolute terms, budget revenues reached the value of 2,491.9 million Euros, achieving an implementation rate of 102.5% compared to the Revised Budget. The mobilization of the Tax Administration of Kosovo (TAK) in increasing the formality has played an important role in the increase of revenues from direct taxes. Another factor that has led to the considerable increase in budget revenues relates to a certain extent to the increase in prices in the global markets since an important part of them is generated through taxes on imports.

Revenues from indirect taxes have registered a pronounced increase since they directly reflect the increase in the value of imports of goods, affected by the increase in prices in international markets; and as a result of the change in the structure of imports since the pandemic, namely a slow-down on import from China (where the quantity of imports has decreased by 14.5%, and the value of imports has increased by 20.5% compared to the previous year. Indirect taxes during this period marked an increase of 12.5% compared to 2021, reaching the value of 1,873 million Euros. Most of the subcategories of indirect taxes revenues registered an increase in 2022. While revenues from customs duties increased at an annual rate of 6.4%, revenues from VAT collected on the border recorded an annual increase of 17.2% in 2022. Revenues from excise duty, as an important contributor to indirect taxes, recorded an increase of 3.2% until the end of December 2022.

In 2022, revenues from direct taxes experienced an increase of 20.8% compared to the previous year. The main factors affecting this increase are the mobilization of the Tax Administration of Kosovo (TAK) to increase formality, and to some extent the increase in prices. While revenues from personal income tax increased by around 13.7% compared to the previous year, corporate income tax recorded an increase by 40.3%; on the other hand, property tax decreased by 6.3%.

Non-tax revenues reached the value of 253.1 million Euros in 2022, which represents an increase of 7.2% compared to 2021. As far as levels of government are concerned, the central level recorded an increase of around 13.1% of non-tax revenues. In contrast, the local level registered a decrease of around 4.1% of non-tax revenues in 2022.

Budget expenditures marked an increase of 10.5% compared to the previous year, reaching the value of 2,539.9 million Euros. However, the rate of implementation compared to the plan for budget expenditures was 87.6% in 2022, attributable mainly to the lower implementation of capital expenditure. .

The category of wages and salaries and allowances recorded an annual decrease of 2.2% compared to the previous year. On the other hand, the category of goods and services recorded an increase of 9.4% during this period.

The highest increase was registered by the category of subsidies and transfers, growing at a rate of 26.3% compared to the previous year, mainly as a result of the implementation of a series of expenditures within the Economic Revival Package. In total, the value of the Economic Revival Package until December of this year reached the value of 258.4 million Euros, most of which was dedicated to subsidies and transfers.

Capital expenditures in 2022 marked a decrease of 0.1% and were implemented at a rate of 59.5% compared to the Revised Budget projections. Two main reasons for the lower implementation of capital expenditures are the low dynamics of works in the implementation of public contracts by economic operators due to price increases and delays in the functioning of the Public Procurement Review Body (PRB). The regular budget is the main funding source for capital expenditures followed by external borrowing financed by the investment clause.

Interest expenses reached the value of 35.0 million Euros in 2022, which compared to the previous year, marked an increase of 8.9%.

**Table 7. General Government Operations, in million Euro**

Description	2021	2022 Revised Budget	2022 - Actual (preliminary)
<b>1. Total Revenue</b>	<b>2,200.9</b>	<b>2,430.4</b>	<b>2,491.9</b>
<b>1.1 Tax Revenue</b>	<b>1,947.9</b>	<b>2,168.9</b>	<b>2,219.1</b>
<b>Direct Taxes</b>	<b>342.2</b>	<b>392.6</b>	<b>413.2</b>
Tax on Corporate Income	113.9	136.2	159.9
Tax on Personal Income	189.5	212.7	215.6
Tax on Immovable Property	36.3	41.0	34.0
Other	2.4	2.7	3.8
<b>Indirect Taxes</b>	<b>1,664.7</b>	<b>1,837.8</b>	<b>1,873.0</b>
Value Added Tax:	1,038.2	1,176.0	1,219.5
Domestic:	291.7	360.0	344.6
Border:	746.5	816.0	874.9
Customs Duty	124.6	134.3	132.6
Excise	501.3	524.9	517.3
Other indirect	0.6	2.6	3.6
<b>Tax Refunds</b>	<b>-58.9</b>	<b>-61.5</b>	<b>-67.1</b>
<b>1.2 Non-tax revenue</b>	<b>236.1</b>	<b>239.1</b>	<b>253.1</b>
Fees, charges, and other - Central Level	129.6	142.1	146.5
Fees, charges, and other - Local Level	57.3	46.4	54.9
Concessionary fee	17.0	17.0	18.4
Royalties	19.2	30.2	29.8
Dividend Income	10.0	0.0	0.0
Interest income	3.1	3.4	3.4
<b>1.3 Budget support and grants</b>	<b>0.0</b>	<b>10.5</b>	<b>10.3</b>
<b>1.4 DDG - Donor designated grants</b>	<b>16.8</b>	<b>12.0</b>	<b>9.4</b>
<b>2. Total Expenditure</b>	<b>2,299.3</b>	<b>2,898.2</b>	<b>2,539.9</b>
<b>2.1 Recurrent Expenditure</b>	<b>1,837.6</b>	<b>2,140.8</b>	<b>2,075.7</b>
Wages and Salaries	667.3	670.9	652.8
<i>out of which ERP<sup>19</sup></i>	22.8	<i>n/a</i>	11.0
Goods and Services	327.7	403.8	358.6
<i>out of which ERP</i>	20.8	<i>n/a</i>	13.6
Subsidies and Transfers	842.6	1,045.0	1,064.4
<i>out of which ERP</i>	189.9	<i>n/a</i>	233.5
<b>2.2 Capital Expenditure</b>	<b>419.8</b>	<b>704.4</b>	<b>419.4</b>
Regular budget financing	399.8	570.1	402.0
Debt financing through the investment clause	20.0	113.2	17.4
Liquidation proceeds (PAK)	0.0	21.0	0.0
<b>2.3 Public Debt Interest</b>	<b>32.2</b>	<b>41.1</b>	<b>35.0</b>
<b>Budget deficit (fiscal rule def.) as % of GDP</b>	<b>-0.63%</b>	<b>-3.87%</b>	<b>0.16%</b>
<b>Available bank balance as % of GDP</b>	<b>3.93%</b>	<b>3.01%</b>	<b>3.45%</b>
<b>Total Covid-19 expenditure, mln Eur</b>	<b>234.2</b>	<i>n/a</i>	<b>258.4</b>
<b>Total Covid-19 expenditure, mln Eur, % of GDP</b>	<b>2.94%</b>	<i>n/a</i>	<b>3.01%</b>

#### 4.2. Budget Plans for 2023 and the mid-term period

In the mid-term 2023-2025, budget revenues are expected to increase by 9.7%, on average; this increase represents a higher increase than their historical trend. As shown in figure 15, the most

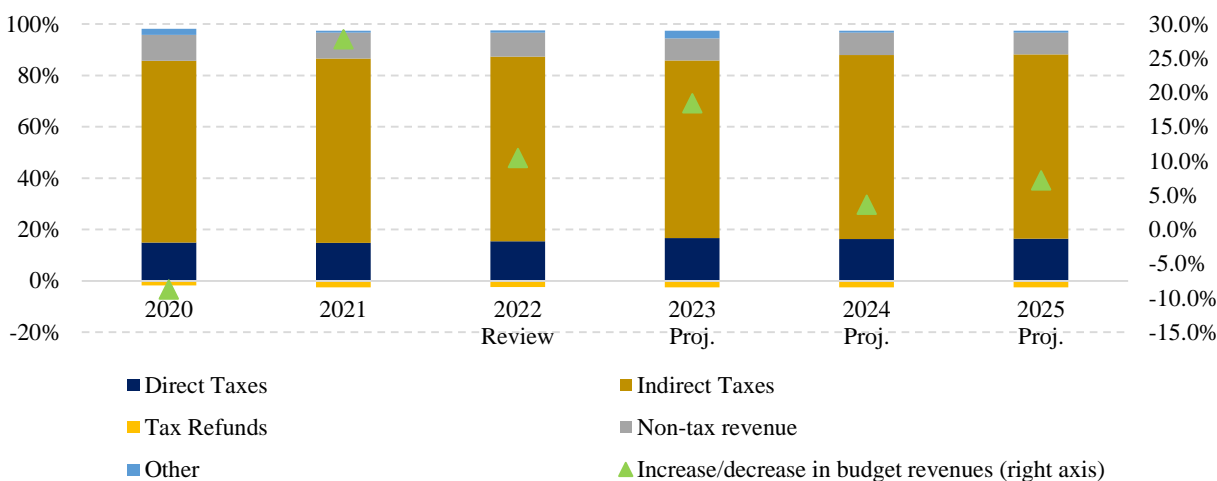
<sup>19</sup> Economic Revival Package

pronounced increase of revenue is expected in 2023 with 18.7%, mainly due to the continuation of several government measures as well as the formalization of the economy.

Indirect tax revenues are expected to increase by around 14.1% in 2023 compared to Revised Budget for 2022. The indirect tax revenues will continue to represent the highest share in total revenue in 2023 as well. The increase of indirect taxes is expected to be driven mainly by the increase of prices in global market as a significant proportion of indirect taxes are collected on imports.

Revenues from direct taxes during 2023 are expected to increase by about 28.5% compared to the Revised Budget for 2022 and constitute 17.5% of total revenues. On the other hand, non-tax revenues during 2023 are expected to increase by 9.3% compared to the revised budget law for 2022, reaching the amount of about 261.2 million Euros.

**Figure 15. Revenue structure**



In 2023, grants are expected to reach the value of 97.5 million Euros, which is a significant increase compared to previous years. This amount consists of the grant for budget support related to Public Finance Management and Public Administration Reform of 10.5 million Euros; designated donor grants in the amount of 12 million Euros and the one-off EU grant for budget support in the amount of 75 million Euros in order to support the energy sector facing the crisis.

In the following period 2024-2025, budget revenues are expected to increase by an average of 5.3%. While direct taxes in the period 2024-2025 are expected to have an average increase of 4.5%, the expectations are that indirect taxes will have an average increase of 7.5%. On the other hand, non-tax revenues are expected to follow their historical trend with an average increase of 5.0% in the period 2024-2025.

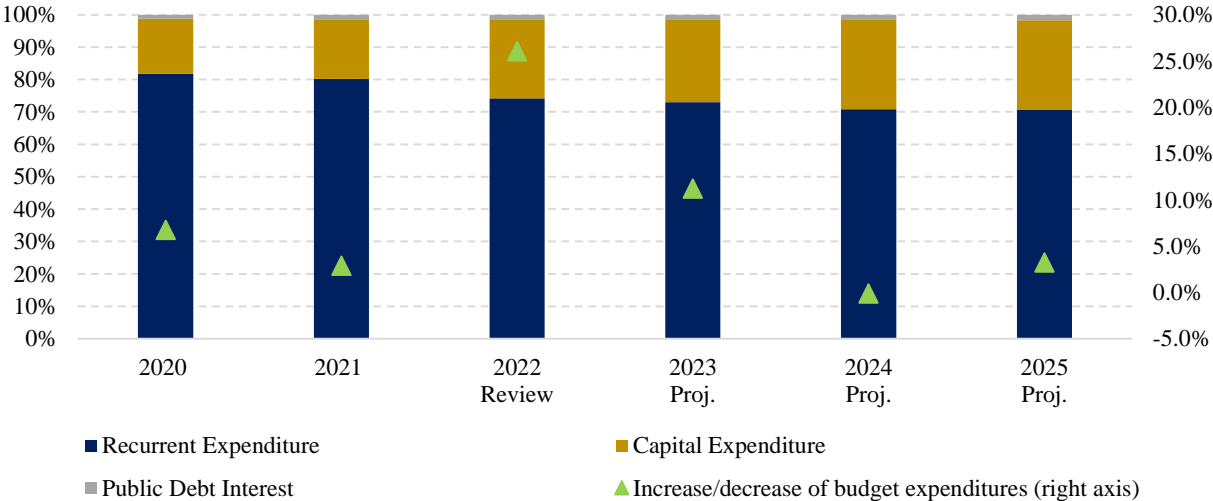
### 4.3. Expenditures forecast for 2023 and the medium-term period

Total budget expenditures in 2023 are expected to increase by 11.2% compared to the Revised Budget for 2022.

Total Current Expenditures during 2023 are planned to have an increase of 9.5% compared to the Revised Budget for 2022, reaching the value of 2,344.8 million Euros. Expenditures for the wages and salaries category are planned to reach the value of 745.5 million Euro in 2023 which represents an increase of around 11.1% compared to the Revised Budget for 2022. The highest increase is expected in expenditures in the category of goods and services by a rate of 22.2% compared to the Revised Budget for 2022; this increase is mainly due to reclassifications and increased state reserve. Subsidies and transfers are expected to increase as well in 2023 with a rate of increase of 5.3% compared to Revised Budget for 2022. For the current reserve category 5.4 million Euros have been allocated in 2023.

Capital expenditures are expected to increase by 16.4% in 2023, reaching a share of 25.4% of total expenditures. During this period, the implementation of capital projects is based on a list of priorities that contains projects with an impact on the improvement of the transport network, the improvement of the electricity network and the improvement of conditions in education, social and health systems. Even though most of the capital investments are expected to be financed from the regular budget, a large number of projects in various sectors is planned to be financed by external borrowing through the investment clause.

**Figure 16. Expenditures structure**



In the following period 2024-2025, total expenditures are planned to increase by 1.6 percent, on average. While current expenditures are planned to increase in 2024 and then decrease in 2025, capital expenditures are projected to grow 5.6% during the period 2024-2025, on average.

**4.4.Fiscal Structural Balance**

Structural balance represents the fiscal balance of the government, corrected for the effects or fluctuations of the business cycle, which are not directly controlled by the government. Often it is argued that the overall fiscal balance does not provide a comprehensive view of the fiscal position because this position is also influenced to a considerable extent by the business cycles, which an

economy goes through. During periods when an economy experiences accelerating economic growth, tax revenues tend to increase; while in the conditions of economic slowdown, budget revenues, especially those stemming from income and consumption, decrease, and at the same time government spending increases mainly due to higher expenditure on unemployment benefits.<sup>20</sup> These developments in fiscal indicators, which occur without any discretionary government intervention, help alleviate economic fluctuations and are therefore known as "automatic stabilisers". The structural fiscal balance (adjusted for business cycle) aims to measure the fiscal position "free" of these stabilisers, with the aim of better understanding the scale and intensity of discretionary fiscal policy.

In order to obtain the structural balance, it is important to isolate the cyclical component of the fiscal balance, which in turn depends on the size of the output gap and on the output elasticity of the budget. In the case when an economy is at its potential level (output gap is zero), this cycle component of fiscal balance will be zero and consequently the current fiscal balance represents at the same time the structural balance. Assessment of the structural balance presented in this section, should be interpreted with considerable caution, considering the limited availability of the annual GDP data and uncertainties surrounding the calculation of potential output. In this updated version of ERP, structural balance is estimated using annual data covering the period 2007-2025 (in total 19 observations, out of which 3 are projections).

The variables used in estimating the fiscal structural balance are: real GDP, potential GDP (calculated using the HP filter), output gap, budget revenues in real terms (more specifically tax revenues, non-tax revenues and grants), expenditure in real terms, and the output elasticity of tax revenues.<sup>21</sup> In order to remove the cyclical component, or to 'adjust' the variables needed for this calculation, the following specification was used:

$$\text{Adjusted fiscal variable} = \text{Unadjusted fiscal variable} * \left( \frac{\text{GDP potential}}{\text{GDP actual}} \right)^{\text{Elasticity}}$$

Tax revenues were adjusted using the output elasticity of tax revenues, estimated at around 1.85 for the period 2007- 2025. This elasticity implies that tax revenues disproportionately grow more than GDP grows, which can be explained by several factors. One can be that the tax revenue series are not adjusted or corrected for discretionary policy changes. Another reason can be attributed to distortions brought by the informal sector, which affect tax buoyancy and elasticity. As for the elasticity used to 'adjust' non-tax revenues, the value 1.00 was used. The rationale for the use of this value is based on the theoretical explanation that non-tax revenues usually move in line with GDP. Also, taking into account the fact that Kosovo does not have automatic stabilisers (such as

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<sup>20</sup> Literature suggests that usually unemployment benefits are the only cyclical component of expenditures that should be taken into account when calculating structural fiscal balance.

<sup>21</sup> The Consumer Price Index is used to transform nominal variables in real terms, namely the tax-, non-tax revenues, grants, and expenditures.

unemployment benefits), implying that expenditures do not depend on the cyclical state of the economy, no adjustment was applied to any expenditure category. The same applies to grants.

After the above-mentioned variables were ‘adjusted’, the primary structural balance was calculated as in the following:

$$\text{Primary Structural Balance} = \text{Adjusted Tax Revenues} + \text{Adjusted Non-tax Revenues} + \text{Grants} - \text{Expenditure}$$

**Figure 17. Unadjusted Primary Balance, Primary Structural Balance and the Output Gap (2007-2025)**

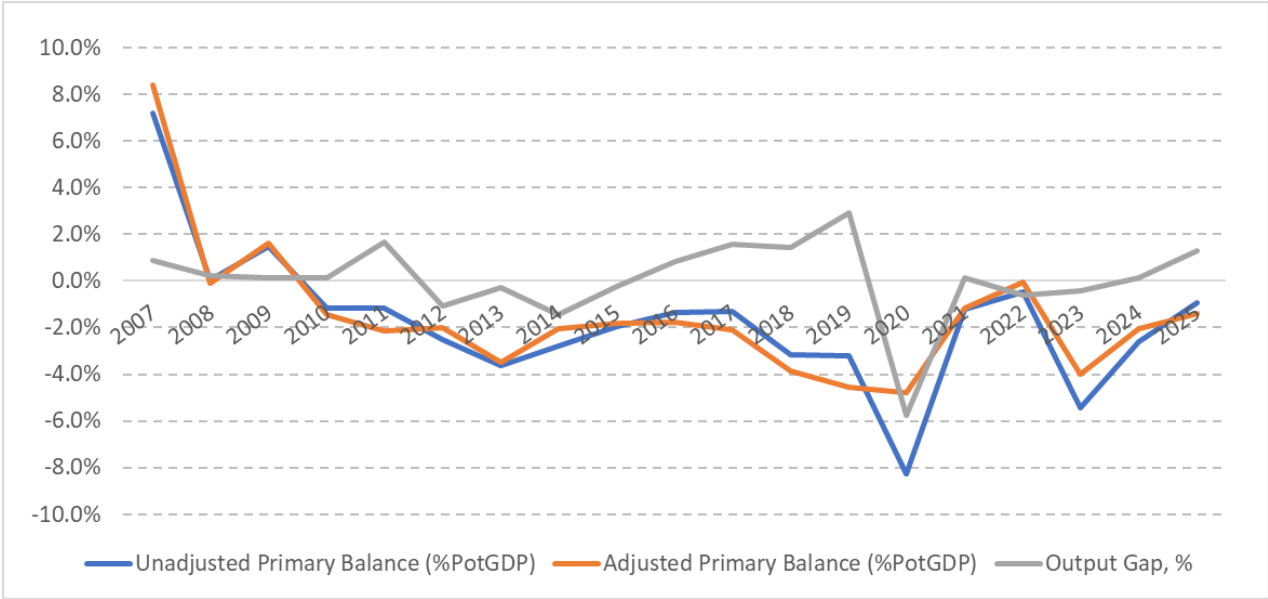
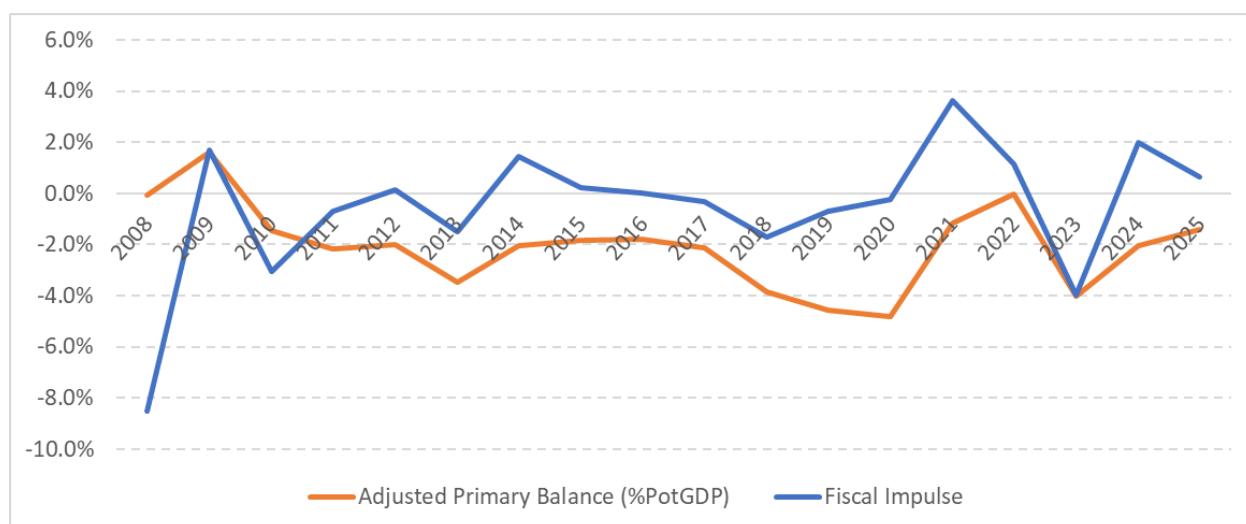


Figure 17 shows the performance of the relationship between the unadjusted primary balance, structural primary balance, and the output gap. The primary structural balance shows what the primary balance would be like if the current GDP were equal to the potential GDP (i.e., if the cyclical component is subtracted from the primary balance). Additionally, it shows that during periods when the economy operates below potential (or when output gap has negative value), the primary structural balance is higher than the unadjusted primary balance, and vice versa.

Based on these results, the periods during which the economy was operating below its potential level are 2012- 2015; 2020 and 2022- 2023. During the other periods, the economy on average operated slightly above potential. The fiscal stance variable, measured by the structural primary fiscal balance, indicates whether the fiscal position of the government has been expansionary or contractionary over time. Based on the results shown both in Figure 17, with the exception of year 2022, it can be seen that Kosovo from 2010 onwards (even in the projected years 2023- 2025) has pursued and is expected to pursue an expansionary fiscal policy.

Lastly, the variable 'Fiscal Impulse', calculated as the first difference of the fiscal stance (the structural primary balance), measures the direction and extent of the change in fiscal policy, with negative values indicating an increase in fiscal momentum, and positive ones indicating a withdrawal of fiscal momentum in aggregate demand. From the estimations shown in Figure 18, it can be noticed that the measures taken by the Government in 2021 in response to the pandemic have contributed to an expansionary fiscal impulse. In 2022, the fiscal impulse continued to be expansionary thanks to sizeable government support foreseen in the “Economic Revival Package” in 2022. With the exception of 2023, over the forecasted horizon (2024-2025), the fiscal stance is estimated to remain supportive, mostly due to a higher expected execution of capital expenditures.

**Figure 18. Primary Structural Balance, Fiscal Stance and Fiscal Impulse (2007-2025)**



#### 4.5. Debt levels and developments, analysis of below-the-line operations and stock-flow adjustments

Kosovo has adopted a prudent legal framework to prevent unsustainable debt practices. The new Law on Public Debt and State Guarantees Nr. 08/L-099, gives the Minister of Finance, Labour and Transfers exclusive authorization to incur debt and negotiate conditions of international debt on behalf of Kosovo. Under the Constitution, every international financial agreement has to be ratified by a two-thirds majority in Parliament.

Unless is regulated differently by the Law on Public Finance Management, as per current date, the Law on Public Debt includes several provisions that ensure fiscal stability, including a public debt ceiling of 40% of the GDP, as well as certain limitations on municipal borrowing. Contingent liabilities are accounted as public debt, as per this indicator. The Law on Public Debt mandates regular reporting to the Assembly (Article 9) through the preparation of a State Debt Program, which includes a medium-term debt strategy, to be submitted to Government for approval and to the Assembly for information.

With regard to other restriction on public debt, an amendment was added to the Law on Public Finance Management and Accountability (LPFMA) which limits the annual budget deficit to no



more than 2% of forecasted GDP. Another amendment to the LPFMA was added in 2015 which allows the government to contract debt in excess of the 2% rule, given that the financing is provided by international financial institutions and is dedicated for capital projects (investment clause).

The Ministry of Finance, Labour and Transfers has issued regulations on international debt and domestic debt, which contribute to an efficient public debt management. Based on the Regulation on Issuance and Administration of State Debt, State Guarantees and Municipal Debt, international loans are negotiated by an official team consisting of members from different departments: Debt Management Division (DMB), Legal Department, Department for Macroeconomic Policy and Financial Cooperation, Budget Department and relevant Budget Organizations. The issuance of domestic government securities is authorized by the Law on Public Debt, and it is regulated by the Regulation on Primary and Secondary Market for Government Securities Nr. 02-2021. The regulation has been signed by MFLT and provides, for the first time, a clear framework for on-lending for GoK.

The current practices of state debt management are in full compliance with the requirements arising from the primary and secondary legislation. The new Law on Public Debt and State Guarantees is ratified in the end of 2022. In order to advance and align the legal infrastructure with European Union standards and international best practices, the primary and secondary legislation has undergone a review process. In the end of 2022, primary legislation has been approved while the secondary legislation is expected to be completed and approved by the end of 2023.

The table below shows debt levels throughout the years.

**Table 8. Total Government Debt, in million euro (unless otherwise indicated)**

Description	2019	2020	2021	2022	P.2023	P.2024	P.2025
<b>International Debt</b>	409.10	525.80	576.75	641.20	967.3	1,081.6	1,238.0
<b>Domestic Debt</b>	791.94	961.90	1,106.14	1,112.00	1,232.1	1,352.1	1,472.1
<b>Total Government Debt</b>	1,201.05	1,487.69	1,682.89	1,753.20	2,199.40	2,433.70	2,710.10
<b>State Guarantees</b>	42.68	31.65	30.63	29.61	28.59	27.57	26.55
<b>Debt/GDP</b>	17.63%	22.44%	21.53%	20.74%	22.6%	23.0%	23.8%

### *Contingent Liabilities*

By the end of 2022 the state guarantee portfolio comprised of two state guarantees:

1. The second international state guarantee, was issued in 2016, to the local public enterprise Urban Traffic for the loan provided by the EBRD in the amount of Eur 10 million. The loan was fully disbursed and its repayment started by 2018. The first guarantee issued to DIFK for credit line, is withdrawn.

2. The third guarantee was issued in 2017 in the amount of Eur 24 million to guarantee the second credit line of DIFK. The credit line is not withdrawn yet, and its last availability date is December 2023.

As shown in the table below, the amount of state guarantees is decreasing. During 2022 the Government has not entered into new state guarantee agreements.

**Table 9. State Guarantees**

	2019	2020	2021	2022	P.2023	P.2024	2025
State Guarantees	42.68	31.65	30.63	29.61	28.59	27.57	26.55
Guarantee for Credit Line of DIFK	10.00	-	-	-	-	-	-
Guarantee for Urban Traffic Pristina	8.68	7.65	6.63	5.61	4.59	3.57	2.55
Guarantee for Second Credit Line to DIFK	24.00	24.00	24.00	24.00	24.00	24.00	24.00
State Guarantee (% of GDP)	0.60	0.47	0.38	0.34	0.29	0.26	0.23

## 4.6. Sensitivity analysis and comparison with the previous programme

### 4.6.1. Comparison with the previous programme

Since the economic situation has changed compared to the last year, the effect of Covid-19 pandemic has nearly subsided, meanwhile there are new challenges that the economy faces and is expected to face in the medium-term, and the Government priorities presented in this programme also change. There are certain considerations of the fiscal framework that may generate changes on outcomes and future targets of this ERP compared to the previous submission. Some of them are: the continuation of some of the measures of the Revival Package also in 2023, Government plans to support the energy sector, and changes to the total wages bill due to legislative changes. .

Based on preliminary data available, the revenues for 2022 are 5.4% (5.5% tax revenues and 5.8% non-tax revenues) higher in comparison to the projection from previous ERP (2022). Besides this the projections for 2023 are higher as well for 12.4% (10.4% tax revenues and 2.3% non-tax revenues), whereas the revenues for 2024 are higher by 7.6% (8.4% tax revenues and 0.5% non-tax revenues)

On the other side, expenditures for 2022 are lower than planned in the ERP (2022) by 7.6% (4.3% recurrent expenditures, -40.5% capital expenditures). However, for the next two years' expenditures are revised upwards for 10.9% and 4.9%, respectively.

Regarding the fiscal balance according to the fiscal rule, in 2022 is 0.16% of GDP (+€13.6 million), while the usable bank balance is about 3.4% GDP (€296.4 million). In the following years (2023, 2024 and 2025), the budget balance according to the fiscal rule is expected to fluctuate in deficit terms -2.0%, -1.1% and -0.1%, respectively. The usable bank balance is expected to be around 4.0% of GDP in the years 2023, 2024 and 2025 (*based on Budget 2022 projections*).

## **4.7. Fiscal governance and budget frameworks**

In order to improve the quality of public finances, Kosovo government has approved the Strategy for Public Finance Management Reform 2022-2026.

In order to improve the system of rules for public finance management in Kosovo, in 2022 the Government approved the Concept Document for Public Finance Management. This precedes the new Law on Public Finance Management, which is currently being drafted by the Government. This initiative intends to address a number of challenges and problems and an adequate legal regulation in this field.

Regarding the fiscal rules, they have been maintained as per law in place, and are planned to be maintained in the medium term framework.

Some of the changes in public spending that are envisaged to happen in 2023 are the Law on Public employees' wages, which has been ratified by the president and is expected to be enforced in the first quarter of 2022.

In terms of social inclusion, there are plans for reformation of social schemes, aiming for more efficient and inclusive social programs.

## **4.8. Sustainability of Public Finances**

### ***4.8.1. Debt Sustainability***

Public debt is within stable levels, but with a slight upward trend driven mainly by projects financed by International Financial Institutions. Nonetheless, in 2020, another factor that impacted the growth of public debt was due to additional funding aimed to address the economic crisis caused by COVID-19. However, the fiscal rules in force that limit public debt levels and the deficit level have proven to be an important anchor to maintain fiscal stability in the long run.

In order to ensure the fiscal sustainability fiscal rules have remained the same, including a public debt ceiling of 40 percent of the GDP, where any external borrowing is subject to ratification by parliament. From 2015 until now, Kosovo has respected these fiscal rules, with the exception of year 2020, due to the situation created by the pandemic.

Based on preliminary data at the end of 2022, public debt reached 20.7% of GDP, with domestic debt accounting for 12.9% of GDP and foreign debt for about 7.4%.

The Republic of Kosovo started issuing securities in January 2012. Market development have been very successful in terms of investor interest and borrowing costs. Kosovo has started working to extend the maturity of domestic debt in order to reduce the risk of refinancing. On that line, from 2018 onwards, Kosovo started issuing 10-year bonds. In 2021, Kosovo introduced 'diaspora bonds', aiming to attract capital from abroad as well as from Kosovar residents. The total amount

issued is 10.4 million of Euros, and the majority of them are 5-year bonds, while the rest are 3-year bonds. The interest rate for the first and later bonds are 2.2% and 1.2%, respectively.

On the other hand, international debt consists mainly of concessional loans from International Financial Institutions, such as the EBRD and the IMF.

### *Key Assumptions of the Debt Sustainability Analysis*

- Debt Sustainability Analysis (DSA) takes into account the macroeconomic forecasts for growth in the medium term. Nominal growth is projected to average 8.4% for the period 2023-2025, and then fluctuate around 4.5% in 2026-2036. The deficit, excluding projects financed by IFIs, is projected to remain within the deficit limit under the fiscal rule after 2022, throughout the period covered by this analysis.
- Public debt in the analysis does not include the debt of POEs, but only government debt and guarantees.
- In the analysis period, short-term debt is assumed to decrease as the government increases the average amortization of securities. The Ministry of Finance, Labour and Transfers after 2017 focused on extending the average maturity time and issuing instruments with a maturity of 5-, 7- and 10- years. International debt from IFIs reflects the terms of the debt agreements for the forecast period. Disbursements from the investment clause are projected to continue until 2025, while liquidation funds are not expected to continue.
- Maintaining a bank balance of 4.5% of GDP is also assumed in the period after 2024, although this level is not mandatory in years when liquidation funds are not used to finance capital expenditures.
- The debt structure is divided between commercial debt, concessional debt and government securities. The shares of each type of debt are given based on some assumptions by the Debt Department of the Ministry of Finance, Labour and Transfers, with the share of commercial debt increasing over the years given that infrastructure projects and development needs will be gradually met by IFI-funded projects.
- This analysis will focus on the period up to 2035, as for this period there are more detailed data regarding the amortization of project loans and the performance of securities.

The baseline scenario shows that the stock of public debt will be stable. The debt to GDP ratio shows an upward trend over the forecasting period and exceeds the level of 30% of GDP in 2034. Compared to the debt analysis in ERP 2021-2023, long-term debt levels are expected to grow in lower levels. In last year's DSA, the increase of public debt was projected to grow faster due to revenue collection underestimation for 2021-2024. Hence, in this year's DSA the public debt exceeding 30% of GDP has been postponed for a few years.

The share of interest expenditures in the overall balance deficit structure remains low in the first few years – similarly with last year projections

Baseline projections show the contribution of the primary balance (excluding interest expenses) to the total financing need to be significantly lower than the debt servicing costs, only after 2028.

The need for financing remains below the level of 10% of GDP, which is below the threshold of 10% of GDP for developing economies within the DSA. The need for financing in 2022-2024 is 3.8% of GDP. The lack of investments financed by liquidation funds and the gradual reduction of the investment clause have led to the need for financing to gradually decrease.

Figure 19. Debt as % of GDP- Baseline Scenario

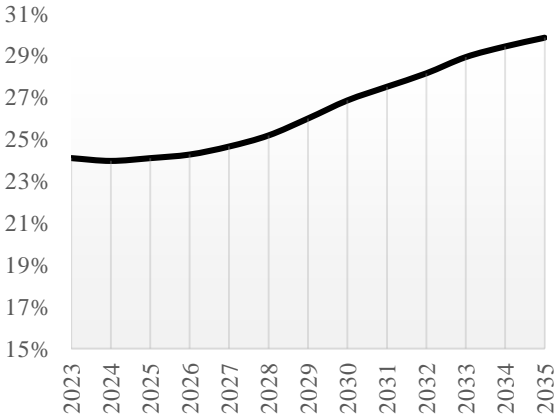


Figure 20. Financing need as % of GDP – Baseline Scenario

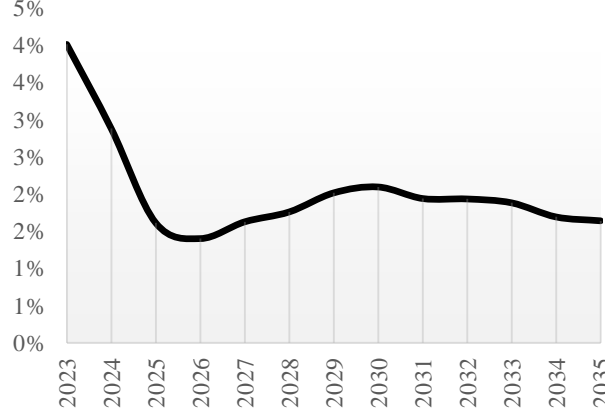
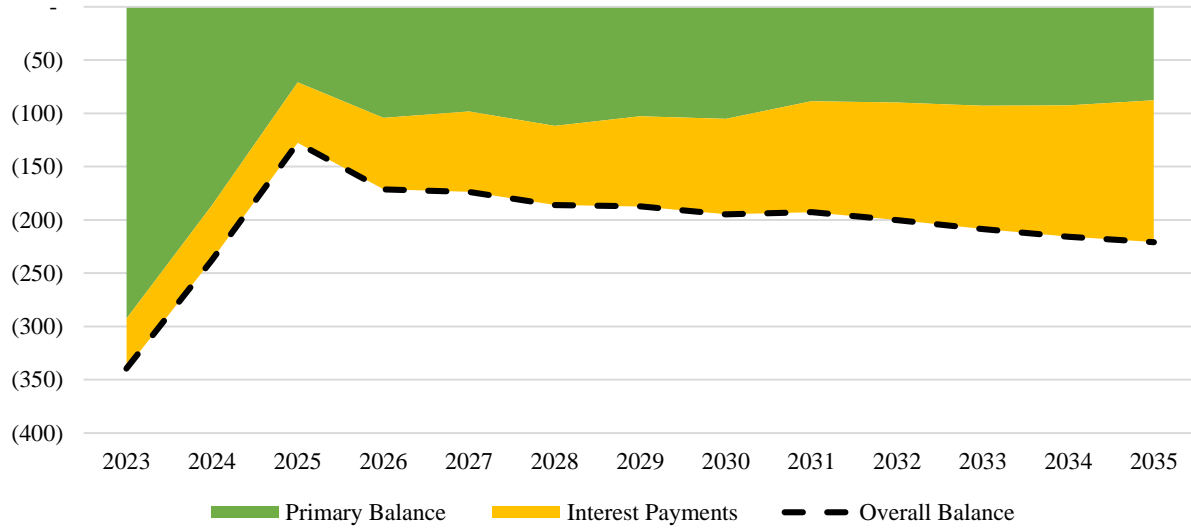


Figure 21. Overall Balance Structure – Baseline Scenario (mil Eur)



**Alternative Scenarios**

Shocks under different scenarios affect the level of debt as a percentage of GDP, but the need for financing is expected to be at stable levels. This is mainly due to the compliance with the fiscal rule for a deficit of 2% in the two of the alternative scenarios (first and third scenario), which abide the rule.

### **Scenario 1- Shock to GDP growth**

A negative shock to GDP growth of 2 p.p. in the period 2023-2035 brings the debt-to-GDP ratio to 32.6% at the end of the forecasting period, or an increase of 2.8 percentage points compared to the baseline scenario. A negative shock to the economic activity is expected to have a negative effect on budget revenues. However, it is assumed that the fiscal rule is assumed to be adhered in this scenario and this serves as a buffer to the debt level. As a result, regular expenditures are reduced in order to accommodate the decline in revenues, so that the fiscal balance complies with the fiscal rule of 2% of GDP.

### **Scenario 2- Shock to Budget Expenditures (Primary Balance Shock)**

A shock to the primary balance by increasing spending by 2% of GDP over the period 2025-2035 would increase the debt-to-GDP ratio to 34.3% at the end of 2035. This scenario is built on the assumption that the deficit fiscal rule is not adhered throughout this period. Consequently, the level of debt marks a significant increase of about 4.5 percentage points compared to the level of debt projected in the baseline scenario. This scenario highlights the importance of complying with the fiscal rules.

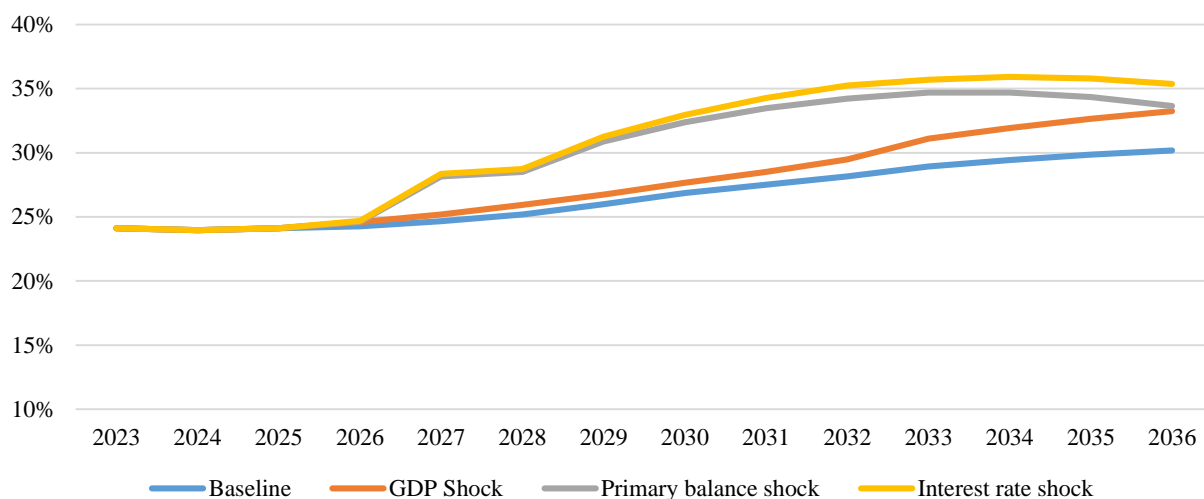
### **Scenario 3- Shock to interest rates**

The third scenario presents an increase in 1 p.p. in interest rates on loans (both commercial and concessionary). However, the risks to debt levels arising from the public debt interest are within “acceptable limits” because they are regulated in the debt strategy and the fiscal deficit rule. The overall debt stock will change significantly as a result of rising interest rates. However, assuming an interest shock of 1 p.p. in a scenario of not adhering the budget deficit rule, debt stock would rise significantly. Debt stock in this scenario at the end of 2035 is forecasted at 35.8% of GDP, or 6.0 percentage points higher than the level in the baseline scenario.

**To sum up**, Kosovo's public debt is expected to increase, but in the baseline scenario it will remain within stable levels. The fiscal rules in force, especially the one that limits the deficit to 2% of GDP, serve as a stabilizer of the debt level. Also, considering that there is no expected financing from liquidation funds, it is necessary to have more control over current expenditures in order to create fiscal space for capital expenditures.

The following graph summarizes discussion on the baseline and three alternative scenarios regarding the long-term dynamics of public debt in Kosovo.

**Figure 22. Debt Stock According Baseline and Alternative Scenarios**



### THE INVESTMENT CLAUSE

In 2012, as part of the then program with the International Monetary Fund (IMF), the Assembly of Kosovo approved amendments to the Law on Public Finance Management and Accountability, including the fiscal rule. Among other things, this provided for an annual limit on government borrowing of up to 2% of Gross Domestic Product (GDP), despite the Government's capacity to provide more external financing for capital projects of public importance.

At the same time, the Government of Kosovo had identified the need for additional fiscal space to finance major capital projects and in 2015 began negotiations for a third program with the IMF, which, among other things, would allow the relaxation of the fiscal rule that limited debt for strategically important capital projects. In other words, for these projects the Government would be able to enter into debt beyond the fiscal rule of 2%, which rule would be valid for 10 years, as long as the public debt did not exceed 30% of the projected GDP. This is known as the “amendment to the investment clause” that introduced the approval of the necessary legislative changes by the Assembly in January 2016.

The Government of Kosovo remains committed to including in the budget capital projects implemented through the "investment clause", so that the financing of such projects is based on analyses for the long-term sustainability of public debt.

Another condition provided by the provisions of the investment clause is that the Ministry of Finance, Labour and Transfers prepares twice a year a narrative report on the implementation of projects under this provision.

It is important to note that the COVID-19 pandemic and the high inflation pressures due to the war in Ukraine have slowed down the implementation of projects planned during 2020-2022. Measures taken to manage the effect of the pandemic on public health, have caused a slowdown in economic activity that has been accompanied by numerous problems for businesses in the country and the most vulnerable segments of society. While, the increase of the price in primary products has led to the increase in the overall price of the projects over the planned prices. To remediate the damage caused by the pandemic, the Ministry of Finance, Labour and Transfers has drafted the Economic Revival Package, part of which will be financed through the Investment Clause.

The projects that are included in the investment clause are briefly summarized below:

### **1. Financing for the recapitalization of the Kosovo Credit Guarantee Fund**

In order to facilitate access to finance for local businesses, under the program for economic recovery from the crisis caused by the COVID-19 pandemic, the re-capitalization of the Kosovo Credit Guarantee Fund (KCGF) is envisaged. The total re-capitalization financing of KCGF is expected to be 40 million euros and is planned to be financed through the financing agreement between Kosovo and the European Investment Bank (EIB), which has been signed and ratified. The first disbursement in the amount of 10 million euros is expected to take place in the beginning of 2023.

### **2. COVID-19 Emergency Response Public Sector Financing Facility**

This project is funded by the Council of Europe Development Bank (CEB). The total value of the loan is 35 million euros, which was amended with an additional financing of 25 million euros. The interest rate is subsidized by the CEB up to 1 million euros. The financial agreement has been ratified by the Assembly of Kosovo and has entered into force. From the base agreement the first disbursement of 17.8 million euros occurred at the end of 2020, while the rest was disbursed in April 2021. While from the amendment Nr.1, another 10.8 million euros were disbursed and have covered costs associated with COVID-19. So far, by end-2022, a total of about 45.8 million euros have been disbursed from this loan.

### **3. COVID-19 Emergency Project for Kosovo (and the amendment of additional funding)**



The basic project was negotiated and ratified in 2020. The main goal of the project is to support the Government of Kosovo in the fight against the COVID-19 pandemic. The main components of the project are related to the reimbursement of social transfer expenses made in 2020, as well as the purchase of medical equipment. The total value of the basic project is 46 million euros, as well as a 2 million euro grant awarded by the WB. The amendment of additional funding has increased the amount of the project by another 15 million euros. About 44.02 million euros have been disbursed so far. Part of the procurement of medical equipment is being carried out by UNOPS.

#### **4. Vital Infrastructure Emergency Liquidity Loan**

Due to the COVID-19 pandemic, vital infrastructure service providers in the Republic of Kosovo have consistently faced declining revenues. In the absence of liquidity or any additional government support, these enterprises are at significant risk of financial collapse. In order to avoid this risk, the Government of Kosovo has negotiated this agreement for emergency loans for vital infrastructure with the European Bank for Reconstruction and Development. The value of the loan is EUR 30,000,000 with a duration of 3 years. The financial agreement was signed and ratified at the end of 2020. The first disbursement of 10.3 million euros was made in the second quarter of 2021, while in June 2022 an additional 4.9 million euros were disbursed.

#### **5. Financial Sector Strengthening Project**

This project has the Kosovo Credit Guarantee Fund (KCGF) as the implementing institution, and the aim of the project is to improve access to finance for micro, small, and medium enterprises, strengthening the financial and technical capacity of KCGF. The financial agreement is concluded with the IDA / World Bank and has a value of 22.3 million euros. Of these, 21.5 million are intended to increase the capital of the KCGF and 0.8 million for the institutional strengthening of the KCGF. With the approval of the Law on Economic Recovery, it has been possible for the KCGF to cover more than 50% of the loan guarantee for certain investments and to cover the relevant fees for businesses. The technical assistance provided in the project is continuously working with KCGF to achieve the goals set in the project. So far the entire amount of the project has been disbursed.

#### **6. Project for Energy Efficiency and Renewable Energy**

This project aims to reduce energy consumption and the use of fossil fuels in public buildings through energy efficiency and investments in renewable energy and improving the policy and regulatory environment for renewable energy and energy efficiency. The Euro value of the project is about 23.7 million euros. The project has three components:

I. EE and RE investments in public facilities

II. Energy Efficiency Act, NEEAP 1 and 2, NREAP and other packages

III. Support for the Kosovo Agency for Energy Efficiency for the implementation of the project.

By the end of 2022, about 17.45 million euros have been disbursed.

## **7. Rehabilitation of the Railway Line 10**

The implementing institution of this project is the Public Enterprise "Infrakos" Prishtina. Initially, the total cost of the project was estimated to be around 194.5 million euros, half of which is funded by the EBRD and the EIB, while the other half of this project is funded by the European Union. The financial agreements with the EBRD and the EIB have been signed and ratified. In terms of EU contribution, the first and second grant agreements have already been signed and ratified. But due to changes in the market prices and the need for additional experts, the total value of the project is expected to increase to 255 million euros. As a high-priority project for the EU, parity with international financial institutions (EBRD and EIB) will be maintained to seek additional funding for this project. In parallel a grant application will be submitted to the WBIF. The civil works for phase 1 have started at the beginning of 2019, while for phase 2 the works have started in the third quarter of 2022. The detailed design for phase 3 is expected to take place during 2023. In beginning of 2023 the Agreement for the additional financing with EIB in the value up to 38 million euros will be signed. This can be used for all three phases of the project and has been allocated by the EIB when the first agreement with this bank has been signed.

## **8. Rehabilitation of Iber-Lepenc**

The amount financed by borrowing for this project is 22 million EUR, of which 7 million are direct loans to ME and 15 million are under-borrowed to Iber-Lepenc which is also the implementing organization of the project. The financial agreement between the Republic of Kosovo and the World Bank was ratified in 2017, while the first disbursement was made in January 2018. ME together with the World Bank have restructured part of the project and part of the funds have been transferred to the loan for Public Finances and Sustainable Growth Development Policy Financing.

## **9. Rehabilitation of Regional Roads**

The implementing institution for this project is the Ministry of Environment, Spatial Planning and Infrastructure. The financial agreement has been ratified and has a value of EUR 29 million, financed by the EBRD. Field works have started in May 2019 and all contracts have been signed. At the end of 2020, the agreement was signed for the extension of the grant to cover the additional services of the consultant as support for the project implementation unit up to the value of 450,000 EUR. By the end of 2022, in total 5.88 million euros have been disbursed from the project in question.

## **10. Competitiveness and Export Readiness Project**

The implementing organization for this project is the Ministry of Industry, Entrepreneurship and Trade (MINT). This project aims to support the certification of products for export, increase the capacity of export-oriented companies and reduce the cost of business inspections. The

agreement in the amount of 14.3 million euros was signed in 2017 with the IDA - World Bank, and the first disbursement was made in 2019. By end of 2022, 2.78 million euros of the total loan amount was disbursed.

#### **11. Additional Financing for the Agriculture and Rural Development Project**

The implementing organization is the Ministry of Education and Culture. The project aims to help the beneficiaries in improving the productivity and access to the market of horticulture and livestock for Kosovar companies and strengthening the institutional capacity of the MAFRD. The agreement for this project in the amount of 20.8 million euros was signed with the International Development Agency - World Bank in 2017. The first disbursement was made in March 2019, while by the end of 2022, 15.72 million euros have been disbursed from the amount of total loan. The project is completed at the end of 2022.

#### **12. Wastewater Treatment in Prishtina (Construction of Wastewater Treatment Plant in Prishtina region)**

Project financing is provided through a framework agreement between the Government of the Republic of Kosovo and the Government of the Republic of France, which was ratified during 2017. Based on the agreement, the project is worth EUR 86 million. Implementation started in the second half of 2020, where the design tender was opened. After updating the feasibility study to accommodate the change in prices from when this study was first done (2012), as well as changes in the design of the project taking into account the large influx of citizens in the Pristina region and geotechnical works, the cost of the project is expected to increase significantly. Funding for the remainder is expected to be provided through the French Development Agency (AFD) and WBIF.

#### **13. Construction of Wastewater Treatment Plant in Mitrovica**

The regional water company of Mitrovica is the implementing institution for this project. The Financial Agreement with the EIB and the EBRD was ratified in May 2022 and the implementation of the project is expected to begin as soon as the criteria for effectiveness are met by the Municipality of Mitrovica and the Regional Water Company. The agreement will also be supported by a grant from the Western Balkans Investment Framework (WBIF).

#### **14. Digital Economy in Kosovo (KODE)**

The implementing organization of this project is MINT. The main objective of the project is to improve fast and quality internet access in underdeveloped regions in this regard and to provide training for young people in order to be empowered to work online. The financial agreement for a loan in the amount of 20.7 million euros was signed in 2018 with the creditor IDA. The first disbursement was made in November 2019 and until end of 2022, 10.6 million euros have been disbursed from the total loan amount. Project implementation is continuing at an accelerated pace.

### **15. Gjilan Wastewater Treatment Development Project**

The regional water company of Gjilan is the implementing institution for this project, which has an anticipated value of EUR 23 million, which will be financed by the EBRD and the EIB. The EUR 10 million financial agreement with the EBRD was signed in May 2020 and ratified in parliament on July 23, 2020, while the EUR 11 million agreement with the EIB was signed in May 2020 and ratified at the end of 2020. Also for capital investment in this project, a grant agreement in the amount of 2.5 million euros will be signed. The project has started to be implemented during 2022. The first disbursement for this project is expected to happen at the beginning of 2023.

### **16. Real Estate Cadastre and Registration Project (REGIP)**

The implementing institution of this project is the Kosovo Cadastre Agency. The main objective of the project is to help develop the land and real estate market and increase tenure security. The financial agreement in the amount of 14.6 million euros with the creditor IDA – World Bank was signed in February 2019. The ratification of the agreement was done in August 2020 and up to end of 2022, 220 thousand euros have been disbursed from this loan.

### **17. Fostering and Leveraging Opportunities for Water Security Program (FLOWS)**

Is a project which aims to increase the capacity of local authorities to manage water safety and improve water safety in the Morava e Binçes basin. The project is in the amount of 25.1 million euros. The Ministry of Finance, Labour and Transfers has requested support from the European Union, for the financing of a part of the technical assistance provided by the project so that the loan funds are more focused on capital investments. The signed agreement was ratified in the assembly during February 2022. The project is separated into two parts; one is implemented by MESPI while the second from the RWC Hidromorava.

### **18. Water Security and Canal Protection Project**

The project contributes to the restoration of the original canal capacity as needed to provide bulk water to the various canal water users in Central Kosovo. Some of the negative impacts and mitigation measures include: (1) crop loss compensation and land improvements; (2) cash compensation for affected land equivalent to replacement value, including perennial crops; (3) providing access to the property or dwelling unit. During the canal rehabilitation works, temporary access will be provided; (4) cash compensation based on the type, age and productive value of affected trees; and (5) restoration measures will be included in compensation agreements between contractors and affected people. The financier of the project is the World Bank and the project is being implemented.

### **19. Kosovo Social Assistance System Reform Project**

This project aims to strengthen the social protection delivery systems and improve the performance of the Social Assistance System. The project is funded by the IDA / World Bank,

with a total amount of 47 million euros. The agreement has been signed in October 2021 but has not been yet ratified. The agreement is expected to be on the Assembly's agenda during January 2023. A significant portion of loan is dedicated to the budget line Subsidies and Transfers, however investments are foreseen for the implementation systems of the social assistance scheme, which are expected to start during 2023.

#### **20. Wastewater Treatment Project in the Municipality of Podujeva**

The Municipality of Podujeva is the implementing institution of this project. The financial agreement for the loan in the amount of 5.35 million euros was signed with UniCredit Bank Austria AG, on behalf of the Government of Austria, in 2018. The first disbursement for the project was made in 2019 and the project is being finalised.

#### **21. Construction of Water Supply Scheme in the Municipality of Ferizaj**

The Municipality of Ferizaj is the implementing institution of this project. The loan agreement in the amount of 5.125 million euros was signed in November 2018 with Raiffeisen Bank International, which operates on behalf of the Government of Austria. The first disbursement for this project was made in 2019 and the project is being finalised.

#### **22. Construction of Water Supply Scheme in the Municipality of Istog**

Municipality of Istog is the implementing institution for this project, which is financed with a loan in the amount of 5,094 million euros. The financial agreement was signed in November 2018 with UniCredit Bank Austria AG, which acts on behalf of the Government of Austria. The first disbursement for this project was made in 2019 and the project is being finalised.

#### **23. Wastewater Treatment Project in the Municipality of Shtime**

Municipality of Shtime is the implementing institution for this project, which is financed with a loan in the amount of 2,385 million euros. The financial agreement was signed in November 2018 with UniCredit Bank Austria AG, which acts on behalf of the Government of Austria. The first disbursement for this project was made in 2019 and the project is being finalised.

#### **24. Construction of Water Supply Scheme in the Municipality of Gracanica**

The Municipality of Gracanica is the implementing institution for this project, which is financed with a loan in the amount of 5.115 million euros. The financial agreement was signed in November 2018 with UniCredit Bank Austria AG, which acts on behalf of the Government of Austria. The first disbursement for this project was made in 2019 and the project is being finalised.

#### **25. Public Transport Project, Municipality of Prishtina**

Public Enterprise of Prishtina ‘Urban Traffic’ is the implementing institution for this project, which has a total cost estimated at 10 million EUR. The project is funded by the EBRD and its implementation began in 2016. After the completion of the project, now the loan is being repaid.

### **26. Greening the Land Project**

This project is expected to be funded by the World Bank, namely the IDA in the amount of about 21 million dollars (17 million euros). The aim of the project is to demonstrate a risk-based approach to the management of contaminated land in certain areas and to improve the institutional and legislative capacity of the country for the management of contaminated land. The financial agreement is expected to be signed in 2023.

### **27. Energy Efficiency Project for the Municipality of Prishtina**

The project aims to develop a reliable and affordable energy renewal program for municipal public buildings. The project amount is expected to be around 6 million euros and will be financed by the EBRD. The agreement between the EBRD and the Government of Kosovo was signed in April 2022. The loan will be taken as a sovereign loan from the central level and then transferred as a sub-loan to the municipality. The municipality has budgeted the project as a capital investment for 2023 and the financial agreement between the Republic of Kosovo and EBRD is expected to be ratified in the first quarter of 2023.

### **28. Energy Efficiency Project for the Municipality of Prizren**

The project aims to develop a reliable and affordable energy renewal program for municipal public buildings. The project amount is expected to be 5 million euros and will be financed by the EBRD. The agreement between the EBRD and the Government of Kosovo is expected to be signed during 2022. The loan will be taken as a sovereign loan from the central level and then transferred as a sub-loan to the municipality. The municipality has budgeted the project as a capital investment for 2023 and the financial agreement between the Republic of Kosovo and EBRD is expected to be ratified in the first quarter of 2023.

### **29. Social Housing Project**

The project aims to provide affordable housing for certain categories of citizens. The project is being developed with the support of UN-Habitat, who are conducting the feasibility study and concept paper for the program. The project is expected to cost a total of about 50 million euros and part of it will be funded by the CEB, while the modalities of structuring the project and its implementation have been defined by the feasibility study. The feasibility study was finalized during February of 2022 and the financial agreement with the CEB is expected to be negotiated and signed by June 2023. For this project a grant of 2 million euros has been obtained from WBIF for technical assistance and oversight during implementation.



### **30. Solar District Heating Project**

The main goal of this project is to contribute to an efficient, reliable and environmentally friendly supply of heating for homes, public institutions and businesses in Prishtina. This project will be funded by KfW and the EBRD. The value of this project will be around 64 million euros. The German government has committed about 30 million euros in the form of a grant for this project. While the ministry has also applied to the WBIF to benefit from support from this framework. The agreements have been signed at end of 2022.

### **31. KEK Solar Photovoltaic Generator Project**

This project will build the capacity to generate electricity from solar energy in the vicinity of KEK. The generation capacity of this project will be up to 100 MW of electricity which will be used to diversify energy sources in Kosovo. The project is expected to cost around 100 million euros and will be co-financed by KfW and the EIB. We will also apply for an investment grant of 30 million euro in the WBIF. The financial agreements are expected to be signed on the first half of 2023.

### **32. Development of the Energy Sector VII - Improvement of Transmission Network**

This project is expected to be developed to improve the transmission system in Kosovo. Specifically, the project includes measures for the rehabilitation, expansion and modernization of the Kosovar transmission network. The project is funded by KfW and amounts to 25.5 million euros. The amount will be transferred as a sub-loan to KOSTT. The agreement has been negotiated, and once the sustainability criteria are met by KOSTT, the agreement was signed at end of 2022.

### **33. The Greening Land**

This project aims to treat contaminated lands in Kosovo by decontaminating and reconstructing them. The first land that is expected to be treated by the project is land near KEK which has been contaminated by power plant waste over the years. The total cost of the project is expected to be around 50 million euros and will be developed in phases, which include feasibility studies for the identified lands, then capital investments for those lands. The project will be funded by IDA (World Bank) and an application to the WBIF for a technical assistance grant, a two-land feasibility study, and a € 10 million investment grant for land investments in close to KEK shall be submitted.

### **34. Besi - Merdare Road Construction Project**

This project is funded by the EBRD and the EIB, the total amount of the project is expected to be over 200 million euros. The project is part of the Western Balkans Investment and Economic Plan drafted by the EU, and has so far benefited from investment grants and technical assistance of over 45m euros. The financial agreements are scheduled to be concluded in 2024.

### **35. Renovation of the M2 Miloshev - Mitrovica Road**

This project aims at the revitalization of the M2 Road, Milloshevë - Mitrovica. The project is financed by the Islamic Development Bank (IsDB) with a loan in the amount of 15.4 million euros; The OPEC Fund for International Development (OFID) with a loan in the amount of 16.7 million euros and from the Saudi Fund for Development (SFD) with a loan in the amount of 13.4 million euros. The project has started implementation, after having encountered several obstacles during implementation.

### **36. Strengthening Digital Governance**

The project aims to assist in the digital transformation of the Government of Kosovo. Component 1: Digital transformation of the Government, assisting the Government in digital development and improving the ability of the Government to face potential digital risks. Component 2: digital transformation of public services, to reduce the administrative burden by offering digital services and developing services in harmony with the life cycle of citizens. Component 3: Innovation, change management and capacity building. Development of an innovation center in ASHI. The project will be financed by the World Bank and negotiations are expected to take place in the first half of 2023.

### **37. Implementation of the feasibility study for medical equipment for secondary and tertiary care**

The total value of the project is estimated to be around 53 million euros. Formal discussions on this project have not yet begun. Formal negotiations are expected to take place by the end of 2023. This project is expected to be financed through loans with the Council of Europe Development Bank and the European Investment Bank.

### **38. Construction of Ring Road Prishtina**

The implementing institution for this project is the Municipality of Prishtina. The feasibility study for this project is completed.



## 5. STRUCTURAL REFORMS 2023- 2025

### 5.1 Update on the three main obstacles to comprehensive competition and growth and reform-related measures

#### a. Analysis of the main obstacles

This section reports on developments with respect to the identified key growth constraints since last ERP submission and presents three main obstacles to competitiveness and inclusive growth, including respective measures identified to address them.

Kosovo experienced moderate economic growth in early 2022, whereas preliminary data from KAS on national accounts show a real annual growth of 3.2% for the period January-September 2022. Economic activity has been affected by the broad-based price increases. In general, the magnitude of economic growth in 2022 has been lower than the initial expectations, mainly as a result of global inflationary pressures and external economic developments, triggered by the war in Ukraine.

The labour market continues to reflect chronic weaknesses. Low labour force participation and employment, especially among women, is one of the key binding constraints to growth and poverty reduction. Infrastructure gaps constrain investment and growth, limiting the attractiveness of Kosovo as a foreign direct investment destination. Further improvements in the area of economic governance are necessary to address key constraints. In this regard, it is necessary to advance structural reforms to enhance competitiveness and private sector development in support of the current export growth momentum.

In the light of Economic and Financial Dialogue between Kosovo and EU, the European Commission conducted an independent analysis of Kosovo's economy and identified main structural challenges to competitiveness and inclusive growth. These analyses reiterate the need to structural reforms to enhance competitiveness and private sector development in support of the current export growth momentum.

In particular, the Commission continues to highlight (**Challenge 1**) the need to improve the quality and relevance of the education system to increase employment and mitigate skills mismatches. In this regard, the Government of Kosovo will in particular address challenges related to youth and women unemployment.

Furthermore, the Commission maintains its assessment that (**Challenge 3**) that tackling the informal economy and improving competitiveness of the private sector remains a key structural challenge for Kosovo.

Finally, Kosovo also recognises the need to focus investment on more reliable and greener electricity supply that would both reduce fiscal and business costs, while preparing Kosovo for the carbon content demand linked with further European integration. Hence, the Commission underlines the need (**Challenge 2**) focus on the potential of renewable energy and energy savings and fully open the energy market.

Kosovo has made significant progress over that past two years in addressing key structural challenges, the identified key structural challenges by the Commission's Assessment, have the biggest potential for enhancing inclusive growth and competitiveness and possess real reform leverage.

### **Key Challenge #1: Creating conditions for stable energy supply**

Energy consumption in Kosovo is highly dependent on fossil fuels, as electricity generation capacities are mainly from coal-based thermal plants with a capacity of 1,567.17 MW, of which 1288 MW are lignite power plants and 279.17 MW are hydropower plants, wind farms and photovoltaic panels. Most of the electricity consumption is covered by domestic generation, but due to the age of the thermal power plants and the lack of flexibility to adapt to the demand in different periods, especially during peak times, the need for electricity import has increased. Countries in Europe are facing increasing gas and electricity prices, and this has made Kosovo face such difficulties during the post-pandemic energy crisis in 2021, which was further deteriorated by the war in Ukraine in 2022, causing unprecedented volatility and high prices in the natural gas and electricity markets earlier. As a result, Kosovo had to pay very high prices to import electricity. This electricity crisis proved that Kosovo's electricity system needs a grassroots transformation to become more stable, more independent and more resilient. Such a situation with high electricity prices is continuing throughout 2022, and is expected to worsen with the beginning of the heating season, where electricity consumption in Kosovo rises rapidly. To deal with this situation, the Government of the Republic of Kosovo has announced emergency energy supply measures through decision no. 01/91, which was also approved in the Assembly of the Republic of Kosovo.

The electricity market in Kosovo is continuously developing and is inextricably linked with the regional market and beyond. The electricity market in Kosovo started gradual liberalization in 2017 with the issuance of guidelines for the liberalization of the electricity market in Kosovo by ERO. The wholesale electricity market faces the lack of a day-ahead or intraday market, the wholesale electricity trading is therefore mainly carried out through bilateral contracts between producers and suppliers (dealers). A part of the electricity to meet the domestic demand for the needs of consumers entitled to a universal service supply (USU), to cover system losses, as well as for consumers with deregulated prices, is imported (purchased) through bilateral contracts in a free market and/or regionally organized day-ahead or intraday markets (through dealers). The price deregulation for end consumers, according to the Guide for the Liberalization of the Electricity Market in Kosovo, continues to be done gradually, where consumers connected to the 220 kV and 110 kV voltage network are already supplied with deregulated prices.

In the last fee review, ERO revised the fee structure for household consumers to address energy demand management and took into account the subsidy allocation of the Government of the Republic of Kosovo in order to reduce the impact of electricity fees on all end consumers. Customers under the category of social cases are currently supported by a direct payment scheme to cover part of the energy cost. The fund for consumers in need has not yet been established. RES-generating electricity companies that have invested through the FiT scheme has guaranteed the sale of electricity generated by them for a period of 10- 12 years at regulated fixed prices.

Technical losses in the electricity distribution network in 2021 were 12.46% of the demand in distribution, while the unauthorized consumption of energy accounted for 12.11% of the demand in distribution, of which the unbilled energy in the four northern municipalities of Kosovo accounts for 5.95 % (372 GWh). Network operators continue to have no access to some municipalities in Kosovo north. In 2022, ERO licensed the retail electricity supplier for the four municipalities in Kosovo north in accordance with the Roadmap for Implementation of the Brussels Energy Agreement. In infrastructure, the insufficient and unreliable electricity supply is still a mandatory constraint, although progress has been made in the area of regional market integration, where the

Albanian Power Exchange (ALPEX) established its branch in Kosovo and registered with the Kosovo Business Registration Agency in May 2021 and selected the initial staff as well.

The Energy Regulatory Office of Kosovo (ERO) and the Energy Regulatory Entity of Albania (ERE) together with the Transmission System Operators KOSTT and OST signed an Agreement on Electricity Market Union in Tirana in October 2021. Through this Agreement, both parties recognize the Albanian Power Exchange (ALPEX) as the sole Power Exchange for the day-ahead (DAM) and intraday markets.

In December 2021, the Memorandum of Understanding was signed between the Energy Regulators of Kosovo and Albania (ERO and ERE) on the mutual recognition of licenses and electricity supply.

Regarding ALPEX's operating infrastructure relating to trading and clearing services, the Greek consortium has been selected as the most responsive operator and has won the bid to provide an electronic trading platform based on the practices of European power exchanges.

On 10 February 2022, an agreement was signed between ALPEX and the service provider of the Trading Platform, namely the Greek consortium. In January 2022, ALPEX became an associate member of EUROPEX. Activities related to operationalization: a) Q1 2023, DAM is expected to be launched in Albania; b) Q2 2023, DAM is expected to be launched in Kosovo and the unification of the market between Albania and Kosovo will begin; c) Q3 2023, the intraday market is expected to be launched in Albania; d) Q2 2023, the intraday market is expected to be launched in Kosovo and on the same day there will be an intraday connection between Albania and Kosovo. The most important goal in terms of energy efficiency is to increase the number of more efficient buildings, since buildings account for nearly 40% of the country's annual energy consumption. This goal will be achieved by establishing minimum energy requirements for new buildings, and by implementing energy efficiency measures in buildings through various support schemes developed by FKKEE in the public, residential and commercial sectors. EU will give an important contribution in this direction through the latest grant for emergency measures in the energy sector. *Structural barriers:* lack of investment to increase the flexibility of the System; low diversity of energy sources; technical and commercial losses in the electricity distribution system; inefficient use of energy, especially in the residential sector; transition from support schemes to competitive schemes for RES; full implementation of the market liberalization guideline; non-reflection of costs in electricity prices; limited competition in the wholesale and retail market; limited cross-border cooperation and with countries in the region.

### ***Reform Measure #1: Energy market reform***

***Description of the measure:*** The measure will address the problem of low competition effectiveness in the energy market by relying on the review of policies, legislation on the energy sector as well as the further development of the institutional, regulatory and operational capacities of the actors involved in the energy sector. This measure also envisages making the Power Exchange operational, of which Kosovo is also a part, as well as providing an additional service to consumers, by offering them the opportunity to compare the suppliers' offers in the energy market at any time. Launching for comparing electricity prices tool is planned to take place in 2023 due to some internal procedures related to security and implementation on the ERO website. This measure will contribute towards the fulfilment of the Sustainable Development Goal (SDG) 'Affordable and Clean Energy' as it is expected to promote competition in the energy market in the electricity generation and supply chain; and with the EU's Green Agenda policies for the supply on 'Clean, Affordable and Secure Energy' underlining the energy affordability and

security, tackling energy poverty, and promoting regional cooperation in the energy sector, which issues are expected to be addressed and regulated through the proposed legislation.

**a. Activities planned for 2023:**

1. Drafting and adopting the Draft Law on Energy (ME);
2. Drafting and adopting the Draft Law on Electricity (ME);
3. Drafting and adopting the Draft Law on Energy Regulator (ME);
4. Establishing a platform for the comparison of supply prices (ERO);
5. The say-ahead market union with Albania through the ALPEX Power Exchange (KOSTT);
6. Intraday market connection with Albania through the ALPEX Power Exchange (KOSTT).

**b. Activities planned for 2024:**

1. Adopting the bylaws of the legislation on the energy sector (ME)
2. The commencement of the 110 kV interconnection line construction with Albania (Kukës- Dragash) (KOSTT);
3. Feasibility study for regional/European market merger (SDAC, SIDC, KOSTT).

Indicator	Baseline (2020)	Target (2023)	Target (2025)
Offered cross-border capacity/Nominal cross-border capacity	Export: 22-24%, Import: 24-26%	Export: 22-24%, Import: 24-26%	Export: 28-30% Import: 28-30%
Market integration in the regional and pan-European market	Not in place	Market integration with Albania	-

**Expected impact on competitiveness:** The measure of further energy market reform will result in: (i) increasing security of energy supply; (i) increasing the resilience of the energy system, to be accompanied by the opening of new businesses in the area of energy sector services (iii) increasing investments, especially in the area of energy generation from RES; (iv) increased competition in the energy market. After the Power Exchange (ALPEX) becomes operational, more transparency and competition in the electricity market will be guaranteed, as well as an increase in the security of electricity supply, more efficient use of cross-border capacities, and the electricity price is expected to reflect competitive market prices for citizens of both countries.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024
1. Budget funding*	0.00	2,000,000.00
2. Non-budgetary financing		
2.1 of which funding from other grants	0.00	100,000.00
TOTAL		2,100,000.00

\*national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:**

The measure of further energy market reform will enable the creation of conditions for new investments in the sector by local and foreign companies, in all energy system chains, thus generating new jobs, improving well-being and environmental living conditions. The new policies and the necessary legislative amendments for their implementation will also include the gender equality component.

**Expected environmental impact:** The measure of further energy market reform will impact the gradual decarbonization of the energy sector. Further increase of opportunities for the integration of renewable energy sources, the new obligations towards operators for the efficient use of energy, as well as the rigorous measures for the implementation of the environmental conditions of operation, will affect the reduction of harmful emissions to the environment.

<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Delay in the adoption of laws and bylaws	Low	Timely harmonization with the legislative plan.

### **Reform Measure #2: Promotion of EE and RES with a view to the green transition**

**Description of the measure:** This measure aims to prioritize energy efficiency and improve it in all sectors, especially in the housing sector. The housing sector is one of the largest consumers of energy. Given this challenge, the National Energy Efficiency Action Plan (NEEAP) and the legal basis for energy performance in buildings are seen as good methods to reduce inefficient electricity consumption. Energy certification of buildings would not only help in sustainable economic and social development, but would also help in preserving the environment. This measure also focuses on increasing energy generation through renewable sources in line with the targets set by the EU and the Energy Community in July 2022 and on creating the necessary conditions for investment, in line with the Acquis and the purpose of the EU, and the Energy Community. Also, to increase the security of supply, increase the system flexibility and create suitable conditions for the integration of Renewable Energy Sources in the Electricity System, Kosovo will install 170 MW of capacity for energy accumulation through batteries. This will be made possible through support from the Millennium Challenge Corporation (“MCC”). This measure will have a direct impact on reducing air pollution, increasing competition in the energy market, increasing the security of electricity supply, and will therefore contribute to achieving the Sustainable Development Goal for Clean and Affordable Energy, as well as towards the Green Agenda for Clean, Affordable, and Secure Energy Supply.

#### **a. Activities planned for 2023:**

1. Drafting and adopting the Draft Law on EE (ME);
2. Drafting and adopting the primary and secondary legislation for RES (ME)
3. Drafting of the Guide for Prosumers (self-generating consumer) (ERO);
4. Approval of the Draft law on Energy Performance in Buildings (MESPI);
5. Defining the financing scheme and procedure for the implementation of Energy Efficiency Incentives in the private and household sectors (FKEE);
6. Implementation of EE measures in public buildings (KAEE/KEEREP)
7. Implementation of Energy Efficiency measures in public buildings at the municipal level in the Municipalities of Prishtina, Gjilan, Ferizaj and Gjakova (KAEE/Municipalities);
8. Implementation of EE measures in public municipal buildings for current and future projects (KAEE);
9. Supporting individual household consumers, including consumers in need, by increasing the energy efficiency of housing units and buildings (KAEE);
10. Designing the analysis of a sustainable financing scheme model for the implementation of

the incentive program/incentives for the private and household sector-supported WBIF (KAEE);

11. Supporting household consumers, including consumers in need, in the investment of energy-efficient household appliances and renewable energy systems (ME);
12. Encouraging energy savings by Micro, Small and Medium Enterprises (ME);
13. Certification of 100 energy assessors for Building Certification (KAEE, MESPI);
14. Announcement of RES auctions - 100MW PV;
15. Construction of the 11 MW wind power plant (ME/ERO);
16. Commencement of the construction of solar capacities of 50MW for the production of thermal energy “Solar 4 Kosova II” (Termokos);
17. Feasibility study and Environmental and Social Impact Assessment for central heating systems at the level of the municipalities of Kosovo (Gjilan, Ferizaj, Prizren, Peja, Drenas, Obiliq, Mitrovica and Zveçan) (ME).

***b. Activities planned for 2024:***

1. Approval of the National Energy and Climate Plan (ME);
2. Approval of secondary legislation and Law on RES (ME);
3. Approval of secondary legislation and Law on EPB (MESPI);
4. Completed analysis with options for a sustainable financing scheme model for the implementation of the incentive program/incentives for the private and household sector-supported WBIF (KAEE);
5. Supporting individual household consumers, including consumers in need, by increasing the energy efficiency of housing units and (KAEE);
6. Certification of 100 energy assessors for Building Certification (KAEE, MESPI);
7. Implementation of EE measures in public municipal buildings for current and future projects (KAEE);
8. Energy storage project - Establishment of the Multifunctional Energy Storage Entity - MFES (ME);
9. Announcement of RES auctions - 100 MW
10. Continuation of the construction of solar capacities of 50MW for the production of thermal energy “Solar 4 continuously II” (Termokos).

***c. Activities planned for 2025***

1. Implementation of EE measures in public municipal buildings for current and future projects (KAEE);
2. Announcement of RES auctions - 100 solar;
3. Construction of solar capacity of 100 MW for electricity production in KEK (KEK);
4. Construction of the solar capacities of 50MW for the production of thermal energy “Solar 4 II” (Termokos).

<b>Indicator</b>	<b>Baseline 2021</b>	<b>Target 2023</b>	<b>Target 2025</b>
Renewable capacities in the electricity sector (other than the self-consuming producers)	244MW	255MW	490MW
Total cumulative energy savings in public buildings	2.6 ktoe	2.9 ktoe	3.8 ktoe
Total cumulative energy savings in residential and commercial public buildings	0.1 ktoe	16 ktoe	44.8 ktoe

**Expected impact on competitiveness:** The implementation of EE measures, including the policy for energy certification of buildings, will directly contribute to reducing the consumption and cost of electricity. Reducing energy consumption through these measures will boost the private sector investment and help businesses. Implementing this measure increases the security of the electricity supply as a condition for increasing competitiveness, and reducing the amount of imported energy, which is peak energy and at a higher cost than a domestic generation. Furthermore, space will be created for the development of the RES and EE sector, the establishment of the technical and human capacity for investment, and the preparation of local companies for export abroad. Also, with the development of RES legislation and competitive schemes, space will be created for private investors in the field of RES to join the energy production market, benefiting local consumers by reducing electricity prices compared to prices under FiT.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budgetary financing*	11,385,329	5,400,000	78,100,000
2. Non-budgetary financing from IPA, KfW, EBRD, WBIF, EU, MCC	62,700,000	36,290,161	68,700,000
3. Private investment	11,000,000		
TOTAL	85,085,329	41,690,161	146,800,000

\* national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:**

The adoption of legislation in the field of EE and RES enables the creation of legal and strategic conditions for investments in the sector by domestic and foreign companies. Consequently, it will affect the institutional capacity building in the energy sector through the generation of new jobs. Implementing the policy for energy certification of buildings, will also create new employment opportunities and advancement in the labour market, through capacity building of manufacturing and construction enterprises, where such actions help reduce poverty and improve living conditions. Furthermore, the legal and strategic documents will also address the components of gender equality, education and innovation in the energy sector, thus positively affecting the wellbeing of citizens and participants in the energy market.

**Expected environmental impact:** Kosovo, as a member of the Energy Treaty and a country with a European perspective, has confirmed its intention to align its policies with those of the European Union, and consequently the policies of the Green Agenda. The implementation of legislation and NECP creates legal, regulatory, operational, and infrastructural conditions that enable an active competitive market in which barrier-free trading of electricity will play an important role (regardless of production capacity or type of technologies, in the conditions of development of decarbonization policies), as well as it will influence the increasing penetration of electricity from RES in the market, which in turn results in the reduction of environmental emissions. Furthermore, investments in the field of EE and the initiative for energy certification of buildings will not only reduce energy consumption, but will also contribute to achieving thermal comfort inside buildings, and will have a direct impact on reducing environmental pollution, thus also affecting the reduction of the use of other forms of energy for heating.



<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Delays in the adoption of laws and bylaws on EE and RES	Low	Harmonization with the legislative plan
Lack of full inter-institutional coordination	Low	Full inter-institutional coordination through a number of activities at central and local level, including harmonization of activities as a priority in the implementation of policies for energy performance in buildings.

**Key Challenge #2: Encouraging sustainable employment through improving quality education and interrelation labour market needs**

Evaluations show that secondary vocational schools in Kosovo do not fulfil their purpose sufficiently. Schools are still faced with challenges such as the lack of necessary cooperation with businesses, insufficient adaptation to the labour market, lack of sufficient infrastructure and equipment, including practical learning and workplace learning, which have already begun to be implemented in some of the schools. The legal framework should also be reviewed to better meet the requirements and address some of the issues to provide adequate vocational education and training, including quality assurance in VET. The authority for the validation of teaching programs between MESTI and KAA should be clarified, while the connection between the right to provide VET and accreditation should also be regulated for public VET institutions, as well as VET monitoring should be enabled.

Kosovo’s labour market is characterized by high unemployment levels, low employment levels and a high inactivity level. These figures are significantly more unfavourable compared to the European Union averages. When considering the same inductors from a gender perspective, the situation reflects a significantly worse situation for women compared to men. A challenge is also the high number of young people who are not in employment, education or training, and according to data about 40% of young people aged 15-29 belong to this group.

**Pandemic:** The global pandemic impact has also been felt in Kosovo, as a result of which there has been an increase in the unemployment level and a decrease in the employment level in the country. In order to mitigate the pandemic effects, the Government has approved the Economic Recovery Package, whereby €55 million have been allocated to combat the pandemic effects in the field of employment. This support has included measures for people who have lost their jobs, women’s employment support, vocational training and employment of people with disabilities, youth employment, support for public and private sector employees, family employment support by social assistance and employment formalization.

**Low level of women’s employment:** Women continue to be underrepresented in the labour market, with a 20.6% level of participation compared to 54.9% level of men participation, as per the 2022 labour force survey. The main problems hindering women’s employment continue to be: Unequal burden of care responsibilities, reflected also on the old labour law, through the regulation of maternity and paternity leave.

**Youth:** As mentioned above, Kosovo faces a high level of NEETs, which in the country’s demographic background reflects the youngest average age in Europe and brings special challenges. Kosovo is committed to fighting this phenomenon through the establishment of the Youth Guarantee Scheme. This structural policy provides for the prevention of inactivity, unemployment and the efficient and sustainable integration of young people in the labour market or in education. In the joint conclusions of 24 May 2022, Kosovo pledged to finalize the Youth



Guarantee Scheme Implementation Plan and start piloting it. Currently, Kosovo has adopted an implementation plan for the Youth Guarantee, which is expected to start in 2023.

**Skills mismatch:** Harmonization of supply and demand in the labour market remains a challenge in the labour market, namely the mismatch of professional skills in the labour market. The supply number is disproportionately higher than the labour market demand number which leads to a high number of unemployed and inactive persons. The situation becomes evident when considering studies that present a situation where employers say they have difficulty finding employees. Closing this gap requires better forecasting of the skills required and that will be required in the future by the labour market, and the supply modelling in accordance with the labour market requirements. On the employer side, about 50% of firms report that general education does not adequately prepare students for the job - either in terms of up-to-date knowledge or soft skills (World Bank, 2019). According to the STEP survey, 75% of companies have encountered difficulties in hiring managers, professionals and technicians.

**Public Employment Services:** Taking into account the difficulties citizens face in the labour market, the role of a proactive policy in employment institutions should be enhanced. In this context, public employment services are characterized by a lack of human capacity and inadequate infrastructure in the provision of employment services. Public Employment Services need to be restructured and expanded with modern employment services in order to cover a wider range of society with employment and vocational training services. Currently, the dedicated funds and capacities of the institutions are partially sufficient to address the challenges in the labour market. There is a need for capacity building through the restructuring of the PES institution and the development of internal capacities to provide quality employment services and professional training for job seekers and employers. There is also a need to cooperate more closely with social partners in order to facilitate the transition of the institution's clientele to the labour market, especially for vulnerable groups.

**Employees' rights:** Employees in Kosovo face unfavourable working conditions that have an adversary impact on the quality of life, productivity, health and safety at work. A catalyst for the prevalence of this situation is the inadequate implementation of the law on labour, the lack of proper information on the population on their rights, the fragility of the Labour Inspectorate, which lacks capacities to supervise the realization of these rights, the lack of employment contracts which provide legal protection to employees and low participation in trade union organization.

**Structural problems:** Mismatch of supply and demand in the labour market; the gender gap in the employment levels; low integration of young people and vulnerable groups in the labour market; employment institutions; work institutions; the supply of the labour market and the insufficient realization of employees' rights constitute problems the main structure faced by the labour market in Kosovo. Education in Kosovo faces major challenges due to significant gaps in male and female students' learning outcomes and compatibility with labour market demands. Kosovo's efforts to improve the quality of education outcomes to better serve economic and social transformation have been challenged by the resources of reform efforts, ensuring efficiency in the management of education finances, providing mechanisms for accountability and professional capacity building for quality teaching and management. Although education expenditures have increased in recent years, there is a persistent skills mismatch, which will be addressed by direct measures in the coming medium-term period.

### **Reform Measure #3: Adapting Vocational Education and Training to the needs of the labour market**

**Description of the measure:** This measure aims at cooperation with the labour market including businesses with a view to their needs for the qualified workforce with skills and competences necessary according to the occupational standards. Qualification standards and curricula complement the VET system with formal qualifications and lifelong learning, including the Recognition of Prior Learning (RPL). Also, the measure aims to strengthen professional internship in businesses and IVET, learning at the workplace, starting to implement the dual learning piloting as well as improving career orientation. The measure supports the implementation of digitalization, amendment and supplementation of legislation related to the financial autonomy of IVETs and quality assurance. The measure is in line with the Government Program 2021- 2025, the Government National Development Plan and policies of MESTI, is part of the NDS, will be in line with the new Education Strategic Plan 2022- 2026, is part of the Strategy for local economic development while with SDGs it is correlated with goal 4, indicators 4.3, 4.4, 4.5, 4.6, and 4b and National Program for Gender Equality 2020-2024.

#### **a. Activities planned for 2023:**

1. Conducting a study on the evaluation of the VET system governance and management.
2. Revision of Law on Vocational Education and Training.
3. Providing training on IVET quality assurance to adapt to the labour market demands.
4. Determination of criteria related to the financial autonomy of IVETs.
5. Development of professional qualifications according to the labour market needs including dual learning.
6. Establishing Career Centers at the vocational school level.

#### **b. Activities planned for 2024:**

1. Drafting of guidelines and supporting materials for the implementation of the revised legislation and defining the roles of responsible institutions in the field of VET.
2. Implementation of the Regulation on Quality Assurance in IVET and training of IAAP quality coordinators.
3. Implementation of managerial and IVET financial autonomy.
4. Development of VET programs/qualifications according to the labour market needs and the implementation of dual learning for the profiles defined by MESTI.
5. Drafting of necessary documents and staff training for Career Centers.

#### **c. Activities planned for 2025:**

1. Human capacity building of IVETs to fulfil the responsibilities according to the legislation revision.
2. Quality monitoring in IVET and cooperation with businesses for continuous improvement.
3. Increasing the number of IVETs for the implementation of dual learning.
4. Human capacity building for the organization of learning at the workplace and the implementation of the entrepreneurial school model.
5. Participation of socially vulnerable categories in VET.

Indicators	Baseline 2022	Target 2023	Target 2024	Target 2025
Dual learning implemented in IAAP (profiles)	4	6	10	15
Programs designed in collaboration with the labour market for dual learning	6	14	20	30
Career Centers functioning	15	18	20	23
Development and provision of modular qualifications as well as non-formal AE courses in educational institutions.	-	4	6	8

**Expected impact on competitiveness:** The dual system implementation in the field of VET is expected to increase compatibility and development of skills according to the needs of the economy and increase employment, as well as increase competition to increase quality, and providing services throughout life.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	50,000	55,000	60,000
2. Non-budgetary funding from ALLED2, GIZ, LUX Development, EYE, OeAD, DVV	1,300,000	1,250,000	1,200,000
TOTAL	1,350,000	1,305,000	1,260,000

\* national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:** Harmonization of skills with the needs of the labour market, as well as the adoption of bylaws regulating this field, will result in qualified workers. Thus, employment growth is expected, especially among young people.

**Expected environmental impact:** The measure is not expected to have an environmental impact.

Risk	Probability	Planned mitigation action
Delays in drafting and approving legislation, internal regulations and further capacity building of VET institutions.	Medium	Inter-institutional coordination and support with professional staff and necessary expertise
Administrative and procedural difficulties within central and local institutions	Medium	Training of staff by domestic institutions and strategic partners to exercise new responsibilities
Lack of MED and IVET capacities for the implementation of financial autonomy	Medium	Training of responsible officers and specification of procedures.

**Reform Measure #4: Increasing and ensuring quality in higher education by strengthening the KAA and profiling higher education institutions**

**Description of the measure:** The measure follows from last year's ERP and aims to increase the quality of higher education through improved legislation and capacity-building of mechanisms that ensure the quality provided by higher education institutions (HEIs). MESTI is in the process of finalizing the Kosovo Research Information System (KRIS) which is being tested, and an Administrative Instruction is being drafted on 'KRIS' system functionality. Also, the training of

trainers is foreseen to enable the use of the system (scientific works of the academic staff will be published through this system). The draft law on KAA addresses all the ENQA and EQAR recommendations, such as institutional and financial independence, the establishment of mechanisms for increasing and monitoring quality in higher education. The draft law was approved in the first reading by the Assembly of Kosovo at the beginning of 2022 and is expected to be approved in the second reading by the beginning of 2023. The Kosovo Accreditation Agency will be strengthened through the drafting of legal acts which define its institutional nature and responsibilities and also guarantee its independent status. After the approval of the law, KAA will expand its activity in the field of quality assurance. This will initially be made possible through the increase of its competencies and responsibilities according to the Monitoring Methodology and post-accreditation procedures, wherein KAA will continue the monitoring process of all HEIs and their study programs. The monitoring process will be carried out by KAA officers, while the process of post-accreditation procedures will be carried out by international experts. Through the STAND (Erasmus) project, the modernization of university management will be supported through the development and operationalization of the management system. The measure is related to the NDS 2030 priorities and is part of the priorities of the Education Strategy 2022-2026, while under the SDGs the measure is related to objective 4, indicators 4.3, 4.4, 4.5 and 4b.

***a. Activities planned for 2023:***

1. Adoption of the Law on KAA (Assembly);
2. Approval of by-laws deriving from the Law on KAA (MESTI);
3. Testing of Kosovo Research Information System (KRIS);
4. Restructuring of the KAA in line with the new Law on KAA (MESTI/KAA);
5. Involvement of students in quality assurance processes (MESTI/KAA);
6. Capacity building of KAA through the recruitment of 15 new officers (MESTI/KAA);
7. Re-allocation and operationalization of the new KAA facility (KAA);
8. Review of standards at the Bachelor and Master level to promote quality assurance in higher education (KAA);
9. Completion of the KAA digitalization process from the application to the final decision (KAA);
10. Registration of international platforms for guaranteeing academic integrity and combating plagiarism (KAA);

***b. Activities planned for 2024:***

1. Design and approval of by-laws deriving from the Law on KAA (MESTI/KAA);
2. Starting with the process of drafting special Special Standards for all HEIs for the programs of Engineering, Applied Sciences, Arts and Medicine (MESTI/KAA);
3. Capacity building of KAA through the recruitment of 5 new officers (KAA/MESTI);
4. Development and operationalization of HEI management system (Erasmus+ STAND Project);

***c. Activities planned for 2025:***

1. Review of standards in line with European Standards and Guidelines (ESG 2015) (MESTI/KAA);
2. Capacity building of KAA through the recruitment of 7 new officers;

<i>Indicators</i>	<b>Baseline 2021</b>	<b>Target 2022</b>	<b>Target 2023</b>	<b>Target 2024</b>	<b>Target 2025</b>
Capacity building of KAA (recruitment of officers for currently vacant positions)	9	12	20	25	32
Special standards for HEI		0	0	2	4

**Expected impact on competitiveness:** Capacity building and ensuring the autonomy of the Kosovo Accreditation Agency is expected to install the implementation of European quality assurance practices in the field of higher education. Meanwhile, the support from MESTI in the process of reviewing programs in the field of higher education in line with market demands is expected to address the gap between skills needed and staff currently produced by the higher education system. The expected impact on competitiveness is expected through the reduction of the unemployment rate and an improvement of the competitiveness of the private sector based on the creation of relevant skills by the education sector.

**Estimated cost of activities and sources of funding:**

<b>In EUR</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
1. Budget funding*	387,858.56	181,787.84	149,288.83
2. Non-budgetary financing	25,000.00		
<b>TOTAL</b>	<b>412,858.56</b>	<b>181,787.84</b>	<b>149,288.83</b>

\* national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:**

The measure aims to improve the quality of higher education. It ensures the deepening of the reform in higher education by improving the quality standards of higher education programs and increasing compliance with the needs of the labour market and the economy. Through the process of monitoring and post-accreditation procedures, the monitoring of HEIs is foreseen as well in order to promote the interconnection of the education system with the labour market and increase the quality of education. Thus, the impact is expected to be significant especially in terms of employment growth, given that skills mismatch with the market has been identified as a key factor in maintaining structural unemployment. Educational attainment is a key factor in finding a job. Furthermore, given the demographic structure in Kosovo, the reform is expected to particularly affect the education of young people, in whom unemployment is at an alarming rate of over 55% for the 15-24 age group. This measure will also contribute to gender equality, as more HEI programs can and will be identified, by tailoring them to the needs of women in the labour market.

**Expected environmental impact:** This measure is neutral to the environmental impact.

<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Non-implementation of quality standards in the field of higher education	Low	Adoption of the Law on KAA, completion of KAA staff and digitalization of processes for the full and effective exercise of responsibilities.
Resistance from HEIs regarding the readjustment of higher education programs in accordance with the demands of the economy	High	Completion of appropriate analyses to identify higher education profiles which are deficient or need to be adjusted. Establishment of institutional channels of dialogue and cooperation with HEIs regarding the steps for the gradual improvement of the compliance of higher education programs with the demands of the labour market.

**Reform Measure #5:** Reforming labour market institutions and policies to raise the level of employment, participation in the labour market and effective protection of labour rights.

**Description of the measure:** The measure aims at increasing the employment rate, reducing unemployment and inactivity arising as a result of the mismatch between supply and demand of the labour market, as well as strengthening the employee's rights through strengthening the capacities of labour and employment institutions, this empowerment will follow two phases. The first phase contains the restructuring and rationalization of the operation of the labour market key institutions, while the second phase envisages the building and strengthening human resources capacities within the institutions. The cooperation level with the private sector will be increased and the interaction with the relevant institutions will be optimized to achieve the objective effectively and efficiently. When undertaking the actions, special emphasis will be given to narrowing the gender gap in the field of employment and to the most comprehensive integration of young people and vulnerable groups in the labour market. In this aspect, the amendment and supplementation of the law on labour will impact combating informal work and the removal of the burden of paid maternity leave from employers, which will also remove the disincentive for hiring women from employers. Young people will be supported through the implementation of the Youth Guarantee Scheme as an inter-ministerial structural policy aiming at combating inactivity and unemployment among this group. Further public employment and professional training services will be improved through the review of employment policies aiming at increasing the effectiveness of active labour market measures. In addition, the outsourcing of vocational training programs will be outsourced through private providers, also existing and new curricula will be reviewed in accordance with the labour market demands.

With a view to improving services to citizens and reducing the burden on the fragile capacities of institutions, many processes will be digitalized. This will enhance the operation efficiency and bring the citizens closer to the institutions.

The Ministry and the Labour Inspectorate will strengthen the database on labour rights for the purpose of data-based policy-making, in targeting to the largest extent the violations of labour rights and in raising the awareness of employees and employers on such rights.

The identified problems in the listed activities will be comprehensively addressed, especially through the Youth Guarantee Scheme and the Employment and Labour Market Strategy.

The measure is based on several strategic documents, such as the Government Program, the Economic Recovery Package, the National Development Strategy, the Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, ERA II and NPISAA.

**a. Activities planned for 2023:**

1. Restructuring of the Employment Agency of the Republic of Kosovo, capacity building and expansion of employment and vocational training services (MFLT/EARK);
2. Expansion of the Economic Recovery Package for the long-term unemployed, young people, women, persons with disabilities (MFLT/EARK);
3. Piloting through external (private) outsourcing for a minimum of two (2) deficient vocational training profiles (MFLT/EARK);
4. Advancement and development of the Labour Market Barometer with new modules such as sectoral skills, professional skills/competencies and qualifications, current and future skills gap (MFLT/EARK);

5. Development of the information system for Youth Guarantee (YG) MFLT/EARK);
6. Digitalization of employment and vocational training services (MFLT/EARK);
7. Drafting and approval of the Employment and Labour Market Strategy 2022 - 2025 (MFLT);
8. Drafting and approval of a concept document regulating the field of employment (MFLT);
9. Drafting and approval of the Employment Policy 2022 - 2024 (MFLT);
10. Employment of 100 new labour inspectors MFLT/LI);
11. Drafting of a concept document on the employee register (MFLT/LI);
12. Study on working conditions in Kosovo (MFLT);
13. Restructuring of the Labour Inspectorate (MFLT/LI);
14. Amending and supplementing Law on Labour in line with the EU Work Life Balance; (MFLT)
15. Development of the work platform (MFLT);
16. Organization of the National Awareness Campaign on working conditions (MFLT);
17. YG piloting (MFLT/EARK);

***b. Activities planned for 2024:***

1. Capacity building and expansion of employment and vocational training services (MFLT/EARK);
2. Expansion of the Economic Recovery Package and the document of employment policies for the long-term unemployed, young people, women, persons with disabilities (MFLT/EARK);
3. Review and development of 5 Curricula, learning packages based on the standards of the profession, publication of textbooks for 5 Qualifications and validation of 5 vocational training profiles (MFLT/EARK);
4. External outsourcing (private) for a minimum of two (2) deficient vocational training profiles (MFLT/EARK);
5. Professional analysis based on the Labour Market Barometer (MFLT/EARK);
6. Analysis to measure effectiveness and efficiency based on the digitalization of employment and vocational training services (MFLT/EARK);
7. Analysis to monitor and evaluate the NEET inclusion in YG MFLT/EARK);
8. Development of electronic inspections and CRM platform (MFLT/EARK);

***c. Activities planned for 2025:***

1. Expansion of the Economic Recovery Package and the document of employment policies for the long-term unemployed, young people, women, persons with disabilities (MFLT/EARK);
2. Review and development of 6 Curricula, learning packages based on the standards of the profession, publication of textbooks for 6 Qualifications and validation of 6 vocational training profiles (MFLT/EARK);
3. External outsourcing (private) for a minimum of two (2) deficient vocational training profiles (MFLT/EARK);
4. Expansion of new services in the field of YG employment and vocational training MFLT/EARK);



Indicator	Baseline Q2 2021	Target 2024	Target 2025
1. Employment rate	37.7%	39.2%	40.7%
2. Unemployment rate	20.5%	19.0%	17.5%
3. Inactivity rate	62.8%	61.3%	59.8%
4. Inactivity rate of women	82.4%	80.9%	79.4%
5. NEET youth rate 15 – 24	31.7%	30.7%	29.7%

**Expected impact on competitiveness:** Increasing the capacity of public employment and vocational training services is expected to have positive effects on increasing competitiveness by improving the quality of services, improving the skills of job seekers and better adaptation of job seekers to jobs. Improving the skills of job seekers and better adaptation to the workplace will increase the quality of work and facilitate social and economic mobility among them. The higher integration of young people, women and vulnerable groups will diversify and increase the quality of skills in the labour market and will influence the prevention of negative phenomena such as the “brain-drain”. Improving the mechanisms for predicting and monitoring labour market demands will facilitate the orientation of active labour market measures, especially vocational training, thus the labour supply will cover the labour market demands, and as a result, the economic productivity of the country will boost. Strengthening employees’ rights will make the labour market more attractive to job seekers and encourage their integration into the labour force.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	33,250,421.00	33,601,121.00	33,312,983.00
2. Non-budgetary financing	283,360.00	55,000.00	60,000.00
TOTAL	33,533,781.00	33,651,121.00	33,372,983.00

\* national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:**

This measure aims to improve the efficiency of public employment and vocational training services based on capacity building according to the process of institutional review and better targeting of ALMMs to the long-term unemployed, certain groups, with a focus on youth, women, people with disabilities and vulnerable groups. The measure also aims to create skills in deficient profiles by starting to implement the model of outsourcing vocational training programs and employment services to private providers. Overall, the measure coupled with ALMM for youth is expected to reduce the high percentage of NEETs among young people aged 15 - 24. Raising the employment rate and adapting the skills of unemployed persons to the labour market demands will increase the income of the persons concerned, and as a result, it will affect the alleviation of poverty, especially among vulnerable groups. The measure will also affect the strengthening of employees’ rights, which can have an impact on raising the quality of life and, consequently, raising productivity at work. Strengthening the rights of employees and supervisory institutions will affect the protection of health and safety at work. As a result, well-being will be protected and psycho-social and economic difficulties arising from work accidents and occupational diseases will be avoided. With the new Labour Law that aims to improve the maternity, paternity and parental leave, this measure will also contribute to a better treatment of women in the labour market.

**Expected environmental impact:** The measure will be neutral to the environment.



<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Reduction of EARK staff due to retirement.	High	To be filled in with new necessary staff and the services provided by EARK will be digitalized. Outsourcing of employment services to vulnerable groups to be piloted in order to alleviate the pressure on the Agency's existing staff and establish cooperation with private employment services.
Lack of adequate cooperation and coordination with the relevant institutions and social partners for the implementation of the Youth Guarantee Scheme.	Low	Organizing continuous coordination meetings, to ensure the progress of the process and the efficient and effective solution of problems that may arise.
Ineffective review of citizens' complaints by the Labour Inspectorate. Insufficient and unprofessional inspections trigger potential violations of the law on labour the law on safety and health at work and other laws.	Medium	Increasing the number of Labour Inspectors. Increasing efficiency in submitting and reviewing complaints from citizens and restructuring the Labour Inspectorate.

**Key challenge #3: Reduction of the informal economy and improving the environment for doing business.**

One of the main challenges of the Government still remains the informal economy and the poor environment for doing business. The informal economy has negative effects not only on the budget of Kosovo, but it also damages the market economy and fair competition between businesses. The last study conducted in 2017 estimated that the informal economy reaches up to 30% of GDP. Obstacles such as the administrative burden for businesses and citizens, the lack of mechanism and proper addressing of economic disputes, the lack of proper coordination and training of inspections and the poor condition of the tax regulator in Kosovo continue to have a negative impact on unfair competition in the market and in legal uncertainty. As a result, this phenomenon continues to be one of the main obstacles in the country's economic development.

The economic situation continued to improve in 2022, although the consequences of the situation created by the pandemic in 2020 continue to be felt. This improvement in the situation is also contributed to the measures undertaken by the government to support businesses (financial support for investment loans, financial support for exporters, support for liquidity) and families (social assistance, direct subsidies for unemployed workers, students). Kosovo has continued to address the informal economy during 2022 as well. In July 2022 the Concept Document of the Law on the Registration of Beneficial Owners has been approved and the law is expected to be implemented next year. Furthermore, Kosovo Agency of Statistics has continued to assess the informal economy in compliance with international standards. The responsible division in KAS has continued assessing the informal economy on a basis of fiscal audit controls, by self-employed misreporting, by the evaluation of drug trafficking, based on the Labour Input Method and the informal economy has also been assessed in the health sector as well. The Tax Administration of Kosovo has composed two new compliance projects which will target high-risk sectors with the aim to combat the informal economy. To determine corrective measures for those compliance projects TAK has

named project managers to monitor and evaluate the project's implementation. In addition, joint groups from TAK and Kosovo Customs have been created and continue to have meetings to coordinate their activities on the fight against the informal economy.

As the informal economy continues to be fought there are still obstacles. As such the inter-institutional cooperation to fight the informal economy needs to further improve, the low efficiency as a result of the limited number of inspectors in the Labour Inspectorate and other inspection bodies, low incentives for electronic payments of citizens and especially the low awareness of the negative effects of this phenomenon on both employers and employees are the main contributors to the prevalence of the informal economy. Moreover, the administrative burden represents one of the other key problems in doing business and reducing the informal economy. Problems such as the long time it takes to receive services for businesses and their high cost, the numerous requirements for businesses and the lack of knowledge on how to provide services discourage doing business and investing in the country.

**Structural Barriers:** Although there have been improvements in the environment for doing business and the informal economy, major barriers still remain. The main challenges in this field are unfair competition as a result of the informal economy, lack of good coordination between institutions, lack of planning, coordination and implementation of the activities of inspection bodies, low incentives for electronic payments, low number of campaigns to inform the citizens of the negative effects of informal economy, lack of adaptation of the newest European practices, low coordination and weak between public and private institutions in the collection and sharing of information as well as the administrative burden, not only the one created earlier but also the burden created continuously, due to the lack of its control. These structural challenges and obstacles mentioned above affect the discouragement of doing business in the country, lower investments, uncertainty in the realization of economic rights, negative impact on the state budget and employment, negative effects on poverty reduction and less restrictions on free competition in the markets in Kosovo.

#### **Reform Measure #6: Improving the environment for doing business by reducing the administrative burden and reforming inspections**

**Description of the measure:** In the light of the doing business environment improvement, the Government aims to undertake several activities that will have an impact on increasing the quality of services for businesses and citizens, as well as increasing the effectiveness of the administration. Reducing the administrative burden focuses on the simplification and digitalization of administrative services, including the procedures for subsidies, grants and social schemes. The inspection reform aims to achieve two main objectives, the consolidation of inspection structures and the improvement of coordination, as well as the digitalization of the inspection process in order to reduce the administrative burden on businesses. This measure is in line with Indicator 2.4.3 Efficient governance and Indicator 2.8.1 Improving the doing business environment of the Kosovo Government Program 2021 – 2025.

##### **a. Activities planned for 2023:**

1. Simplification of administrative services (permits) in MIA, MAFRD, MESPI and MH (OPM/LM);

2. Digitization of administrative services (permits) in MIA, MAFRD, MESPI, MH, ME, MEST, MoJ and MCYS (OPM/LM/AIS);
3. Simplification and digitization of the application procedures for grants and subsidies in agriculture (MAFRD, AIS);
4. Digitalization of social service schemes within MFLT (MFLT/AIS);
5. Simplification of administrative services at the local level (MLGA/OPM/Municipalities);
6. Harmonization of relevant legal acts with the Law on Inspections (OPM);
7. Development of Inspection Platform (OPM);
8. Reorganization and restructuring of inspection bodies (OPM/LM);
9. Training of public officials on administrative burden (KIPA/OPM);
10. Training of inspectors through the new inspection approach (KIPA/OPM);

***b. Activities planned for 2024:***

1. Simplification of administrative services (permits) in ME, MEST, MoJ, MFLT and MCYS (OPM/LM);
2. Digitalization of administrative services (permits) in MIA, MAFRD, MESPI, MH, ME, MEST, MoJ and MCYS (OPM/LM/AIS);
3. Digitalization of social service schemes within MFLT (MFLT/AIS);
4. Simplification of administrative services at the local level (MLGA/OPM/Municipalities);
5. Simplification of administrative services at the local level (MLGA/OPM/Municipalities);
6. Reorganization and restructuring of inspection bodies (OPM/LM);
7. Training of public officials on administrative burden (KIPA/OPM);
8. Training of inspectors through the new inspection approach (KIPA/OPM);

***c. Activities planned for 2025:***

1. Digitalization of administrative services (permits) in MIA, MAFRED, MESPI, MH, ME, MEST, MoJ and MCYS (OPM/LM/AIS);
2. Simplification of administrative services at the local level (MLGA/OPM/Municipalities);
3. Reorganization and restructuring of inspection bodies (OPM/LM);
4. Training of public officials on administrative burden (KIPA/OPM);
5. Training of inspectors through the new inspection approach (KIPA/OPM);

<b>Indicator</b>	<b>Baseline 2022</b>	<b>Target 2023</b>	<b>Target 2025</b>
Number of simplified administrative services (permits)	44	>150	n/a
Number of digitalized administrative services (permits)	0	>50	>250
Number of inspection bodies	32	18	12

***Expected impact on competitiveness:*** Improving the quality of policy-making and drafting legislation, creating a unified system that ensures sustainable inter-institutional coordination by inspection authorities and the functioning of a single, effective and specialized address in resolving commercial disputes will significantly affect the removal of unnecessary obstacles in the process of Administrative Burden Reduction (ABR), increase the efficiency, transparency and accountability of inspection bodies and increase legal certainty for businesses. Therefore, by eliminating unnecessary procedures and requirements, simplifying and digitizing the necessary procedures, reducing the supervisory burden on businesses, as well as increasing legal certainty

through efficient resolution of commercial disputes will have a direct impact on improving the business environment, improving competitiveness, increasing foreign and diaspora investment and reducing the risk of expanding existing businesses

***Estimated cost of activities and sources of funding:***

In EUR	2023	2024	2025
1. Budget funding*	1,710,000	25,000	1,710,000
2. Non-budgetary financing	10,000	5,000	10,000
TOTAL	1,720,000	30,000	1,720,000

\*national sources of public funding

***Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:***

Reduction of the administrative burden for businesses and administration, as well as drafting best policies and laws will have a positive effect on the growth and development of businesses, as well as improving services for businesses and citizens, which in turn increase employment and reduce poverty. The Inspection Reform will improve the administrative effectiveness in terms of inspections and reduces the barrier of control exercised over businesses that will affect the reduction of informal economy, as well as improve services for citizens. Reduction of the informal economy means increasing the budget, and increased budget can affect the increase of welfare for the poorest strata of the population. On the other hand, the improvement of doing business environment will result in the increase of the interest in foreign investment. New investments dynamize the labour market and stimulate the increase of women's participation in the labour market.

***Expected environmental impact:*** The measure is not expected to have an environmental impact.

Risk	Probability	Planned mitigation action
Delays and resistance to the amendment of legal acts by LM to reduce the administrative burden	Medium	Centralization of the OPM work - conducting analyses and developing drafts of legal acts by OPM in order to reduce the administrative burden
Lack of capacities and delays in digitalization of administrative services	High	Supporting AIS with IT experts and high-level political involvement in overcoming challenges

***Reform measure 7: Reducing the informal economy by improving intelligence-based oversight***

**Description of the measure:** The main objective of this measure is to reduce the informal economy in the country by improving the quality of governance in the economy and developing a sustainable system in combating informality. As a result of this, tax revenues will increase, affecting the improvement of services, as well as unfair competition in the market will be reduced. This measure is related to the National Development Strategy (NDS); the National Strategy of the Republic of Kosovo for the Prevention and Combating of the Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2019-2023, as well as the Stabilization and Association Agreement (SAA).

***a. Activities planned for 2023:***

1. Drafting the new National Strategy for Combating the Informal Economy, based on sector risk assessments and assessments related to the tax gap in general (SLEJ Secretariat);
2. Development and improvement of online electronic services and interactive tools to facilitate taxpayers in fulfilling their tax obligations. (TAK)
3. Increasing the number of inspection activities in the implementation of TAK compliance projects and the determination of more corrective measures for those projects through ex post evaluation of their implementation (TAK).
4. Increasing the number of inspections and staff engaged in joint operations between TAK and KC, under the leadership of the joint group established by both institutions in order to address cases of businesses which are characterized by a high degree of risk in avoiding tax and customs duties (TAK & Customs);
5. Review of provision of direct access of FIU-K to TAK database. The authorities should examine the FIU's indirect access to the TAK database with a view to the financial intelligence analysis to ensure the timely availability of information commensurate with the risks and priorities of the competent authorities (TAK & FIU);
6. Increase of the level of oversight and the number of on-site inspections, especially in relation to the businesses and other designated non-financial professions sectors, to ensure, inter alia, that beneficiary ownership information is being collected and maintained (FIU)
7. Review of the FIU risk assessment methodology according to the recommendations of assessments and technical assistance in this area (FIU);
8. Assessment of the informal economy for economic activities and types of informal economy that have not been assessed before (KAS);
9. Assessment of the informal economy based on fiscal audit controls; Evaluation of the informal economy for type N6 - poor reporting of the employees themselves; Evaluation of drug trafficking and informal employment based on the Labour Input Method; (KAS);
10. Approval of the Law on the Register of Beneficial Owners (MIET)

***b. Activities planned for 2024:***

1. Assessment of the informal economy for economic activities and types of informal economy that have not been assessed before (KAS);
2. Strengthening investigative and intelligence capacities, increasing the professional capacity building of FIU staff, and developing and strengthening IT capacities (FIU);
3. Conducting a National Risk Assessment (FIU);
4. Full implementation of new debt collection work processes and materializing expected results by strengthening the asset sequestration and debt settlement processes (TAK);
5. Enhancing coordination of joint groups between institutions responsible for preventing and prohibiting undeclared work.

***c. Activities planned for 2025:***

1. Assessment of the informal economy for economic activities and types of informal economy that have not been assessed before (KAS);
2. Strengthening the investigative and intelligence capacities (FUI);

- Increasing the professional capacities of FIU and increasing the number of employees to control compliance of financial institutions and other designated non-financial professions with the money laundering and the fight against terrorism (FIU).

Indicators	Baseline 2023	Target 2024	Target 2025
Increase in tax revenues compared to the previous year	17.4%	3.4%	7.2%
Increasing the number of inspections (no. of inspections per year)	1,800	2,160	>2,400

**Expected impact on competitiveness:** The presence of the informal economy triggers the lower productivity of formalized businesses, due to unfair competition in the market. Unfair competition mostly affects small formalized businesses, which have higher operating costs than businesses operating in the informal economy. As a result of these factors, the growth of fair and sustainable competitiveness in the country is stagnant. Therefore, the reduction of this phenomenon would lead to the improvement of market competition, innovation and the business environment in general. Furthermore, the reduction of the informal economy also enables the growth of those sectors where Kosovo has competitive advantages and where the export potential is greater. Consequently, this measure would address through its activities the expected impact on competitiveness and sustainable economic growth.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	167,000.00	180,000.00	70,000.00
2. Non-budgetary financing			
TOTAL	167,000.00	180,000.00	70,000.00

\*national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:**

The reduction of the informal economy phenomenon affects the growth of employment in the country, especially in sectors with a high level of informality. As a result, the employment system becomes fairer, the employees' rights are recognized and respected by employers, compensation instruments are formalized and pension contributions are paid. The reduction of unemployment then affects the reduction of poverty by increasing well-being even for the poorest strata of the population. Combating the informal economy also affects gender equality, reducing phenomena such as female unemployment, lower pay for women in the informal economy, and higher exposure to abuse and violence. As a result, the impact of this measure on the reduction of the informal economy also affects tax revenues, the increase in well-being and the economic development of the country. This measure contributes to the Sustainable Development Goals within the scope of Goal 1 (Eradication of poverty), Goal 3 (Good health and well-being), Goal 5 and 8 (Gender equality and Decent work and economic growth respectively).

**Expected environmental impact:** The measure does not pose any expected environmental impact.

Risk	Probability	Planned mitigation action
Stagnation of interinstitutional cooperation	Medium	Increasing the exchange of data between different relevant institutions both at the central and local level in order to combat the informal economy.

## 5.2 Analysis of obstacles in other areas and related structural reform measures

### 5.2.1 Public Finance Management

**State of play:** Kosovo aims to provide a modern system of Public Finance Management that follows the best international experiences and enables the efficient and effective functioning of all phases in this field. The Ministry of Finance, Labour and Transfers has drafted the new Public Finance Management Strategy 2022-2026. This Strategy will be the continuation of PFMRS 2016-2020 and the Transitional Action Plan 2021, approved by the Minister of Finance, Labour and Transfers in 2021.

In the field of Public Procurement, Kosovo has a legal framework based on EU principles for public procurement, such as transparency, equal treatment, free competition and non-discrimination. The new Law on Public Procurement is under the finalization phase. Electronic procurement has been widely used in the last three (3) years in Kosovo for submitting tenders. However, the current law has limited legal provisions on the rules governing e-procurement and whether contracting authorities are authorized to use alternative means. Consequently, the new draft law explicitly regulates e-procurement according to which the public procurement regulatory agency is obliged to provide free access to all economic operators in e-procurement and the technology used must be interactive and widely used. The right to use other alternative means for tender submission is enabled only when files and other patterns that need a customized submission of a tender due to its size or other technologically sensitive aspects provide so. New techniques for public procurement will be introduced, such as the dynamic purchasing system and electronic auction.

Specific legal provisions on contract modification will be introduced based on the EU Acquis. The current law does not address many situations arising from public procurements that warrant contract modification. Therefore, the new draft law addresses all the bases for contract modification during the contract execution phase.

Among the main challenges that have been identified and that affect the better management of Public Finance is the management of fiscal risk. The identification of fiscal risks in Kosovo has not been done systematically. In recent years, MFLT has published a fiscal risk as part of the annual Budget and ERP. Fiscal risks arising from SOEs, the performance of SOEs, economic consequences from the Russian invasion of Ukraine, increased budget expenditures due to the energy crisis and high inflationary pressures are some of the main fiscal risks identified by MFLT. However, these reports were not an integral part of the macro fiscal framework and therefore such risks could not be properly quantified and monitored by MFLT as a result of a significant number of reallocations made during the last fiscal years. Moreover, fiscal risk is also presented by financial systems which are un-auditable, where about 101 systems are completely un-auditable. Informality accompanied by a tax gap remains another challenge. Reform progress was slowed by the pandemic and the diversion of resources to help provide Covid-19 related support.

Another challenge remains the structural and functional issues of the IT systems supporting MFLT and which are fragmented as they are not fully connected to each other and this presents a challenge for standardized, consistent, automatic and reliable data exchange, analysis and reporting.

**Reform Measure #8:** Restructuring and consolidation of all IT system resources in support and development of public finance management.

**Description of the measure:** The measure is introduced for the first time in the Economic Reform Program and aims at the integration and interaction of the systems and services of agencies and departments within MFLT to ensure reliable and fast services to all parties (institutions, businesses and citizens). The measure also aims to align the budget with policy priorities, improve tax compliance and deliver services more effectively. Based on the assessment of the existing situation, high fragmentation of IT systems in the field of public finance management has been identified, these separate systems operate within the public finance management as autonomous observing large gaps identified in terms of security, cooperation, investments in separate infrastructures, investments in the same platforms causing doubling and tripling of expenses, inadequate performance, instability of resources and high demands for budget increase and up to 50% increase in the number of staff. The measure will help increase the auditability of financial systems which will consequently affect the reduction of fiscal risk, attempting to reduce these 101 systems to 60. In addition, the Measure will affect the state budget savings by reducing and consolidating the hardware systems which at the moment have high costs and do not have the proper efficiency. This measure is in line with the Administrative Burden Reduction program, which is a priority of the Government and an EU requirement under for Public Administration Reform. The measure is also part of the E-Government Strategy based on the Principles of the European Interoperability Framework which provides specific guidelines on how to establish interoperable digital public services.

**a. Activities planned for 2023:**

1. Developing a plan for the transformation of IT departments into a dedicated IT Agency to support the public finance management (MFLT);
2. Establishing a shared IT service center (MFLT);
3. Amending and supplementing administrative instructions and the drafting of new legal acts to enable the consolidation and transformation of the ICT structure and organization (MFLT);
4. Drafting of the Common ICT Strategy, Roadmap and Operational Plan within MFLT (ICT Technical Committee within MFLT);
5. Digital interoperability of IT services within MFLT; (ICT Technical Committee within MFLT);
6. Capacity building within MFLT IT Agency; (CT Technical Committee within MFLT).

**b. Activities planned for 2024:**

1. Making the MFLT IT Agency fully functional with a mandate to support and advance PFM, based on the legal mandate and relevant administrative instructions;
2. Implementation of the administrative burden program within MFLT (program services);
3. Implementation of the State Recovery and Business Continuity Center.

**c. Activities planned for 2025**

1. Implementation of Government, Private and Hybrid Cloud;



2. Establishing the ICT Excellence Center including:

- “IT Infrastructure Solution” that will manage shared IT infrastructure and require asset consolidation, process standardization and delivery optimization.
- “Technology Expertise Center” will provide consulting and expertise on specific technologies, develop and support applications based on such technologies.
- “Application Center” develops and maintains standardized and ready-made applications to meet the expectations of business process owners located in business units or entities.
- “Business Solution Center” provides business processes and IT solutions to be operated by business units or entities.

Indicator	Baseline 2022	Target 2023	Target 2024	Target 2025
Digitalized social schemes	NO	YES	YES	YES
Number of financial systems (MFLT) auditable according to international standards and their consolidation (from 101 to 60)	101 non-auditable platforms within MFLT		<25%	<40%
Performance for the provision of internal information technology services In MFLT	30% is the current ICT performance in MFLT	50%	70%	90%
Duration of payment acceptance in the Kosovo Treasury (instant payment)	24 up to 72 hours	25% of revenues to be settled within 4 hours	50% of revenues to be settled within 1 hour	100% of revenues to be settled within 60 seconds
Consolidation and integration of hardware infrastructure (server, storage, licenses)	0	50% reduction	100% reduction	

**Expected impact on competitiveness:** Integration and interaction of systems (platforms) and services of agencies and departments within MFLT for proper functioning, stability and implementation of fiscal policies, customs, social schemes (public finance) ensuring transparency and equal treatment for all relevant actors (public and private institutions) and real digitalization (reliable, easy, free services and reduction of administrative burden for citizens and businesses against the services provided by MFLT and its agencies) will contribute to a better more competitive environment doing business. It will also contribute to reducing corruption in public procurement by eliminating inefficient procurement processes that can lead to reduced market competition and increased institutional accountability over their spending decisions.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	9,096,452	9,146,452	9,346,452
2. Non-budgetary funding - IPA	1,000,000	1,000,000	1,000,000
TOTAL	10,096,452	10,146,452	10,346,452

\*national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:** Capacity building of professional standards in the field of IT and public finance, digitalization of

social and employment services; increasing competition and motivation through the new law on salaries; Professional capacity building program and including the internship program will impact on the issues of employment, gender equality while reducing poverty at the same time.

**Expected environmental impact:** The implementation of this measure will have a positive impact on the environment, taking into account the deployment of Green Technology through the use of new efficient infrastructures, reducing energy consumption and air pollution emissions, as about 30% of devices with high current consumption are expected to be replaced;

<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Rushing into implementation without program planning	medium	Careful and thorough planning of needs to ensure that people, processes and technology restructuring can be done without any disruption.
Changes in management and new enterprise architecture, (the resistance of the human factor to changes, can result in partial failures or even total failures)	medium	Ensuring the necessary level and frequency of communication between all stakeholders in order to have their attention and commitment during the program implementation.
Lack of legal authority and executive involvement can result in a restructuring that falls prey to politics, high expectations or a lack of sustainability.	medium	The ICT Technical Committee should adopt legislative language that gives authority and powers to the new ICT organization and its governance to help ICT restructuring stay on track in a long run.
The possibility of delays in the adoption of legislation by the Assembly.	medium	Ensuring proper coordination and cooperation with all actors

### 5.2.2 Green transition

**State of play:** Nowadays, Kosovo faces various environmental issues such as climate changes, natural disasters and various pollution. These environmental issues pose significant development challenges for Kosovo institutions, which still do not have sufficient capacities to address them.

Air pollution in urban areas and especially in industrial areas is estimated to be high, based on data from continuous air quality monitoring through the National Air Quality Monitoring Network in Kosovo. Kosovo has an air quality monitoring network consisting of 13 monitoring stations (12 static and 1 mobile station). 6 air quality parameters are monitored at these stations (PM10, PM2.5, NO2, SO2, O3 and CO). The monitored data is reported through the online system, through which it is possible to provide accurate real-time information to the public in several municipalities of Kosovo. The monitoring data for 2021 indicate that the maximum allowed values for some parameters, in particular for PM10 and PM2.5, mainly during the winter season have been exceeded. The largest number of days where values have been exceeded was recorded at the measuring stations in Prishtina (Rilindja 59 and KHMI 370, Peja (41) and Gjilan (37)<sup>22</sup>. The highest concentration of the annual average for PM10 was recorded in Rilindja-Prishtina stations at 33.4 µg/m<sup>3</sup> and in Gjilan 31.3 µg/m<sup>3</sup>. The largest contributors are power plants, high combustion plants, the transport sector, low combustion plants, agricultural activities, household waste and waste incineration sites. Regarding the trend of the annual concentration of the monitored

<sup>22</sup> <https://airqualitykosova.rks-gov.net>

parameters, based on the annual data for the period 2013- 2021, a significant decrease in the concentration of pollutants can be observed, which can also be related to the measures taken to reduce pollution.<sup>23</sup>

In terms of municipal waste, the amount generated at the country level is approximately over 450,000 tons. Based on the composition of municipal waste generated at the country level, over 90% of them can be recycled. Currently, over 10% go to the recycling line (including exports dedicated to recycling). Almost the entire amount of municipal waste ends up in sanitary landfills and some of it ends up in illegal landfills. On the other hand, the legislation regulating this area is harmonized with the EU Acquis. However, the waste sector needs reform and support. The circular economy would create opportunities for investment and new jobs, by providing sources of raw materials for production. The implementation of the Deposit Refund System (DRS) would result in investments from the private sector, including foreign direct investment. This is in line with the principles of extended manufacturer liability as well as the ‘polluter pays’ principle.

In recent years, special attention has been paid to the conservation of biodiversity, through the proclamation of nature-protected areas. About 11.55% of the total territory has been proclaimed as Nature-Protected Areas including: 19 strict nature reserves, 2 national parks, 229 natural monuments, 1 natural park, 6 protected landscapes and 1 special protected area for birds. So, in total, the number of protected areas is 210. Despite this positive fact, their effective management is at unsatisfactory level. Illegal construction, deforestation, hunting and other human activities are seriously threatening the natural values of these areas. This situation has resulted due to the partial implementation of existing legislation and the lack of relevant institutions for management, monitoring and inspection.

The current legislation in the field of waters has many shortcomings and policy reforms in this area are necessary. They are intended to be implemented through several planned activities, in order to meet the objective of the measure. The small amount of water in local watercourses, with an average annual volume of less than 100 m<sup>3</sup>/s, implies the need to build urban and industrial Wastewater Treatment Plants (WWTP). Currently, there are 4 ITUZ in operation (Skenderaj, Prizren, Junik, Pejë), while 1 is in the testing phase (Gjakovë). In addition to the urban ITUZ, there are also 13 small plants in some rural areas. The Municipality of Prishtina is in the process of completing the documentation to start with the construction works of the regional plant for the treatment of waste water (including the municipality of Fushe Kosova, Obiliq and Graçanica). Mitrovica, Ferizaj and Gjilan are in the initial stages of administrative procedures for contracting consulting companies. Illegal exploitation of alluvium in rivers, then regulation of rivers without ecological/hydromorphological criteria, implies the urgent need for restoration of rivers, according to protective and ecological criteria. These actions directly affect the conservation of the biodiversity of the water environment.

**Structural obstacles:** Use of outdated technologies/outdated power plants; Financial constraints of companies for investing in new technologies to reduce air emissions; Lack of wastewater treatment; Lack of wastewater treatment; Poor waste management; Biodiversity loss; Wild exploitation of natural resources;

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<sup>23</sup> Annual Report on the State of Air 2021, KEPA 2022

## **Reform Measure #9: Reducing environmental pollution and preserving biodiversity**

**Description of the measure:** Environmental protection is one of the priority issues of the global agenda in recent years, it is a topic of concern even for the country's institutions due to the pollution that affects the health of citizens and is also closely related to socio-economic development, quality of life and prosperity of future generations in Kosovo. The main objective of this measure is to improve the quality of life and sustainable economic and cultural development. In order to meet this objective, existing policies will be reviewed, harmonizing them with EU legislation, to provide the basis which aims to reduce air pollution, increase the level of waste and water management, sustainable use of natural resources, protection of biodiversity and natural landscapes as well as raising awareness on environmental issues. The measure is related to the NDS 2030, the Kosovo National Plan for Emission Reduction 2018- 2027, the Strategy for Integrated Waste Management 2021- 2030, the National Water Strategy 2017- 2036, the Climate Change Strategy 2019-2028, Green Agenda for the Western Balkans and the Sustainable Development Goals.

### ***a. Activities planned for 2023:***

1. Drafting and adoption of the Long-Term Decarbonisation Strategy (MESPI, ME);
2. Drafting and Adoption of the Strategy for Environmental Protection and Sustainable Development 2023-2031 (MESPI);
3. Preparation of design and documentation for tendering for the construction of the regional wastewater treatment plant for the Prishtina Region (including the municipality of Fushë Kosova, Obiliq and Graçanica) (RWC Prishtina);
4. Capacity development for Air Quality Control - monitoring the content of heavy metals in air dust in Mitrovica, Prishtina and Drenas (MESPI).
5. Marking of the external and internal border of the National Park “Sharri” and Bjeshkët e Nemuna (MESPI);
6. Increasing the forest areas - afforestation; (MAFRD)
7. Drafting of long-term management plans for forests; (MAFRD)
8. Development of the value chain process in forestry; (MAFRD)
9. Drafting of the Wild Animals Management Program 2024-2033. (MAFRD)

### ***b. Activities planned for 2024:***

1. Drafting of AI on the extended responsibility of the waste producer, based on the “polluter pays” principle (MESPI);
2. Developing the flood risk maps and flood vulnerability maps (MESPI);
3. Drawing up plans for river basins: Ibri, Morava e Binçës and Lepenci (MESPI);
4. Drafting of the draft law on the protection of nature (MESPI);
5. Increasing the number of nature-protected areas (MESPI);
6. Installation of electro filters and NOX-reducing devices in TC Kosova B1 (KEK).
7. Increasing the forest areas - afforestation; (MAFRD)
8. Development of the Kosovo Forest information System (KFIS);
9. Making functional the training center for forestry; (MAFRD)
10. Drafting of long-term management plans for forests. (MAFRD)

**c. Activities planned for 2025**

1. Establishment of the deposit refund system for glass, plastic bottles and cans - initiation of operation (MESPI);
2. Drafting of the construction and demolition waste management plan (MESPI);
3. Drafting of the feasibility study for the Kike-Kremenate - Gjyrishevc hydrosystem (MESPI);
4. Preparation of flood and drought risk management plans for the territory of Kosovo (MESPI);
5. Increasing the number of nature-protected areas (MESPI);
6. Installation of electro filters and NOX-reducing devices in TC Kosova B2 (KEK).
7. Increasing the forest areas - afforestation; (MAFRD)
8. Drafting of long-term management plans for forests. (MAFRD)

Indicator	Baseline 2022	Target 2023	Target 2024	Target 2025
Increasing the number of nature-protected areas and biodiversity protection.	258	266	276	286
Points set for return of packaging (plastic, aluminium, glass bottles) for DRS application	0	0	0	400
Percentage of the population with access to wastewater treatment.	8%	8%	8%	34%
Reducing pollution from dust, NOx and SO <sub>2</sub> emissions of Kosova B lignite power plants	TC Kosova B: Dust: over 300 mg/Nm <sup>3</sup> NOx: over 500 mg/Nm <sup>3</sup> SO <sub>2</sub> : over 600 mg/Nm		<b>TC Kosova B1:</b> Dust: 20 mg/Nm <sup>3</sup> NOx: 200 mg/Nm <sup>3</sup> SO <sub>2</sub> : 600 mg/Nm <sup>3</sup> <b>TC Kosova B2:</b> Dust: over 300 mg/Nm <sup>3</sup> , NOx: over 500 mg/Nm <sup>3</sup> SO <sub>2</sub> : over 600 mg/Nm	
Increasing the forest areas	481,000 ha (2021)	400 ha		800 ha
Forests covered by management plans	62 (74%) (2021)	70 (83%)		78 (93%)

**Expected impact on competitiveness:** Kosovo is moving towards a low-carbon economy by reducing greenhouse gas emissions; Better conservation of biodiversity and natural resources; Improving the quality of surface and underground water. The implementation of this measure will contribute to living in a cleaner environment, maintaining health and economic and social well-being. The expected impact is related to the transition to a circular/green economy through increasing the amount of packaging for use in the local recycling industry; increasing the export of packaging material, mainly beverages (plastic, aluminium, glass), the positive effects of which can be observed within 2- 4 years after application of DRS. Also, increasing legal logging in forests will slow down illegal logging and increase annual forest growth. Due to the high recreational

value, the forests of Kosovo offer opportunities for ecotourism, which represents one of the important aspects of the social and economic functions of forests. With adequate planning, ecotourism will increase revenue from forest services through local and foreign visitors.

***Estimated cost of activities and sources of funding:***

In EUR	2023	2024	2025
1. Budget funding*	670,000	650,000	570,000
2. Non-budgetary funding - IPA and other Grants	1,033,640	36,655,000	61,900,000
TOTAL	1,703,640	37,305,000	62,470,000

\*national sources of public funding

***Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:***

Approval of strategic documents, legislation and the implementation of planned measures projects provide basis and opportunities for job generation. Marginalized groups of informal sectors will be drawn into the formal economy. Consequently, this measure affects the improvement of quality of life and economic and social well-being. The legal equality component is addressed in the strategic and legal documents

***Expected environmental impact:*** The implementation of legislation, action plans for the implementation of strategic documents and projects, enable the reduction of air and water pollution, the improvement of waste management and the loss of biodiversity, where about 70% of terrestrial biodiversity takes place in forests.

Risk	Probability	Planned mitigation action
Low level of inter-institutional and private sector cooperation	Low	The private sector should be consulted from the beginning because it is a key participant in the process
Possible delays in the adoption of strategic documents and legislation	Medium	Inter-institutional coordination and support with professional staff and necessary expertise
Continuous damage to forests from illegal logging, biotic and abiotic factors	High	Restructuring of forest management and control and increasing capacities for forest conservation

**5.2.3 Digital transformation**

***State of play:*** Fixed broadband electronic communications infrastructure now provides access to 100% of residents/households nationwide. Towards a gigabyte digital infrastructure, there are bottlenecks in the backbone infrastructure and insufficient capacity for international connections. Fixed access internet penetration is estimated to be 125% of households compared to 89%<sup>24</sup> in the EU. Mobile telephony penetration is around 95% of the population and it is estimated that internet users via 3G and 4G network are 78% of the population compared to 100% in EU. Mobile internet speed at unsatisfactory level - due to insufficient utilization of frequency resources RAEPC is in the process of issuing additional frequencies to mobile operators.

Demand for additional Internet capacity/speed has increased significantly since the COVID-19 pandemic. GRK, in order to address the growing demand for broadband Internet services, through

<sup>24</sup> <https://ec.europa.eu/eurostat/documents/3888793/14209569/KS-TC-21-008-EN-N.pdf/99f04bbe-235d-35f7-4f1c-890a04d8e09e>

the KODE Project is acting to create the preconditions for the extension of robust broadband telecommunications infrastructure by interconnecting mobile network stacks with optical cables to enable the development of technologies and services based in 5G and 6G generation networks. Investments in telecommunication infrastructure have marked a continuous decline since 2015 when they were around €50 million, and during 2020 and 2021, the investments were around €24 million and €15 million respectively (or close to 0.2% of Kosovo GDP). The overall use of ICT in the industry is still limited and many companies lack awareness of competitive benefits. It is estimated that about 4.2%<sup>25</sup> of the total number of employees are employed in the ICT (Information and Communication) sector compared to 3.64%<sup>26</sup> at the EU level. About 600 businesses have registered ICT as a primary activity, but only about 120 of them are considered businesses with ICT product-based services, while the rest are hardware sales and servicing businesses.

Institutions of the Republic of Kosovo have developed: State Computer Network, State Data Centre, an Interoperability Platform, a number of central electronic systems for providing electronic services to citizens, businesses and the administration itself, the electronic portal “e-Kosova” where a considerable number of services have been launched and which will be the only platform whereby the state institutions will provide services to citizens and businesses.

Before the COVID-19 pandemic, Kosovo faced serious challenges in the education system reflected in the PISA results. The closure of schools as a result jeopardized even more the level of teaching - learning and the quality of teaching. To facilitate the implementation of the distance learning curriculum through the digital platform in Kosovo, the digitalization of primary and secondary education had the greatest efforts in the period 2020/21. The electronic platform with digital educational content, known as the Learning Passport, was launched in Kosovo in April 2020 and in February 2021 was unified for the entire pre-university education<sup>27</sup>. So far, there is no official data on the level of use of this platform. Success in the education system has been achieved with the operationalization of the National Research and Education Network (KREN), which provides GEANT, Azure services and serves as a Data Center for Higher Education Institutions (HEIs).

**Structural obstacles:** Regarding the digital economy, an obstacle is posed by the lack of a general ecosystem to create opportunities for the most innovative ideas not only in the ICT sector, but in all areas related to ICT and digital technologies applied in all areas of life. It has been proven even during the pandemic that the lack of deployment of broadband internet infrastructure has an adverse impact on the productivity and competitiveness of companies and reduces opportunities for self-employment, distance learning, digital learning and digital marketing, this fact becomes even more evident when considering the unpreparedness of businesses to go for digitalization. Support and enabling environment for fixed broadband networks and 5G networks are further needed for the digitalization of the economy. The lack of a system for electronic identification and authentication (eID) is disadvantageous to the development of online services and electronic trading. IRK provides a moderate number of e-government services. Further development of electronic services on the eKosova Platform is necessary; electronic payment module application; investment in the modernization of the state IT infrastructure; expansion of the Implementation of the Interoperability Platform for the integration of systems; further advancement of hardware capacities and increased security in the State Data Center - SDC; construction of the Disaster Recovery Center; as well as training and advancing professional human capacities. Primary and

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<sup>25</sup> <https://ask.rks-gov.net/media/5554/afp-tm1-2020-finale.pdf>

<sup>26</sup> <https://www.statista.com/statistics/1195197/employment-by-sector-in-europe/>

<sup>27</sup> [www.shkollat.org](http://www.shkollat.org)



secondary schools in Kosovo have limited ICT equipment, especially schools in rural areas. The Education Strategy 2022- 2026, which is adopted by the Government, provides for Specific Objective 5.1, Digitization of schools, as well as in Objective 5.3, Provision of opportunities for the effective use of Information and Communication Technology (ICT) in VETAE HEI. Within the KODE project, schools are planned to be connected with an internal network in order to connect them to KREN. As for the tertiary level, university students now have access to European and international academic networks and KREN is a member of the pan-European GEANT network and is in the process of further development.

**Reform Measure #10:** Extension of ICT infrastructure and services for socio-economic development, advanced public services, as well as digitalization of the education system

**Description of the measure:** The measure builds on the previous ERP 2022- 2024, revised in order to expand access to and use of ICT through the extension of broadband infrastructure, support for the extension of 5G mobile infrastructure, creation of conditions for research and education, strengthening of human capital, support of digital businesses, digitalization of other businesses, as well as digitalization of public services, education system and health system. ME in cooperation with the World Bank are in the process of implementing the Kosovo Digital Economy Program - KODE. KODE has been implemented since 2019 and until now areas not covered by fixed broadband infrastructure has been covered (203 villages, 105 schools and 43 health clinics) and the connection to fixed broadband infrastructure of mobile network stacks for new generations (5G ready) is ongoing. Now, through the KODE Project, the connection of schools and the internal network will continue in order to connect to KREN and through it to GEANT. In the course of the development of human resources for the digital economy and support for digital businesses, the IPA 2017 project have been implemented since 2020, aiming to increase the competitiveness of the ICT sector in Kosovo. Also, through the second component of the KODE project, the training of young people in the field of ICT is in process. The target by the end of the KODE Project is to have 2000 trainees. So far, through the IPA 2017 and KODE Project, more than 1300 young people have been trained for various modules in the area of ICT (Java Programming, Web Development, Cyber Security, Python, Big Data Analytics, etc.), more than 20 B2B meetings have taken place in Kosovo and 4 B2B meetings outside Kosovo. Most IT companies (about 75%) export services to the EU market and beyond and are looking for new experts, therefore through the KODE Project, we are trying to address such market demands. Based on the outcomes so far, the vast majority of the trainees are immediately employed in the IT sector or even in other IT-supportive sectors.

Another IPA 2019 project has also started to be implemented, aiming to increase the private sector efficiency and productivity through the use of ICT, creating the right and safer ecosystem for e-business and e-commerce, making it possible to improve electronic services for citizens and businesses through the implementation of the eID system with mobile ID solution. In December 2021, the Law on Electronic Identification and Trust Services in Electronic Transactions entered into force, which transposes the EU Regulation on eIDAS, and the secondary legislation by will also be completed by mid-2023.

This measure is in line with the National Development Strategy, Kosovo Digital Agenda 2013-2020, Kosovo Draft Digital Agenda 2030, Kosovo IT Strategy, NPISAA and MTEF. It is essential to set priorities during the process of drafting the Digital Agenda 2030, the Strategic Plan for Education in Kosovo, the Smart Specialization Strategy, the review of the National Strategy for IT. The measure is also in accordance with SDG 17.6 and 17.8. Within the DEC, a Data Center has been built as part of the National Research and Education Network, which will serve the



academic and research community. DEC will serve for the development of ICT innovation and will initially focus on studies, research and developments in the field of ICT based on the latest ICT trends. In Kosovo, the added value of the ICT sector is mainly provided by the provision of services inside and outside the country. However, it is of strategic importance to also support the development of ICT production, e.g. manufacturing of electronic components, communication devices or consumer electronics. It is essential to set priorities during the process of compiling the Digital Agenda 2030, the Education Strategy, the Strategy for smart specialization, the revision of the National IT Strategy, for investments in the ICT sector through close cooperation with the private sector.

***a. Activities planned for 2023:***

1. Approval of the Digital Agenda 2030;
2. Review of the Kosovo IT Strategy;
3. Drafting of the Law on the Electronic Communications Cod;
4. Supporting the extension of fixed infrastructure – connection of mobile network stacks (5G Ready);
5. Extension of broadband infrastructure in schools and connection with KREN
6. Development of trainings for youth and Program - YOU (Youth Online and Upward Program);
7. Digitalization of businesses through the use of ICT (eID System, creating the right and safer ecosystem for e-business and e-commerce);
8. Ongoing development of the Digital Excellence Centre - 5G Pilot;
9. Further development of electronic services on the eKosova Platform, application of the electronic payments module (AIS);
10. Expanding the implementation of the Interactive/Interoperability Platform for the systems integration (AIS);

***b. Activities planned for 2024:***

1. Supporting the extension of fixed infrastructure - connection of mobile network stacks (5G Ready);
2. Extension of broadband infrastructure in schools and connection with KREN
3. Development of trainings for youth and Program - YOU (Youth Online and Upward Program);
4. Digitalization of businesses through the use of ICT (eID System, creating the right and safer ecosystem for e-business and e-commerce);
5. Ongoing development of the Digital Excellence Centre - 5G Pilot;
6. Establishment of an education centre for - STEM in the field of ICT in the Central Educational Institution;
7. Further development of electronic services on the eKosova Platform, application of the electronic payments module (AIS);
8. Construction of the Disaster Recovery Center (AIS);

***c. Activities planned for 2025:***

1. Supporting the extension of fixed infrastructure – connection of mobile network stacks (5G Ready);
2. Extension of broadband infrastructure in schools and connection with KREN
3. Delivery of trainings for young people and their connection with online job opportunities -

- online youth and growth program (Youth Online and Upward Program - YOU);
4. Digitalization of businesses through the use of ICT (eID System, creating the right and safer ecosystem for e-business and e-commerce);
  5. Establishment of Laboratory for 5G, IoT, Cybersecurity and Smart Village, at ITP Prizren;
  6. Starting classes for children from primary schools in Prizren in STEM education;
  7. Initiation of a call for proposals for R&D projects in ICT;
  8. Construction of the Disaster Recovery Center (AIS);

Indicators	Baseline	Target 2023	Target
Number of mobile network stacks connected to fixed broadband infrastructure - 5G Ready	35 (2022)	55	70 (2024)
Number of schools connected to broadband infrastructure and KREN	0 (2022)	70	250 (2025)
Number of trainees in the field of ICT on the digital economy	500 (2021)	2000	3060 (2025)
5G pilot in CDE completed	NO (2022)	70%	YES (2024)

**Expected impact on competitiveness:** The WB study concludes that a 10% increase in broadband fixed infrastructure penetration will be followed by an increase of 1.21% of GDP in developed economies and 1.38% of GDP in developing economies. Creating the right conditions through the extension of the relevant network infrastructure and the provision of broadband services will facilitate access to international markets, the development of new business models, allowing people and companies to work regardless of location and with flexible hours and in general accelerating procedures and processes by increasing economic dynamism and improving competitiveness, improving the labour market and business environment. Providing a skilled labour force would help grow the ICT sector, increase competition and increase revenues in the economy of our country.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	7,054,843	3,601,449	1,000,000
2. Non-budgetary funding - IPA	1,400,000	1,300,000	1,300,000
TOTAL	8,454,843	4,901,449	2,300,000

\*national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:** This measure will have a positive impact on employment by expanding opportunities for digital work, with a special focus on young people, women and people with disabilities. According to some surveys, broadband infrastructure has been assessed as a major motivator of flexible work, in more than ¾ of the surveyed businesses, citing the expansion of broadband infrastructure as a factor influencing this. As a direct result of the second component of the KODE Program, the creation of 400 new jobs in the IT software businesses is planned and ICT trainings are planned for 2000 people, who could potentially be considered new jobs (employed or self-employed).

**Expected environmental impact:** The measure will be neutral to the environment.

<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Potential delays in the implementation of projects with WB and IPA as a result of the pandemic	Low	Detailed review, at an early stage of the activity implementation, of the potential ICT workforce and existing ICT businesses regarding the criteria for admission to the activity, using the most effective ICT tools for testing and evaluating potential candidates.
Limited absorptive capacities among the potential ICT labour force and ICT businesses	Low	

#### **5.2.4 Business environment and reduction of the informal economy**

#### **5.2.5 Research, Development and Innovation**

**State of play:** Research, Development and Innovation (RDI) in Kosovo still remains at a low level of support. The budget allocated by the government is in total around €2.5 million, which means it is 0.1% of the total state budget. According to the law on scientific research activities, Kosovo must allocate 0.7% of the total budget or €17.2 million for innovative activities. The Republic of Kosovo has joined the EU Horizon Europe Framework program and plans to join the European Scoreboard. Membership in these mechanisms will contribute to improving the system, identifying priorities and regulating the innovation ecosystem in the country. €200,000 are allocated from the economic category under the capital investments, which are intended for the implementation of the construction project and the supply of equipment for innovation and entrepreneurship centers. This year, these funds will be used for the adaptation of common centers at the Innovation Centre in UP, which spaces will be used by start-ups benefiting from innovation and entrepreneurship grant schemes for 6 months with the possibility of extension for another 6 months. MIET will invest this year from the Innovation and Entrepreneurship codes €3,000,000 for the Innovation and Entrepreneurship Park. In Prizren, according to the MoU signed by the Minister of MFLT and GIZ, implementing MIET, MIET in cooperation with MESTI, GIZ and ITP have launched the grant scheme for partnership between universities and businesses.

The National Science Council has become operational and will help in having a comprehensive institutional approach and better coordination of research and innovation policies. NSC is drafting the National Science Program. The same is expected to be finalized during 2023. This document addresses strategic priorities in research and innovation. The government is working on a concept document for the revision of the law on scientific research activities aiming at reforming national research and innovation policies. Kosovo Government has adopted administrative instruction on the forms of knowledge transfer through which institutions are provided with the legal basis for the establishment of knowledge transfer offices. The purpose of this policy is to support the partnership between Academy and Industry. The reforms are expected to affect economic development, competitiveness and absorption of competitive funds at the national level and in European programs. The government has taken measures to address the lack of data on research and innovation indicators and is in the development stage of the “Kosovo Research Information System (KRIS)” platform. This platform will serve as a platform repository for scientific research work, and at the same time it will provide standardized research information in Kosovo. There is a need to establish the National Science Fund as well as to develop implementation mechanisms. The legal infrastructure is needed as a prerequisite to establish this fund, which will clearly define the main goals for the business orientation towards the application of innovative ideas and projects,

aiming at increasing the potential for export, competitiveness, generating new jobs, improving the quality of products or services, human capacity building, and giving priority to young people, women and marginalized persons in the labour market. With the finalization of this document, the funding sources for businesses and academia for innovations, the functions of Innovation Centers, clusters and other common spaces for developing innovative ideas will be regulated, by providing training and consultancy services in order to turn the creative ideas of innovators into sustainable projects and businesses.

The Law on Innovation and Entrepreneurship will clearly define the main goals for the orientation of businesses towards the application of innovative ideas and projects, aiming at increasing the potential for export, competitiveness, generating new jobs, improving the quality of products or services, human capacity, and giving priority to young people, women and marginalized persons in the labour market. With the finalization of this document, the funding sources for businesses and academia for innovations, the functions of Innovation Centers, clusters and other common spaces for developing innovative ideas will be regulated, by providing training and consultancy services in order to turn the creative ideas of innovators into sustainable projects and businesses.

A concept document on the Innovation and Entrepreneurship Fund has been completed. Work has been initiated to review the National Strategy for Innovation and Entrepreneurship 2019- 2023.

The decision to re-functionalize the National Council for Innovation and Entrepreneurship is expected to be endorsed by the government. The government has also started to build a platform for collecting, storing data and regulating relevant processes in the area of scientific research and innovation through a system called Kosovo Research Information System. The amendment and supplementation of the Administrative Instruction on Subsidies and Transfers have been endorsed. The AI provisions are clearly addressed to direct financial support for businesses, students and other natural persons who apply innovative ideas and projects.

**Structural obstacles:** The area of innovation in Kosovo is still fragmented and the competences must be clearly addressed! Inter-institutional cooperation should be advanced in order to sustain the innovation ecosystem and increase investments to stimulate businesses and academia. This cooperation has also been delayed due to the situation created by the Covid-19 pandemic in recent years. The legal framework on innovation should be completed with additional provisions and instruments in order to comprehensively cover human capital and capacity building with special emphasis on the higher inclusion of women, young people, persons with special needs in additional education. A serious obstacle for Kosovo entrepreneurs, young people and the academic staff are the limited opportunities for access to international funds, the development of human capacities and export.

#### **Reform Measure #11: Improving the environment for research, innovation and entrepreneurship**

**Description of the measure:** The measure builds on the last year's ERP cycle and aims to improve the environment for research, development and innovation with an impact on the economic and social development of the country. The main objectives and public policies for the period addressed by ERP for research and innovation will favour the development of sectors that have a direct impact on the Transitional Green Economy. The measure is in line with Government Program 2021- 2025 and MESTI and MIET policies on innovation. This measure also relates to Sustainable Development Goals (SDG), i.e. Goal 9 (Industry, Innovation and Infrastructure), points 9.5 and 9b through indicators related to investments in research, production and employment.

**a. Activities planned for 2023:**

1. Adoption of the Smart Specialization Strategy (OPM)
2. Adoption of Law on Innovation and Entrepreneurship;
3. Drafting of the concept document for the Innovation Fund (MIET);
4. Creating a database for Innovation potential at the country level (MIET);
5. Launching grant schemes for direct support of businesses and natural persons for innovative projects (KIESA/MIET);
6. Drafting of AI on Registration and Licensing of Innovative Scientific institutions; (MESTI);
7. Drafting of the Law on Scientific Innovation and Knowledge Transfer (MESTI);
8. Roadmapping to Membership in the Innovation Scoreboard (MESTI & Line Ministries);
9. Support for scientific projects and publications in indexed journals;
10. Investments in innovation centers and laboratories in high schools, faculties and vocational schools (MIET);

**b. Activities planned for 2024:**

1. Drafting of the Draft Law on Innovation Fund (MIET);
2. Drafting of bylaws deriving from the Law on Innovation and Entrepreneurship;
3. Investments in innovation centres and laboratories in high schools, faculties and vocational schools;
4. Launching grant schemes for direct support of businesses and natural persons for innovative projects (MIET);
5. Support for scientific projects and publications in indexed journals (MESTI);
6. Membership in the European Innovation Scoreboard (MESTI);

**c. Activities planned for 2025:**

1. Implementation of Innovation Voucher Schemes (this proposed measure affects the applicability of S3 because it helps small and medium-sized enterprises through the connection with academia) MESTI;
2. Launching an instrument (grant) for promoting partnerships of universities and the private sector in the area of applicable research (this proposed measure affects the applicability of S3) MESTI.

<b>Indicator</b>	<b>Baseline 2022</b>	<b>Target 2023</b>	<b>Target 2024</b>	<b>Target 2025</b>
Investments in innovation centers and laboratories in high schools, faculties and vocational schools;	0	5	10	15
Number of supporting scientific projects	18 projects supported	25	30	35

**Expected impact on competitiveness:** Support for business, science and innovation will increase by amending the legal framework and establishing the mechanisms necessary to improve the environment for RDI, which will be a key driver in increasing the performance of our enterprises,

as well as the competitiveness. A particular focus will be on the green transition economy and the use of advanced technologies.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	490,000	510,000	380,000
2. Non-budgetary financing			
TOTAL	490,000	510,000	380,000

\*national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:**

This measure will impact on the orientation of businesses towards the application of innovative ideas and projects will be clearly defined, wherein a priority for benefit will be given to young people, women and marginalized people. Investments will be made in training and consulting of young entrepreneurs, in order for their innovative ideas and creativity to be translated from project ideas into sustainable businesses. These trainings will facilitate the access of young people and women to access international investments. Evaluation of the research and innovation system will enable data-driven policies that will contribute to citizen welfare.

**Expected environmental impact:** Innovative projects that will be subsidized by the government for businesses, scientific research or training of entrepreneurs, will focus on supporting activities that are highly sensitive to environmental problems (green business), for the preservation of natural landscapes (green tourism), outputs of the recycling process, digitalization of services and processes or digital transformation (green industry) according to the Green Agenda Agreement for Western Balkans countries.

Risk	Probability	Planned mitigation action
Lack of statistical data on the indicators needed for the European Innovation Scoreboard.	Medium	Cooperation with the Kosovo Agency of Statistics and relevant institutions to provide the necessary data.

### 5.2.6 Economic integration reforms

**State of play:** Kosovo has taken substantial steps in liberalizing foreign trade and significant progress has been made in aligning trade policies with international trade rules. However, despite all the efforts made, it has not yet managed to ensure stability as Kosovo continues to face a high deficit in trade in goods. 2021 marked an increase in the volume of Kosovo’s goods trade with other countries. Even during this year, the trade balance of Kosovo is characterized by a high trade deficit. Referring to statistical data, we understand that in the overall composition of trade exchanges, imports represent 86% of foreign trade and exports represent a very small percentage of only 14%.

According to KAS preliminary estimates, Kosovo’ economy has recorded an increase of 10.5 percent in 2021. This high growth of economic activity was mainly attributed to the improvement of the health crisis situation - a dynamic that was reflected in the easing of restrictive measures and increased income from abroad (mainly the diaspora), and stimulating financial and fiscal policies.

From September respectively October 2022, Kosovo Customs started the customs clearance procedures at the Customs Office in the Port of Durres, for all goods the final destination of which is the Republic of Kosovo, and which goods enter through the Port of Durres. The rollout of

customs clearance at the Port of Durres affects the reduction of the financial cost for businesses, the time aspect of the delivery of the goods, as well as the elimination of other procedures related to the customs clearance of the goods, for all goods that do not pose a risk, which after customs clearance in The Customs Office of the Port of Durrës, upon entering the Customs territory of the RKS goes directly to the entity's headquarters. About 75% to 80% of all entities (risk-free commercial shipments) that are cleared at the Customs Office in the Port of Durrës benefit directly from the facilities created by the operationalization of KC customs clearance at the Port of Durres. The facilities as well as the application of the simplification of the procedures in order to eliminate the waiting and to speed up the crossing of the border for people and goods, have been applied and are continuously being reviewed by the Joint Committees of Experts of KC and AC, established by the Directors of KC and AC based on the applicable agreements, where it is worth noting that the addition of truck entry lanes in RKS, the elimination of unnecessary procedures as well as other procedural and infrastructural aspects such as the organization of entry-exit lanes, other aspects of maintenance are a priority of the two Customs administrations throughout the time period of the following years, depending on the flow and risk analysis.

At the regional level, Kosovo participates in trade facilitation reforms through CEFTA mechanisms, as well as the plan for the Common Regional Market, which is reflected in the activities in measure 13.

**Structural obstacles:** It is evident that the stable and growing deficit of trade in goods constitutes a great challenge for Kosovo's economy. The stability and survival rate of Kosovo's exports, both at the level of the product and the firm, is quite weak. In order for export diversification to be successful, it must be viable to include new products in the export package. The lack of cooperation between local and regional suppliers prevents the establishment of links between international companies. An eventual integration of Kosovo input suppliers into the Region's value chain would create vertical expansion effects. Limitations in quality infrastructure and capabilities to administer sanitary and phytosanitary measures, Technical Barriers to Trade, Limited Integration in the value chain are the defining elements that limit Kosovo's trade opportunities. Lack of market data, lack of institutionalized sources, which provide systematic, reliable and accessible information about the market. Globally, the entire manufacturing industry is changing, many developed countries and mainly those with large economies, will be determinants of the steps to be taken towards the future of digital technology, so digitalization and transforming industries will also affect Kosovo's industry.

***Reform Measure #12:*** Improving business environment through trade facilitation and quality infrastructure development

**Description of the measure:** This measure aims to improve the environment for doing business by reducing the cost and time of cross-border transactions, and the transposition of EU legislation and European standards in order to improve market entry conditions for Kosovo's exports in selected markets (targeted) and increasing the safety and quality of products to make them competitive in international markets. The measure also aims to increase market surveillance, the fulfilment of obligations by manufacturers of industrial products, further advancement of the services provided in the local market by conformity assessment bodies as well as the integration into the market of the EU and other countries by eliminating technical barriers to trade. Moreover, the measure aims effective market surveillance by the market surveillance authorities, considering that Kosovo has already received obligations at the regional and global level, deriving from



CEFTA, SAA, the Free Trade Agreement with Turkey and the Kingdom of United and the World Customs Organization (WCO).

This measure is related to the European Green Agreement, point 2: Transforming the EU's economy for a sustainable future; sub-point 2.1.3. Mobilizing industry for a clean and circular economy (digital technologies are a crucial opportunity for achieving the sustainability goals of the Green Agreement in various sectors), National Development Plan (NDP), SDGs, which aims to strengthen the means of implementation and revitalization of the global partnership for sustainable development and NPISAA. In addition, there is an interrelation to the document on the Common Regional Market - point 1. Related trade measures; sub-points: 1.1 Preservation of Green Corridors/Lanes and harmonization of controls in BCP/JBP, 1.2. Eliminating non-fee barriers, and 1.5. Reducing trade costs and increasing transparency.

In 2022, the support in the certification of industrial products for one hundred and thirty-five (135) producers in the amount of €6,020,108.53 continued, through the CERP (MIET) project, as a financial support instrument for businesses, mainly small and medium-sized enterprises, to enhance the use of standards in production, product certification and the organization of businesses, their management systems, in order to increase exports.

***a. Activities planned for 2023:***

1. Drafting of the Trade Policy Program (MIET).
2. Approval of the new Customs and Excise Code (CEC. (MF - Kosovo Customs).
3. Adoption of the Law on Internal Trade (MIET).
4. Drafting of the Law on product market surveillance (transposition of EU Regulation 2019/1020 on Market Surveillance and Compliance of Products and EU Regulation 2019/515 on Mutual Recognition of Goods);
5. Drafting of Administrative Instructions deriving from the Law on General Product Safety (DIC);
6. Completion of the negotiation of the agreement with the EFTA countries (MIET).
7. Making functional the PAP Project funded by GIZ for the customs clearance of postal shipments arriving in RKS through international Express Mail. (MF - Kosovo Customs).
8. Adoption of the Regulation on the Establishment of the Trade Facilitation Information Center (MIET-Kosovo Customs).
9. Making functional the public terminals in the entire customs territory of RKS, where the staying cost during customs clearance will be 0 Euro. (MF - Kosovo Customs).
10. Finalization of negotiations with CEFTA countries for Additional Protocol 7 on the settlement of trade disputes.
11. Preparation for accreditation of the force calibration laboratory and the temperature and relative humidity laboratory (KMA);
12. Approval of secondary legislation and Law on External Trade (MIET).

***b. Activities planned for 2024:***

1. Establishment and operationalization of the information exchange platform at the regional level through SEED+ (Customs);
2. Drafting of Administrative Instructions on two groups of construction products (DIC);
3. Drafting of customs legislation with acts and administrative instructions for the



- implementation of the Customs and Excise Code (CEC) (Customs);
4. Drafting of secondary legislation and Law on External Trade (MIET);
  5. Establishment of the Trade Facilitation Information Center (MIET - Kosovo Customs);
  6. Ratification of CEFTA Additional Protocol 7 on the Settlement of Trade Disputes.
  7. Establishment of the Product Contact Point (PCP) according to EU Regulation 2019/515 on the mutual recognition of goods.
  8. Accreditation of the force calibration laboratory, and the temperature and relative humidity laboratory (KMA);
  9. The complete operationalization (update and upgrade) of the SMIS system, which will enable businesses to have functional access and online purchase of standards (SMIS - Standard Management Information System).

**c. Activities planned for 2025:**

1. Initiation of the WTO membership negotiation process (MIET and relevant institutions);
2. Initiation of implementation of the declaration of goods with pre-arrival declarations (MF - Kosovo Customs).
3. Feasibility study for NCTS (New Computerized Transit System) project platform; (MF - Kosovo Customs).
4. Drafting and approval of the regulation on gas appliances in use

Indicators		Baseline 2022	Indicator 2023	Target 2025
Customs clearance time per hour, Unit/Hour	Import	105 min	100 min	90 min
	Export	35 min	30 min	25 min
Increasing the percentage of electronic customs declarations (paperless concept)		95%	98%	100%
KMA accredited laboratories		0	5 (2024)	7

**Expected impact on competitiveness:** According to data from the World Trade Organization, trade facilitation can reduce trade costs by an average of 14.3%. Analysis shows that in many countries, at the macro level, reducing the trading time by just one day can increase trading activity by more than 5%. The reforms in the trade facilitation in Kosovo are expected to reduce the customs clearance time for export and import respectively, from about 110 minutes which is currently for import to be reduced to 90 minutes by 2025 and for export from about 35 minutes which is currently to be reduced to 25 minutes. Also, the development of the quality infrastructure will support domestic manufacturers to improve the safety and quality of the products to be competitive with the products that have the CE mark, placing on the market certified products of the same level as the products of the European Union countries. More competitive businesses provide a better environment for employment growth and thus provide the basis for sustainable growth.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	6,047,500	26,400	26,000
2. Non-budgetary funding - IPA and Lux Dev	32,000	157,000	33,000
<b>TOTAL</b>	<b>6,079,500</b>	<b>183,400</b>	<b>59,000</b>

\*national sources of public funding

***Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:***

Based on the World Trade Organization and the World Bank report, it is emphasized that trade opening has clear and positive impacts on reducing poverty. According to the International Trade Center research, women-owned export businesses employ an average of 42 people, compared to an average of just 8 people employed by non-women-owned export businesses. Trade is also associated with higher participation of women in jobs with greater formality and higher wages. Exporters in developing countries employ more women than non-exporters, and women make up to 90% of the workforce in export processing areas. Also, the further development of the regulatory system on industrial products is expected to have an even broader impact in society by encouraging investments in the private sector, generating new jobs and inciting businesses to apply standards for increasing security and quality of industrial products and services to stakeholders. Therefore, the implementation of these activities aims to bring a positive impact on the increase of social well-being in Kosovo in the medium term.

***Expected environmental impact:*** According to OECD, economic growth that comes from expanding trade can have a direct environmental impact by increasing pollution or degrading natural resources. However, increased trade in turn, supporting economic growth, development and social well-being, can contribute to a greater capacity to manage the environment more effectively. More importantly, open markets can improve access to new technologies that make local production processes more efficient by reducing the use of inputs such as energy, water and other environmentally harmful substances. Similarly, trade and investment liberalization can give firms incentives to adopt stricter environmental standards. As a country becomes more integrated within the world economy, its export sector becomes more exposed to environmental demands imposed by major importers. The changes needed to meet such demands, in turn, flow back along the supply chain, stimulating the use of cleaner production processes and technologies.

<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Delays in the adoption of legislation	Medium	Increasing coordination and cooperation with the relevant bodies while respecting the hierarchy.
Political obstacles in relation to regional representations and membership in international organizations.	Medium	Building lobbying platforms for membership in international mechanisms and addressing obstacles to relevant local and international actors.
Delays in the accreditation and appointment of CAB according to the applicable legislation.	Low	Specific training for CAB staff.

### ***5.2.7 Energy Market Reform***

### ***5.2.8 Transport Market Reforms***

***State of play:*** Kosovo's geographical position emphasizes the importance of having a good and modern transport network. Kosovo has invested heavily in road corridors that have improved trade links with neighbouring countries and provided access to sea routes through Albania, Montenegro. Kosovo is a party to the Transport Community Treaty and assumes obligations under the Transport Community Treaty. Kosovo roads are connected by corridors from the east to the western Balkans which is part of the PAN-European transport network.

**Road transport** in Kosovo is categorized into highways, national and regional roads. Kosovo has an existing road network of 2000 km, highways, national and regional roads, owing to large investments in state road infrastructure in the last 10+ years, most of the TEN-T road indicators are in very good or good condition and are in accordance with the regulations of the state of the TEN-T roads according to the TCT evaluation, during this period 150 kilometres of highways were completed in the Kosovo road network, the R7 Prishtina - Vërmica and R6 Prishtina - Hani i Elezit roads, 90 kilometres of National roads with 4 lanes, over 90% of the internal road network has been built and rehabilitated, as well as 1500 km of local roads have been built and rehabilitated. Also, the Prishtina-Gjilan highway with a length of 23 km is under construction and the Besi-Merdare highway segment connecting to corridor 10 of the European PAN network is under construction.

As to border crossings, TCT has estimated that in 2021 the progress in improving border crossing measures and joint crossing was 33% in all three categories – infrastructure, ICT infrastructure and equipment installation. The same progress is recorded in the bilateral agreements on one-stop control.

As to the logistics sector, only 23.5% of firms provide more than one logistics service. This shows that the freight transport sector in Kosovo is still not adapting to the global trend in diversifying its services to offer more added value to customers. The main sector advantages are the road infrastructure and the distribution speed. The quality of the infrastructure is consistent with the aforementioned assumption that investments in the national road network have greatly improved its quality.

Passenger transport is provided by intercity buses (including international buses) and local buses. About 300 companies provide intercity bus transportation in Kosovo. Many of them are very small with only 3 vehicles or even less. With so many small companies operating on a purely commercial basis with relatively low revenues, tough competition has not led to better quality services. Vehicles are generally old and in poor condition even if they look safe. The network is not well connected to other modes of transport, there is no comprehensive regional network planning and the information and ticketing systems are fragmented and outdated. In the last 20+ years, Kosovo made good progress in reducing road traffic fatalities. In 2020, there were 43 deaths per one million inhabitants which is at the same level as the EU average.

Regarding CO<sub>2</sub> emissions, transport is the third largest polluter in Kosovo, in 2019, total CO<sub>2</sub> emissions from transport were 1337 Gg CO<sub>2</sub> eq, while road traffic is the largest polluter of the transport sector because in addition to CO<sub>2</sub> emissions it also affects air and soil quality. TCT estimates that in relation to the relevant measures in the Road Action Plan, only progress of 8% can be observed. For example, there are only 3 electric charging stations and no other alternative fuel stations.

**Railway transport**, Kosovo Railways cover the entire territory of Kosovo, with a length of 335 km of the open railway line, with a length of 105 km of stations and 103 km of industrial lines of which the line stretching from the northern border of Kosovo, from Mitrovica to Hani e Elezit in the south (Route 10) is part of the TEN-T comprehensive indicative network and connects Skopje with corridors VIII and X. The railway is mainly unelectrified single-track standard gauge with a gauge of 1435 mm. The average speed limit is 60 km/h. Under these conditions, the railway is not a competitive mode of transport. The number of passengers is constantly decreasing, falling to 60.3 thousand in 2021, and the volume of transported cargo remains only about half a million tons. Modernization has begun in recent years with the reconstruction of Corridor 10, but it must

continue because to reach its full potential, the network must function as a whole, including the multimodal terminals.

Although there are few accidents on the railway transport (about 20 per year), this can be attributed to a very low level of traffic. Since the modernization should lead to a significant increase in the volume of traffic, serious attention should be paid to the improvement of the necessary security systems. In addition to the low quality of the infrastructure, Kosovo's railways also lack ERTMS. This is a key component for making railway traffic competitive and safe and all modernization projects must therefore include the deployment of ERTMS. Since most rail accidents occur at the road-rail crossing/intersection, the deployment of ERTMS will also help reduce the number of casualties related to railway transport. Regarding the harmonization with the EU Regulation 1371/2007 on the rights and obligations of railway passengers, TCT assesses that the regulation has been partially transposed and that more work needs to be done to make further efforts to improve the current conditions/situation to fully transpose and implement Regulation (EC) No. 1371/2007. In terms of sustainability, the obsolete fleet of trains used for both passenger and freight transport is a concern.

**Air transport:** Kosovo has the International Airport "Adem Jashari", which is part of the TEN-T basic indicative network. Since 2010, it has been managed and operated by Limak and Airport de Lyon. Limak built a new 42,000 m<sup>2</sup> terminal with additional facilities sufficient to handle 4 million passengers and will continue to manage and operate Prishtina International Airport for 20 years from the date of the agreement, and transferring the total of its assets to the Government of Kosovo after that period. In terms of infrastructure constraints, the take-off runway has recently been extended by 500 m and the ILS system has been upgraded from CAT II to CAT II/b enable larger aircrafts land safely. This will enable the airport reference code to change from 4C to 4E. The number of passengers has steadily increased with a natural setback during the pandemic in 2020. In 2021, the number of passengers recovered to almost pre-pandemic numbers - 2.18 million passengers.

**Structural barriers** in the transport sector include Membership in international transport organizations in general; Air Pollution from Transport; Digitalization of the road and railway transport sector; Maintenance of the road and railway network to reduce fatality and serious injury accidents; Airspace control; Old vehicles; Obsolete fleet of trains used for both passenger and freight transport; Lack of the ERTMS component that will help reduce the number of victims and the lack of an intelligent transport system.

### **Reform Measure #13: Further development and modernization of Transport**

**Description of the measure:** Development of Infrastructure and Transport Services is one of Kosovo's priorities for economic development and integration in order to ensure better connectivity, access and business opportunities for its citizens. As Kosovo is committed to and continues the EU membership process, there is a clear need to develop sustainable mobility and increase transport planning towards the Green Agenda and the EU's zero-emission vision.

The main objectives addressed by this measure are: Connecting transport without problems; Creating a safe transport system – towards vision zero and Creating smart and digital transport. These objectives will focus on the modernization of infrastructure and services of all types of transport (road, rail and air). The objectives also include the recommended actions according to the National Development Plan, referring to activities such as; Improving transport infrastructure and services, creating barrier-free connections in international multimodal transport and Increasing transport safety.

This measure is also related to the Government Program 2021-2025, the Multimodal Transport Strategy, NPISAA, Objective 11 of the SDG, namely point 11.2 which deals with the improvement of transport and road safety.

***a. Activities planned for 2023:***

1. Rehabilitation and modernization of the first phase for the railway line 10 (Fushë-Kosovo - Hani i Elezit), construction works without signalization and telecommunications; (MESPI)
2. Completion of the design project for the rehabilitation and modernization of the third phase of the railway line 10 (Mitrovica - Leshak - Border with Serbia), including signalization and telecommunications; (MESPI)
3. Application for Kosovo's membership in international rail transport organizations UIC, CER, RNE, CIM, ERA;
4. Construction of the Deçan-Plavë road (Kosovo part); (MESPI)
5. Amendment of the law on Road Transport; (MESPI)
6. Drafting of concept documents for Driver's License, Vehicles, Railways, and concept document in the field of civil aviation; (MESPI)
7. Drafting of the Administrative Instruction for technical inspection on the road; (MESPI)
8. Drafting of regulations related to air traffic rights; (MESPI)
9. Awareness campaigns to reduce road traffic accidents; (MESPI)
10. Drafting of the national program for road traffic safety; (MESPI)
11. Digitization of transport services (E-transport of goods); (MESPI)
12. Creating logistical conditions and raising administrative capacities and adequate training for the provision of multimodal transport services; (MESPI)
13. Construction/restructuring and modernization of multimodal passenger and freight terminals; (MESPI)
14. Implementation of the Common Aviation Requirements derived from the Agreement on the Common European Aviation Area (HPEA) as well as the completion of secondary legislation through:
  - Transposition of the EU acquis in the field of aviation;
  - Acquiring Standards and Recommended Practices updated by ONAC;
  - Drafting of other by-laws of aviation for the implementation of the Law on Civil Aviation, based on the specifics of the country; (MESPI)

***b. Activities planned for 2024:***

1. Rehabilitation and modernization of the second phase for the railway line 10 (Fushë Kosovë - Mitrovica), construction works without signalization and telecommunications; (MESPI)
2. Drafting of the Design Project for the Rehabilitation and Modernization of the Fushë Kosovë-Pejë Railway line; (MESPI)
3. Feasibility study and design concept for the railway line Kosovo - Albania; (MESPI)
4. The loan agreement for the construction of the Besi-Merdare highway segment (28.6km); (MESPI)
5. Construction of the road network of Kosovo, the highway Pristina-Gjilan-Dheu i Bardhë - first phase; (MESPI)
6. Construction and expansion of the existing road network, N2 (Pristina-Mitrovica); (MESPI)

7. Drafting of the Design Project for the Rehabilitation and Modernization of the Klinë-Prizren Railway Line; (MESPI)
8. Construction of the Qafë-Duhël-Shtime-Banulë highway segment, which connects the East - West corridor and the R6, R7 and R7.1 highway; (MESPI)
9. Drafting the Law on Vehicles; (MESPI)
10. Drafting the Law on Railway Safety. (MESPI)
11. Digitization of transport services (E-transport of goods); (MESPI)
12. Creating logistical conditions and raising administrative capacities and adequate training for the provision of multimodal transport services; (MESPI)
13. Construction/restructuring and modernization of multimodal passenger and freight terminals; (MESPI)
14. Implementation of the Common Aviation Requirements derived from the Agreement on the Common European Aviation Area (HPEA) as well as the completion of secondary legislation through:
  - Transposition of the EU acquis in the field of aviation;
  - Acquiring Standards and Recommended Practices updated by ONAC;
  - Drafting of other by-laws of aviation for the implementation of the Law on Civil Aviation, based on the specifics of the country; (MESPI)

**c. *Activities planned for 2025***

1. Rehabilitation of signalling and telecommunications for the first and second phase of the railway line 10 (Hani i Elezit - Fushë Kosovë - Mitrovica); (MESPI)
2. Expansion of the Kiev-Zahaq national road; (MESPI)
3. The design of the expansion of the national roads Istog-Pejë-Deçan-Gjakovë-Prizren, including the circuit roads through the cities; (MESPI)
4. Rehabilitation of the regional road R 115, Prizren - Prevalle; (MESPI)
5. Extension of the Dollc-Gjakova road; (MESPI)
6. Rehabilitation of the Zhur-Dragash-Brod regional road; (MESPI)
7. Construction of the road Prishtina - Podujevë; (MESPI)
8. Construction of transit road in Klina; (MESPI)
9. Digitization of transport services (E-transport of goods); (MESPI)
10. Creating logistical conditions and raising administrative capacities and adequate training for the provision of multimodal transport services; (MESPI)
11. Construction/restructuring and modernization of multimodal passenger and freight terminals; (MESPI)
12. Implementation of the Common Aviation Requirements derived from the Agreement on the Common European Aviation Area (HPEA) as well as the completion of secondary legislation through:
  - Transposition of the EU acquis in the field of aviation;
  - Acquiring Standards and Recommended Practices updated by ONAC;
  - Drafting of other by-laws of aviation for the implementation of the Law on Civil Aviation, based on the specifics of the country; (MESPI)

Indicator	Baseline 2019	Target 2023	Target 2025
Length of modernized roads (km/1000 m2).	249 km (2022)	> 249 km	337 km
Length of the modernized railway network (km).	0 km	0 km	149,1 km
Cross-border transport of goods by rail (%).	1.9% (2019)	> 1.9%	12%
Cross-border transport of goods by rail (%).	65 (2019)	< 10%	< 20%
Reduction of total gas emissions in the transport sector (CO2 equivalent in Mt).	1,337 Mt	< 8%	< 13%

**Expected impact on competitiveness:** Implementation of this measure will contribute to the reduction of fatal accidents by up to 50% and those with serious injuries by up to 25%. Orientation towards digitalization of the database system enables us to have a clear and accurate picture regarding fatal accidents and serious injuries. With the further development of transport and digitalization, the reduction of time, financial cost will be achieved, as well as the free movement of passengers and goods will be realized with higher efficiency.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	202,168,869	146,598,304	139,901,402
2. Non-budgetary funding -	33,000,000	16,257,227	5,700,000
TOTAL	235,168,869	162,855,531	154,601,402

\* national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:** Approval of strategic documents, legislation and the implementation of planned measures projects provide basis and opportunities for job generation. Marginalized groups of informal sectors will be drawn into the formal economy. Consequently, this measure affects the improvement of quality of life and economic and social well-being. The legal equality component is addressed in the strategic and legal documents

**Expected environmental impact:** Implementation of legislation, action plans for the implementation of strategic documents as well as projects related to the digitalization of the system, enable the reduction of environmental pollution.

Risk	Probability	Planned mitigation action
The low level of professional capacities, especially in the digitization of systems	Low	Professional training in professional campaigns, especially in Digitization.
Possible delays in the adoption of strategic documents and legislation	Medium	Inter-institutional coordination and support with professional staff and necessary expertise.

### 5.2.9 Agriculture, Industry and Services

**State of play: Agriculture** is one of the main sectors that significantly contributes to the overall country's economic development. This sector, as one of the most important activities in our country, contributes about 7% to the overall GDP and also provides opportunities for poverty alleviation, generating new jobs and generating income for the residents of rural areas.

The total utilized area of agricultural land is 420.327 ha, where the largest share are cereals (29.6%), fodder crops (9%), vegetables (2.4%), fruit trees (2.4%), vineyards (0.8%) while the rest of 51.7% are meadows, pastures and common land others comprise 4.1.

Despite constant support from Kosovo institutions, through support policies for the growth and development of the sector and export promotion, the Kosovo commercial exchange has increased over the years, where the export of agricultural products in the last year increased in value compared to the other years and this value reached €92.6 million, or an increase of 18.6%. Whereas the import of agricultural products has also increased, reaching a value of €965.6 million last year, or an increase of 26.2% compared to the previous year. The export share of agricultural products in the total export is 12.4%, while the import share of agricultural products in the total import is 20.8%. Based on these data, it results that there is an increase in the value of export, but at the same time, there is also an increase in the value of imports and also a further negative deepening of the trade balance to €872.9 million.

The adopted Strategy for Agriculture and Rural Development 2022-2028 aims to transform the agri-rural economy by making it more comprehensive, productive, resilient and competitive in the internal and external market based on knowledge, technology and modern standards. The strategy relies on increasing the competitiveness of the agri-food sector and improving the efficiency and sustainability of farm production, sustainable management of natural resources, support for businesses in rural areas, increasing employment and improving social infrastructure and comprehensive institutional and sectoral reforms to provide efficient public services.

The Kosovo institutions have continued to support the agricultural sector through its support programs such as direct payments and investment grants, where the value of support for this year for the Direct Payments Program is € 52 million, whereby support for strategic crops such as wheat, corn, potatoes and beans has increased by over 200% in order to create opportunities for stability in terms of food security and to reflect the non-increase in prices in the market. Whereas the Agriculture and Rural Development Program for this year has a value of € 26 million and includes 4 measures, which are oriented to support primary production, processing, diversification and the implementation of the leader approach. Greater support in this year's program has been provided in setting up warehouses/collection points for fruits and vegetables, as well as doubling the budget for the diversification of activities in rural areas.

The current situation driven by global crises and the one driven by the Covid-19 pandemic which has been accompanying us for several years now, as well as the obstacles faced in providing the labour force, have an impact on all agricultural sector processes, especially in the agricultural production and supply chain,

**Industry Sector** - is dominated by micro-enterprises with 85% and MSMEs with low levels of integration in global value chains, as well as low participation of innovation and FDI attraction, and it needs further improvement. According to research and analysis, cooperation between companies and educational and research institutions is weak and the general level of skills in the labour force, the small number of businesses run by women and young people, and the lack of networking.

Kosovo has not shown any structural changes in the composition of its economy. The production sector, which remains stable at around 13-14% of GDP in third place after services and construction/mining, has not turned into a driving force for economic growth and has not revealed its development potential in the country.

The Sector of Processing Industry (Sector C) in Kosovo, in 2021, participated in employment with 11.8%, in turnover with 13.74%, as well as with the number of enterprises with 12.06%. Sector C



share in the total export is about 83%, while in the total import the share of the processing industry was 93% in 2021. About 22% of manufacturing companies export, where the main export products are furniture, metals and fabricated products, plastics, food products and beverages.

As a result of the pandemic, Foreign Direct Investments (FDI) in Kosovo, in the production sector, have continued to decline even in 2021, recording a negative value of €5.5 million, despite the increase that FDI recorded in total, where investments for 2021 were €415.3 million or an increase of 20.1% compared to 2020. Regarding inclusive employment, the assessment showed that, although 50% of the population are women, only 10.2% of those employed in the production sector are women.

*Tab.1 Annual statistics of the trade processing industry (2019 - 2021)*

<b>Years (euro)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Export of processing industry products	291,701,750	398,461,079	626,341,608
Import of processing industry products	3,253,296,802	3,061,352,367	4,338,794,494

*Source: Kosovo Agency of Statistics*

The existence of various programs in Kosovo to support the purchase of new technologies in the production sector has shown success. High investment in new technologies should also be seen as a factor having a very positive impact on labour productivity. The government has created incentive policies for the private sector and this year it is expected to finalize the Strategy for Industry Development and business support, aiming at transforming Kosovo's industry into a more globally integrated industry that is able to produce high value-added products and provide decent employment.

**Services sector:** it is the largest sector of the economy, accounting for about 72.7% of GDP in 2020. Trade in Services in 2021 was characterized by export revenues in the amount of €1.95 billion. The sectors that have performed best are: travel with €1.5 billion, information and communication services (ICT) with €98.8 million, professional/business services with €144.3 million, transport services with €77.5 million, construction services with € 29.7 million, and personal, cultural and recreational services with €15.6 million. Total exports of services have increased from €1.358 billion in 2017 to €1.95 billion in 2021, the year in which the trade balance of services reached €1,084 billion. While during 2020, due to the COVID-19 pandemic, these statistics had a drastic decline with export of €994.9 million and a trade balance of €391.6 million, where the main impact was on the travel sector, while other sectors such as the export of ICT and other business<sup>28</sup> services were not affected much and maintained an increase in export. This sector is among the most productive sectors in the trade of services, it is therefore crucial to focus on and further increase the performance of this sector. Despite the overall positive balance of the service sector, this sector is still not living up to its potential. Other essential factors that can positively affect the further development of services and trade in services are for companies in this sector to have better access to finance and to focus on promoting the export of services.

<sup>28</sup> Other business services include various business services such as: research and development services, professional and management services, consulting services, technical services, commercial and other business services, waste treatment and pollution, agricultural and mining services, operating leasing, trade related services.

Tab.2 Annual statistics of trade in services (2019 i 2021)

Years (million euro)	2019	2020	2021
Export of services	1,675.1	994.9	1,954.4
Import of services	749.1	603.3	870.7

Source: Central Bank of Kosovo

**Structural obstacles in the agricultural sector** consist of small average farm size, 90% of farms in Kosovo have an area of less than 5 ha, low productivity and high production costs, increased prices of agricultural inputs, land fragmentation, diversification of low production, poor irrigation infrastructure, outdated technology, limited storage capacities, weak or dysfunctional connections between the primary producer and processors between producers and the market, and between market producers as well as the lack of a digitalized system.

**Structural obstacles in the industry sector** consist of current insufficient access to finance for the development and expansion of production capacities, insufficient enforcement of product standards, a small number of women and young people-led businesses, significant skills gap that also hinders productivity. The level of cooperation between universities and the industrial sector remains very low, so does access to information and the lack of networking between businesses.

**Structural obstacles** in the services sector consist on the fact that Kosovo is mainly expanding its non-marketable service activities with low productivity, and there is an insufficient articulation between service activities and material production sectors. Lack of adequate legal framework promoting the development of high technology and high value-added services, lack of a legal framework that could regulate the digitalization of services sectors and access to finance and proper institutional coordination between the various entities that direct the activities of services are also obstacles.

#### **Reform Measure #14: Structural changes in the agricultural sector**

**Description of the measure:** This agricultural sector comprehensive measure is oriented towards the creation of genuine policies, increasing production and agri-rural restructuring, the development of the agri-food sector through the improvement of competitive capacities, innovations and increased production. The measure also aims to expand and rehabilitate the irrigation system, regulate agricultural land through the drafting of new policies which will affect the solution to the problem of agricultural land, as well as the digitalization of systems, the increase of local production and the increase of the labour force in the entire manufacturing, processing and service chain. The measure will also affect the development of the sector by improving conditions and providing better services.

This measure is in line with the Government Program 2021-2025, the National Plan for Economic Recovery, the Medium-Term Expenditure Framework MTEF 2022-2024 and the EU Common Agricultural Policies within the Green Agreement. The measure is also in line with the SDG goals and the Economic Investment Plan for the Western Balkans which has the potential to mobilize further assistance for the sustainable transformation of the agri-food system and rural development of Kosovo. The measure keeps remaining a continuation of ERP 2022-2024, due to the importance it offers and the changes the sector underwent last year. Regarding the implementation of the measure, some of last year's activities have been partially implemented, this measure keeps therefore remaining part of ERP 2023-2025.

***a. Activities planned for 2023:***

1. Supporting farms per head, agricultural crops per area and quantity of production through subsidies (MAFRD);
2. Supporting farmers through investments in physical assets, processing and marketing of products and diversification of farms through grants (MAFRD);
3. Drafting of the national plan for the Inventory of Agricultural Lands of the Republic of Kosovo (MAFRD);
4. Drafting of the feasibility study and design of two projects for the rehabilitation, modernization and expansion of irrigation and drainage systems (MAFRD);
5. Development of a system for managing grants and subsidies (MAFRD, ADA);
6. Rehabilitation, modernization and expansion of irrigation and drainage systems (MAFRD);
7. Drafting of the Law on Agricultural Land (MAFRED);
8. Drafting of the Law on Rural Tourism (MAFRED);
9. Drafting of the Law on the Organization of the Common Market (MAFRD);
10. Drafting of the Law on Veterinary (MAFRED);
11. Drafting of the Law on Vines (MAFRED);
12. Training and knowledge transfer including innovation as an essential part of agriculture (MAFRD);

***b. Activities planned for 2024:***

1. Supporting farms per head, agricultural crops per area and quantity of production through subsidies (MAFRD);
2. Supporting farmers through investments in physical assets, processing and marketing of products and diversification of farms through grants (MAFRD);
3. Rehabilitation, modernization and expansion of irrigation and drainage systems (MAFRD);
4. Drafting of the Law on Land Regulation/Consolidation (MAFRD);
5. Certification of consultants and licensing of companies for consulting services (MAFRD);
6. Training and knowledge transfer including innovation as an essential part of agriculture (MAFRD);

***c. Activities planned for 2025:***

1. Supporting farms per head, agricultural crops per area and quantity of production through subsidies (MAFRD);
2. Supporting farmers through investments in physical assets, processing and marketing of products and diversification of farms through grants (MAFRD);
3. Rehabilitation, modernization and expansion of irrigation and drainage systems (MAFRD);
4. Restructuring and operationalization of MA and ADA within the framework of IPARD accreditation (MAFRD);
5. Training and knowledge transfer including innovation as an essential part of agriculture (MAFRD);

Indicator	Baseline 2021	Target 2023	Target 2025
Agri-food trade balance (export/import ratio)	(€-872,927) 1:10	1:9	1:8
Increasing the areas with agricultural crops for a more productive and sustainable sector	420,327 ha 45%	>1%	>1.2%

**Expected impact on competitiveness:** This measure aims at having a positive impact on stimulating the population to engage in agricultural activity as well as the farming and cultivation of agricultural land, the integration of special and value-added crops in production which may have priority and competitive capacity. It also aims at ensuring access to local products of the highest quality to the regional and EU markets. According to the data, agriculture constitutes 7% of the GDP, while it is estimated that it employs about 23% of the total number of employees in Kosovo, therefore, considering all these factors mentioned above, it is intended to achieve the most efficient and profitable impact on the whole sector.

**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	64,195,703	62,105,703	62,105,703
2. Non-budgetary funding - IPA	1,000,000		
TOTAL	65,195,703	62,105,703	62,105,703

\*national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:** This measure aims at providing an approach where gender equality is respected and where other supporting factors are not missing. Currently, agriculture is estimated to employ about 23% of the population. However, if the gender balance is accounted for, then we have an imbalance and the measure aims at giving gender priority when evaluating the applications also the course of job generation, which is one of the main priorities for mitigating poverty in the country and improving the well-being through the income generated from agricultural activities.

**Expected environmental impact:** Support through this measure will be reflected in structural investments but also a more sustainable environment. By increasing the agricultural areas and improving the irrigation system, the environment will also benefit, knowing that the environment is very important at every stage and that more than half of the lands are exposed to soil erosion (with at least an average intensity).

Risk	Probability	Planned mitigation action
Delay in the implementation of support programs for agriculture and rural development	Medium	Adoption of laws which will regulate many important issues for the sector; Timely signing programs and timely publication of calls for application as well as filling vacancies.
Global crises.	High	Increasing support through the Ministry's support programs, as well as the alignment of policies to stimulate the situation

### **Reform Measure #15: Increasing competitiveness in the production industry**

**Description of the measure:** The measure is a continuation of the ERP 2022-2024 measure and aims to create a more coordinated policy for the development of industry throughout the supply chain, assisting the processing industry, increasing competitiveness and integration into international trade to expand sales opportunities as well as achieve scale economies. The measure will support SMEs to grow and switch to value-added activities and produce marketable goods for export, provides ease of access to finance for SMEs, support improving quality standards and growth of the level of Foreign Direct Investment (FDI).

The measure is related to the National Development Strategy 2030, NPISAA - Chapter 20, Government Program 2021-2025, Economic Recovery Package for Economic Development and Employment as a Consequence of the Pandemic - COVID 19, as well as the Medium-Term Expenditure Framework MTEF 2023-2025. Through support for industry and manufacturing activities, the measure is in line with SDG 8 (Decent Work and Economic Growth) and SDG 9 (Industry, Innovation and Infrastructure). While with the Sustainable Industry area of the Green Agreement, the measure is partially in line, with targets on modernization of production technology to reduce pollution, as well as the creation of economic zones. It is also in line with SDG 5, (Gender equality: Achieving gender equality and empowering women and girls, through their empowerment in entrepreneurship).

#### ***a. Activities planned for 2023:***

1. Approval of the Law on Industrial and Technological Parks and by-laws deriving from this law (MIET)
2. Direct support to about 50 businesses in order to increase production - processing capacities, increasing exports, or replacing imports through the grant scheme (MIET, KIESA);
3. Support for the promotion of products and services in order to increase export and tourism for 80 businesses (MIET, KIESA);
4. Construction and further development of physical infrastructure in economic zones and business incubators and the initiation of new economic zones in order to promote and develop the innovative ecosystem (MIET, KIESA);
5. Promotion of investments through the organization of information sessions, G2B and B2B meetings as well as economic investment and trade forums (MIET, KIESA);
6. Supporting 100 young people in training new staff in practice through the “Business Internship” program (MIET).
7. Organizing seminars for manufacturing enterprises to introduce them to the basics of circular economy business models (MIET);
8. Drafting of the study that evaluates the impact of the current industrial parks, (generation of jobs, participation in export) (MIET)
9. Conducting comprehensive research to identify the skills that are missing in the labour market and to understand the challenges of employers in finding qualified workers (MIET).

#### ***b. Activities planned for 2024:***

1. Direct support to about 40 businesses in order to increase production - processing capacities, increasing exports, or replacing imports through the grant scheme (MIET, KIESA);

2. Direct or indirect support to about 80 businesses in order to increase competitiveness and access to international markets through the promotion of export and tourism (MIET, KIESA);
3. Construction and further development of physical infrastructure in economic zones and business incubators (MIET, KIESA);
4. Promotion of investments through the organization of information sessions, G2B and B2B meetings as well as economic investment and trade forums (MIET, KIESA);
5. Supporting 100 young people in training new staff in practice through the “Business Internship” program (MIET).

***c. Activities planned for 2025:***

1. Direct support to about 40 businesses in order to increase production - processing capacities, increasing exports, or replacing imports through the grant scheme (MIET, KIESA);
2. Direct or indirect support to about 80 businesses in order to increase competitiveness and access to international markets through the promotion of export and tourism (MIET, KIESA);
3. Construction and further development of physical infrastructure in economic zones and business incubators (MIET, KIESA);
4. Promotion of investments through the organization of information sessions, G2B and B2B meetings as well as economic investment and trade forums (MIET, KIESA);
5. Supporting 100 young people in training new staff in practice through the “Business Internship” program (MIET)

<b>Indicator</b>	<b>Baseline 2021</b>	<b>Target 2023</b>	<b>Target 2025</b>
BVSH (MVD) of Processing Industry per capita (Euro)	502.8	583.2	676.5
Share of Exporting Companies of Processing Industry in Sector C (%)	22.25%	25%	28%
Participation of women in employment within sector C (%)	7.6%	9.1%	10.5%
Trade balance between Import and Export	16.1%	16.83%	17.37%

***Expected impact on competitiveness:*** Policy making for industrial sectors will affect the creation of new opportunities for further development of SMEs, the increase of production, the reduction of the trade deficit, internationalization, the reduction of imports, as well as the generation of new jobs through investments in equipment. Investments in new machinery or for the expansion of existing industrial capacities, as well as investments in innovation and modernization of the industry will contribute to increasing the quality and quantity of production, which will improve business performance and contribute to the diversification of the range of production. The participation of enterprises in international fairs will offer them the opportunity to be part of the global market. The implementation of the planned activities, in the medium term, will contribute to the increased share of industry in GDP, the increase of the Gross Value Added (GVA) of the production and the export potential.

***Estimated cost of activities and sources of funding:***

<b>In EUR</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
1. Budget funding*	6,868,000	3,986,000	3,986,000
2. Non-budgetary funding			
<b>TOTAL</b>	<b>6,868,000</b>	<b>3,986,000</b>	<b>3,986,000</b>

\*national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:**

Positive impacts on employment growth in the targeted industrial sectors are expected. As a result of the implementation of this measure, we expect that employment opportunities will be created for vulnerable groups such as women and young people, as well as that the industrial productive sectors in Kosovo will be developed and women entrepreneurs will be empowered.

This measure also aims to improve the situation by providing incentives for the skills of women and young people, including improving cooperation between schools and businesses to overcome the gaps in the prevailing perception of work in manufacturing.

**Expected environmental impact:** This measure will have an environmental impact, since during the construction the area where the infrastructure works are carried out will be degraded but, with the construction of Economic Zones, the environmental impact will be controlled and there will be a concentration of businesses with access to infrastructure, electricity and underground infrastructure, and agricultural lands will be protected from their degradation. Likewise, supporting SMEs for investments in modern technology will have a positive impact on the environment, reducing CO2 emissions, as well as an impact on energy efficiency.

<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Insufficient coordination between institutions at the central and local level for the development of economic zones	Low	More regular communication and cooperation with the municipal level, as well as support during the construction process of the areas.
Insufficient information regarding support schemes for businesses	Medium	Preparation of guidance materials and promotion of schemes through the organization of meetings with businesses and on electronic platforms.
The requests of businesses interested in the Financial Support Program exceed the allocated budget	Medium	Securing financial resources from donors, as well as planning support programs as a continuous activity in the coming years.

**Reform Measure #16: Increasing competitiveness in the sector of trade in services**

**Description of the measure:** This measure aims to improve the efficiency and competitiveness of tradable services activities and promote their development at the level of sectors related to trade in services. Further development of service trade activities will be essential in improving the trade balance triggered by the trade deficit in goods trade. This measure also aims to increase productivity and overall competitiveness of Kosovo's economy and increase exports of services by enabling access to new international markets. Kosovo has taken some obligations at the regional and global level, particularly generating from CEFTA and the SAA. The development of modern and efficient services is foreseen in the Government Program 2021-2025 and the National Program for the Implementation of the SAA. This activity is linked to several strategic documents, such as Green Agreement, point 2: Transforming the EU's economy for a sustainable future; sub-point 2.1.3 mobilizing industry for a clean and circular economy. SDG, Goal 17, strengthens the means of implementation and revitalize the global partnership for sustainable development. Also, a document on 2021-2024 Common Regional Market, which derived from Sofia Summit, points out on adoption of a services trade liberalization package to, inter alia, enable the supply of services without obligatory establishment and authorization, in line with Chapter 3 of the EU acquis, enable mobility for students, researchers, and professors and establish a regional e-commerce market by



adopting core harmonized rules and internal market principles, facilitating the clearance of parcels and preventing unjustified geo-blocking.

**a. Activities planned for 2023:**

1. Launching the website of the Single Point of Contact (SPC) through the e-Kosova portal and raising awareness among the business community about the SPC (MIET);
2. Digitalization of services (surveyors, accountants) in SPC through adding the licensing services to e-Kosova (MIET, relevant institutions, AIS);
3. Identify further services sectors that fall under services directive 123/2006/EC to integrate into the use on the SPC (MIET and relevant institutions).
4. Initiation of the liberalization of services with the EFTA countries through inclusion in the services chapter of the Kosovo-EFTA FTA (MIET and relevant institutions).
5. Drafting of a decision on local disciplines for services deriving from Additional Protocol 6 within CEFTA (MIET, CEFTA);
6. Establishing a platform with CEFTA for the notification of measures (legislation) affecting trade in services in the light of Additional Protocol 6 (MIET, CEFTA).

**b. Activities planned for 2024:**

1. Digitalization of at least two other sectors (licenses for tour operators, health services) and integrating them into SPC through the e-Kosova portal (MIET);
2. Review of the Consolidated Plan of Specific Commitments in Trade in Services of the CEFTA Parties within Annex 3 of the Additional Protocol (MIET, CEFTA).
3. Liberalization of services with the EFTA countries within the Kosovo-EFTA FTA; (MIET and relevant institutions).

**c. Activities planned for 2025:**

1. Continuation of digitalization of other service sectors (architects, engineers) and integrating them in SPC through the e-Kosova portal (MIET);
2. Diagnosing potential service trade sectors and assessing the competitive advantage of trade in services (MIET);
3. Liberalization of services with trading partners (United Kingdom, Turkey, CEFTA) (MIET).

<b>Indicators</b>	<b>Baseline 2021</b>	<b>Target 2024</b>	<b>Target 2025</b>
Contribution of professional and ICT services in GDP (%)	2.69%	4.2%	5%
The value of exports in services	€1,954.4 Billion	€2.2 Billion	€3 Billion
Digitalized professional services	1 (2022)	3	5

*Note: GDP \$9.01 billion from World Bank data*

**Expected impact on competitiveness:** The implementation of the planned activities will contribute to the increase of services exports and the orientation of favourable policies in services through greater inter-institutional coordination. Furthermore, development policies in the field of professional services will positively impact the competitiveness of the sector in general and the trade of professional services, mainly through new job creation opportunities and an increase in FDI in high-productivity services and facilitate access to finance for businesses.



**Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	27,700	30,700	32,200
2. Non-budgetary funding	50,000	50,000	50,000
TOTAL	77,700	80,700	82,200

\*national sources of public funding

**Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:**

The development of service activities will be oriented towards the employment of youth with a focus on women. Since many service activities depend on women's employment, such as education, health, and other business services, further development of services will increase the level of share of women in the labour force. Likewise, the further development of the information and communication service sector affects the employment of young people, taking into account that young people are the main employees in this sector. In 2021, 69.67% of the total employees in Kosovo were employed in the service sector and based on KAS statistics, there is no fluctuating employment in the service sector.

**Expected environmental impact:** The measure is not expected to have environmental impact.

Potential risks:	Probability	Planned mitigation actions
Lack of human capacity	High	Vacancies in key departments in relevant institutions should be filled in
Coordination of central and local public institutions in the intervention for adjusting the services	Low	Identification of specific sectors that fulfil the criteria to be digitalized. Analysis of assessing human capacities and IT infrastructure at central level institutions for the establishment of the SPCs.

**Reform Measure #17: Increasing Competitiveness in the Tourism and Hospitality Sector**

**Description of the measure:** The measure is a continuation of ERP 2022-2024 and will influence on increasing the economic value of tourism, through the increase in the number of visitors and increasing employment. The measure aims to complete the legal infrastructure according to European practices, develop new products and expand the tourism promotion activities in new international markets aiming at a direct impact on the growth of the tourist offer. The measure is related to the Government Program 2021-2025, it is related to SDG Goal 5, 8.9 and SDG 12, and in terms of promoting cultural heritage it is related to the National Strategy for Cultural Heritage 2017-2027, the National Development Strategy, the National Development Plan 2023-2025 and MTEF 2023-2025.

**a. Activities planned for 2023:**

1. Drafting of by-laws deriving from the Law on Tourism (Tourism Register and Categorization and Classification of accommodation structures and determination of criteria for priority areas for tourism development) (MIET);
2. Licensing of tourist guides (MIET);
3. Development of the tourism register platform (MIET);
4. Promotion of Kosovo tourism brands through participation in international tourism fairs; (KIESA/MIET, PPSE)

5. The mapping of the naturalistic paths of Via Dinarica Kosova and the elaboration of a digital system of paths"
6. Subsidies for the improvement of tourist services along Via Dinarica Kosova
7. Development of tourist trails in the Podguri area (Municipality of Peja);
8. Supporting tourism in rural areas through subsidies and transfers (MAFRD);
9. Drafting of the Management Plan for the historical center of Janjeva (MCYS, UNDP).

***b. Activities planned for 2024:***

1. Drafting a Plan for priority areas for tourism development (MIET);
2. Promotion of Kosovo in international fairs for tourism (KIESA/MIET);
3. Consolidation and improvement of the natural and cultural trails of the Via Dinarica trail in Kosovo and the establishment of a safe and reliable alpine rescue system;
4. Training and subsidy for local tourism service providers;
5. Promotion of Via Dinarica-Kosovo tourist destinations at regional and European level and awareness campaign for environmental protection;
6. Supporting tourism in rural areas through subsidies and transfers (MIET MAFRD);
7. Drafting of the Management Plan for Prizren Castle and adaptation for visitor access (MCYS);
8. Drafting of the Management Plan for Prishtina Hammam and adaptation for visitor access (MCYS);
9. Drafting of the Management Plan for the Old Neighborhood (Qarshia e Vjetër) of Peja and adaptation for visitor access (MCYS);
10. Launching the tourist offer of the Historical Center of Janjeva as a tourist locality

***c. Activities planned for 2025:***

1. Participation in international tourism fairs (KIESA/MIET);
2. Information and awareness raising initiative on the biodiversity and natural heritage of the Via Dinarica (MIET).

<b>Indicator</b>	<b>Baseline 2021</b>	<b>Target 2024</b>	<b>Target 2025</b>
Number of arrivals of foreign visitors at border crossing points <sup>29</sup>	5,607,324	5,700,000	6,000,000
Number of overnight stays of local and foreign visitors	567,419	650,000	700,000
Number of beds	11,811	13,000	13,500

***Expected impact on competitiveness:*** Drafting of bylaws to complete the regulation of the activity of tourism service providers, as well as the definition of priority areas for tourism development will affect the reduction of informality in the tourism sector and the promotion of competitive values in the tourism sector. The development of tourism will be expanded in rural and mountainous areas where the aim is to increase employment in these areas, the growth of family businesses where women will have easier employment opportunities. The growth of new tourism

<sup>29</sup> Source of information: KAS/Border Police, tourist circulation at border crossing points

products will affect the expansion of Kosovo’s tourism offer which directly affects the increase in consumption of tourism services and as a result, promotes employment and increase welfare.

***Estimated cost of activities and sources of funding:***

<b>In EUR</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
2. Budget funding*	2,215,872	2,075,882	55,893
3. Non-budgetary funding - IPA (IADC)	404,000	324,500	20,000
<b>TOTAL</b>	<b>2,619,872</b>	<b>2,400,382</b>	<b>75,893</b>

\*national sources of public funding

***Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:***

The development of tourism will be expanded in rural and mountainous areas where the aim is to increase employment in these areas, the growth of family businesses where women will have easier employment opportunities. The grant scheme will also aim to increase the quality and quantity of the product and increase the business skills of the community. The expansion of promotion activities in new international markets will bring more international visitors and this will be reflected in Kosovo, where it is expected that by the end of 2025 we will have about 6 million visitors. As part of the increase in accommodation capacity, the number of beds with a capacity of up to 13,500 beds is expected to be reached.

***Expected environmental impact:*** The development of tourism, especially in protected areas, can lead to increased pollution, more waste, impact on endangered species, etc. Such environmental effects may gradually damage the tourist resources on which tourism depends. Therefore, this measure requires greater cooperation with all stakeholders in the area of tourism, in order to develop sustainable tourism.

<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Insufficient cooperation with municipalities and other relevant institutions	Medium	It is planned to intensify meetings with municipalities with the highest potential for tourism

***5.2.10 Education and skills***

Education is an important opportunity and resource for sustainable economic and social development. In this context, to ensure quality and comprehensive education, MESTI undertook in the school year 2022/23 a series of measures and activities such as Education Strategy 2022-2026, Draft Law on Early Childhood Education, drafting of the Law on School Textbooks, Review of 3 relevant administrative instructions, training of 1500 teachers to implement the curriculum, and the use of alternative textbooks for the first time, and many other activities on enhancing the quality of education. The Education Strategy 2022-2026 includes the digitalization of education and in 2023, MESTI plans to allocate €6.3 million for equipping schools with ICT equipment. In addition to the supply of such equipment, MESTI is also working on human capacity building for their management and maintenance.

As to education data, the gross enrolment rate for 2021/22 of children in pre-primary education (5-year old) is 88.1% while only at the preschool level (age 3-5) is 37.8%. In primary education, it is 101.1%, while in lower secondary education in the school year 2021/2022 it was 91.4%, while in higher education it is 79.6%

The total number of students in university education in the academic year 2021-2022 was 82,389, of which 50,188 students were in public universities, or 60,9% expressed in percentage, while in private colleges it was 32.201 or 39.1% students. Public spending on education, as % of GDP in 2021 is 4.1%.

In vocational education, over half of the upper secondary students choose one of 117 profiles provided within the 68 vocational schools and Competence Centres. Sectoral policies need to focus on the compatibility of the education system in order to respond better to the labour market. The dropout rate in compulsory education for 2020/2022 was 0.04% (90 students; in 2020/2019 this was 0.05% - 109 students). The attendance of adult education in 2020-2022 reported by MESTI was 2000, while statistics on “Early leavers from education and training” for ages 18-24 was 7.8% in 2020 (in 2019 it was 8.2% according to LFS).

In Q2 2021, the unemployment rate among people without education was 44.6% (males 48.0%, females 29.3%); 30.6% unemployed among those with primary education (men 30.8; women 29.7%), 25.6% unemployed in vocational secondary education (males 24.0%, females 33.6%); high school-gymnasium 15.7% (males 14.7%, females 19.5%) and 14.8% of those with higher education (males 12.5%, women 17.5%).

Although facing the pandemic, during 2020, 2021 and 2022, the Kosovo Accreditation Agency (KAA) has fulfilled its mandate for carrying out the process of accreditation, re-accreditation and validation of higher education institutions and their academic programs. KAA has fulfilled 12 out of 13 main recommendations of the European Association for Quality Assurance in Higher Education (ENQA), and has been recognized as an affiliated member of ENQA. The last recommendation is expected to be fulfilled in autumn 2022, as Kosovo Assembly is expected to approve in the second reading the Draft Law on KAA, which guarantees its institutional and financial independence.

KAA has approved the Monitoring Methodology and post-accreditation procedures and has started monitoring the HEIs since May 2022. KAA has approved the methodology of drawing up thematic analyses and has carried out two thematic analyses. In December 2021, KAA approved the Strategic Plan 2021-2024, which is being implemented meticulously. In order to promote regional cooperation, KAA has concluded cooperation agreements with Albania and North Macedonia in 2022. With the support of the American Embassy, in 2021, the drafting of the Feasibility Plan for the General Digitalization of KAA Processes was completed, while the process of purchasing digitalization equipment began this year funded by the Austrian ADA. KAA is very successfully participating in regional and European initiatives aiming at promoting quality in higher education. In 2022, the project of involving students in quality mechanisms in higher education was implemented and several workshops were held with students. In 2021, KAA twinned with the Accreditation Agency of Austria and the cooperation process will continue this year and next year. KAA has increased transparency and accountability towards institutions and the public and has encouraged the involvement of all HEIs in the process of drafting internal documents and regulations. With the support of MESTI and MIA, a modern facility of 1000 m<sup>2</sup> has been provided in the Prishtina e Re neighbourhood, which is expected to be operational in 2023.

**Structural obstacles:** In the area of education and skills, barriers are related to the low inclusion of children in preschool education, lack of preschool education centers (especially in rural areas) and inclusion of students of marginalized groups and matching skills with market demands. The VET management is divided between two institutions (MESTI, the Ministry MFLT leading to insufficient use of funds. The unclear role of AVETAE, which currently manages only 6 out of 68 vocational schools, is another obstacle. Adult education and training is provided by public and

private institutions, and non-governmental organizations. However, there is a lack of cooperation between the structures and the labour market, the development of quality improvement mechanisms, the profiling of higher education institutions, the large number of higher education institutions and their academic programs, as well as insufficient statistics on labour markets. Although there are currently ten (10) employees, KAA's human capacities have not yet been completed. Likewise, there is a need for digitalization of accreditation and monitoring processes, as well as monitoring of "Follow up Procedures" for higher education institutions.

### ***Reform Measure #18: Reform in pre-university education***

***Description of the measure:*** The measure aims to advance educational policies, increase the professional, managerial and infrastructural capacities of pre-university education institutions, increase the involvement of children in early education, including the implementation of a comprehensive approach and increase quality at all training and educational levels.

With a view to the reform in pre-university education, MESTI has undertaken the revision of relevant legislation for different educational levels, such as the Law on Early Childhood, Law on School Textbooks and the Law on State Matura Exam; Procedures for the selection of educational staff in pre-university education; Curriculum development for early childhood; Increasing and adapting the spaces for public preschool institutions (PI); Capacity building of the inspectorate; Continuous professional development of teachers, staff working with children with special needs, managerial and educational staff, based on functional mechanisms on quality assurance and transparency, which will affect effective learning and teaching as well as raising results of students, as well as other related measures and activities provided for by the Education Strategy 2022-2026. The measure is a continuation of the previous ERE cycle and is in accordance with the Government Program 2021-2025, and the MESTI policies, it is related to the priorities of the National Development Strategy 2030, the Education Strategy 2022-2026, while with SDG it is related to Goal 4, indicators 4.1 and 4.2, 4.a and 4 b). The activities related to the legislation, the development of curricula and the professional development of teachers, have been carried over from the previous year, as a result of delays in initiating these processes due to the frequent amendment of development policies.

#### ***a. Activities planned for 2023:***

1. Construction of 7 new preschool institutions (6 from EU-IPA and 1 from the Municipality) and adaptation of 5 schools in kindergartens (4 from MESTI and 1 from the Municipality).
2. Drafting of bylaws deriving from the Law on Early Childhood Education.
3. Drafting and adoption of the core curriculum for Early Childhood Education (ECE).
4. Adoption of Law on Textbooks and School Materials.
5. Employing 20 new inspectors and increasing their capacities.
6. Increasing the number of recruited assistants (300) and other support staff (15) and their training to support students with disabilities in resource centers and inclusive education.
7. Review of AI on Professional Development of Teachers (PDT).
8. Drafting and adoption of Law on State Matura Exam.
9. Organization and holding of the international ICILS test.

***b. Activities planned for 2024***

1. Drafting of bylaws deriving from the Law on Textbooks;
2. Increasing the number of recruited assistants (50) and other support staff (15) and their training to support students with disabilities in resource centers and inclusive education;
3. Construction of 18 new preschool institutions and adaptation of 5 schools into kindergartens (MESTI);
4. The training of trainers for the piloting of the new curriculum at ECE and the training of 100 educators in the pilot phase;
5. Drafting of the framework for quality assessment in early childhood education institutions;
6. Setting and adopting priority and supplementary programs for the professional development of teachers;
7. Organization and implementation of the TALIS international study.

***c. Activities planned for 2025:***

1. Construction of 9 new preschool institutions and adaptation of 6 schools into kindergartens;
2. Training, mentoring and monitoring of 1500 educators for the implementation of the new curriculum on early childhood education;
3. Training of nannies for the provision of early childhood education services, based on the UA which defines the criteria for the training of professional nannies;
4. Supplying children with special needs with assistive technology (such as computers, communication boards, devices for the blind);
5. Employment of 20 new inspectors;
6. Development of standards for books and educational materials, toys and equipment that are offered for children in early education age, from birth to 5 years.

<b>Results indicators:</b>	<b>Baseline 2022</b>	<b>Target 2023</b>	<b>Target 2024</b>	<b>Target 2025</b>
Number of public and community-based PIs built/adopted	57	69	92	107
Increasing the number of assistants for children with special needs	100	400	450	500
Participation in early education (Number of children aged 0 to 6 years)	32,397	33,537	35,997	37,437
<i>Number of new education inspectors</i>	30	50	70	90

***Expected impact on competitiveness:*** This measure impacts the improvement of legal infrastructure (Law on Early Childhood Education, Law on School Textbooks and Law on State Matura Exam, Procedures for the selection of educational personnel of pre-university education); early childhood curriculum development; increasing and adapting the spaces of public preschool institutions (PIs); increasing the capacities of the inspectorate; continuous professional development of teachers, personnel working with children for special needs, managerial and educational staff, based on functional mechanisms for ensuring quality and transparency, which will affect effective learning and teaching and simultaneously promote the competitiveness.

### ***Estimated cost of activities and sources of funding:***

<b>In EUR</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
1. Budget funding*	10,598,180.25	12,878,168.75	10,531,760.50
2. Non-budgetary funding - IPA	5,000,000.00		
<b>TOTAL</b>	<b>15,598,180.25</b>	<b>12,878,168.75</b>	<b>10,531,760.50</b>

\*national sources of public funding

### ***Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:***

The measure helps to increase employment and create equal opportunities for employment, through the creation of additional spaces and through alternative forms of services in early education, advancement of teachers and staff of educational institutions, while in the long term it reduces poverty. As families' access to Early Childhood Education increases, so does gender equality as it enables families to work while caring for their children is a service provided in their community.

***Expected environmental impact:*** Environmental impact is expected to occur depending on the construction/adoption of preschool institutions. The Ministry intends to adhere to all parameters for environmental protection depending on the specifics of the locations identified for the construction of preschool institutions and relevant municipalities.

<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
Extension of the procedures for the construction/adoption of IP due to expropriation or not finding the right location by the municipalities.	Medium.	Analysis of the situation by the municipalities in coordination with the Secretary General and the Cabinet in MESTI.
Uncontrolled increase in the cost of materials and construction, which implies a change in planning.	High	Reaction to the review of contractual relations (Government and MESTI).
Restriction of educational staff employed in new educational institutions.	High	MESTI, by reviewing the funding formula, plans for new educational staff

### ***5.2.11 Employment and the labour market***

### ***5.2.12 Social protection and inclusion***

***State of play:*** The poverty rate remains high, with around 21% of the population estimated to be living in poverty in 2019.<sup>30</sup> Poverty in rural areas is particularly high, while over 40% of the rural population is unemployed. The poverty rate among households with three or more children was 2.5 times higher than the poverty rate among households without children. The Human Capital Index (HCI) shows that a child born today in Kosovo will be 56% more productive when he or she grows up compared to the same child if he or she had a full education and good health. The HCI index for Kosovo is lower than the average for the region, although it is higher than the average for lower-income countries. By 2020, the COVID-19 pandemic was a serious social and economic challenge for the country, worsening poverty outcomes. The Government of the Republic of Kosovo approved the Emergency Fiscal Package, including 15 measures within the package, and in addition to supporting businesses, measures for providing support to some social categories and

<sup>30</sup> Based on the poverty line of US\$5.5 per person per day (at 2011 PPP).



families living in a difficult social situation were included as well. As a result of the need for additional support and fluctuation of prices throughout 2021-2022, the implementation of additional packages has been extended, where as part of the implementation of the measures under the Economic Recovery Package and the Economic Revival Package (2021-2022), financial support is extended through double payments to families on social assistance, payment of a one-time supplement of 100 Euro for beneficiaries of pension and social schemes.

By cooperating and coordinating with international financial institutions and other development partners, the Kosovo Government engaged in reforming the social protection system, initiating a Social Assistance Scheme reform, establishing a stable pension and disability system, harmonizing the legal framework, building the institutional, human and technological capacities, which actions are expected to have an impact on the increase of equality between different categories of beneficiaries in terms of social inclusion as well as at the general social level. The Government Program 2022-2025 aims to increase social well-being and reduce poverty by supporting vulnerable groups and restructuring social and pension schemes and designing new social and pension schemes. The child allowance program is ongoing, with the new child allowance payment scheme being implemented since 2021. Children between the ages of 0-2 years benefit from financial support under this scheme in the amount of 20 euro per month, while children aged 2 years to 16 years old will benefit from the amount of 10 euro per month. Also, in 2021, the employed mothers and unemployed mothers scheme started to be implemented. Based on this scheme, mothers who do not work benefit from financial support in the amount of 170 euro for 6 months, while employed mothers benefit from financial support in the amount of 170 euro for three months. Likewise, by the end of 2021, financial support is extended to those who have lost a family member as a result of infection with COVID-19, where the support has been in the amount of 1,500 euro.

**Structural obstacles:** Some of the challenges faced in this filed relate to the increased demands and number of citizens and families who need social protection, social services as a result of the impact of the loss of income and jobs from the Covid-19 pandemic. Financing of new social protection programs, the maintenance and improvement of the social protection system, the creation of the social insurance system, the synchronization of social support policies, the improvement of the legal framework and human and institutional capacity building in the provision of social services according to the needs of citizens remain another challenge as well.

#### **Reform Measure #19:** Improving social services and empowering excluded groups

**State of play:** Social protection, poverty reduction and the inclusion of excluded groups in the country's social and economic life remain priorities of the Kosovo Government. The shortcomings in the Kosovo social protection system are more visible with the Social Assistance Scheme (SAS) because a number of poor households often do not qualify for SAS. According to research and some reports, among the poorest 20% of Kosovo's population, only about ¼ of people receive benefits from SAS, because some of the eligibility criteria are strict and inflexible. Despite the efforts and decisions of the Kosovo Government to increase monthly payments and the implementation in several months of double payments for SAS beneficiaries during 2020-2022, SAS is still not providing an adequate safety network for many poor families in Kosovo. The Ministry of Finance, Labour and Transfers in cooperation with the World Bank has initiated the reforming process of the Social Assistance Scheme, which aims to eliminate discriminatory categories and criteria that prevent a number of families from benefiting from social assistance. With the beginning of the implementation of the new legislation in the field of social assistance



and social protection, the poverty test will be applied to enable the identification of the level of financial income and material goods for each individual, family or household.

The measure aims to create a social sustainable and stable protection system, a system which meets the needs of the citizens and the country's economic development. The implementation of the planned activities within this measure enables the provision of services and the advancement of rights for all citizens who need social protection, reforming and modernizing social, pension and disability protection system according to international standards and country's socio-economic needs. The measure also aims to increase the quality of social and family services, eliminate the duplication of payments and benefits and advance the control of beneficiaries in relation to other legal acts contradicting each other. The measure is a continuation of previous policies and programs aiming at ensuring the population's well-being through the expansion and improvement of the quality of social protection schemes, social insurance and social services. This measure is closely related to the Government Program 2022-2025, Objectives of the National Development Plan 2023-2025, the Economic Recovery Program 2021, the Sectoral Strategy of the former MLSW 2018- 2022, the Sectoral Strategy for Rome and Ashkali 2022- 2026, National Strategy on Disability 2017- 2023 and NIPSAA.

***a. Activities planned for 2023:***

1. Adoption of the Law on Social and Family Services and the drafting of the secondary legal framework to start with the implementation of the law;
2. Adoption of the Law on the Social Assistance Scheme and the secondary legal framework to start with the implementation of the law;
3. Adoption of the Law on Local Finance and drafting of the Administrative Instruction on the financing formula for social and family services (Special Grant for Social Services);
4. Adoption of the Law on Rights, Status, Services and Benefits for Persons with Disabilities and the drafting of the secondary legal framework to start with the implementation of this law;
5. Adoption of amendments and supplementations of Law on Pension Schemes Financed by the State and the drafting of bylaws on the implementation of these amendments;
6. Drafting of bylaws on the implementation of legislation in the area of rights to benefits and payments for war categories (families of martyrs, invalids, war veterans, civilian victims and victims of sexual violence) as well as the regulation on the categorization of veterans;
7. Approval of the Administrative Instructions deriving from the Law on Child Protection Law and the construction of Child Protection Houses.
8. Supporting the licensed non-governmental sector (50 NGOs) with grants and subsidies for the provision of social and family services;
9. Signing of (2-4) Bilateral and Multilateral Agreements on Social Security with several EU countries;
10. Development of the program and preparation of modules for vocational training and training of social workers (300 social workers);

***b. Activities planned for 2024:***

1. Drafting of minimum standards on social and family services and implementation of the Law on Social and Family Services;
2. Implementation of the Law on the Social Assistance Scheme and starting with the implementation of the social assistance scheme reform.
3. Implementation of laws and bylaws in the area of pensions and benefits managed by the Department of Pensions and DMFWI.
4. Implementation of the Law on Local Government Finance and the Special Grant for Social Services;
5. Development and transformation of the SAS Information System and the creation of the Integrated Information System for Social Welfare platform.
6. Signing of at least three (3) Bilateral and Multilateral Agreements on Social Security with several EU countries.
7. Supporting the licensed non-governmental sector (70 NGOs) with grants and subsidies for the provision of social and family services;

***c. Activities planned for 2025***

1. Signing of at least three (3) Bilateral and Multilateral Agreements on Social Security with several EU countries.
2. Supporting the licensed non-governmental sector (70 NGOs) with grants and subsidies for the provision of social and family services;
3. Developing a social registry platform and digitalization of data of pension schemes, war categories and other social schemes;

<b>Indicator</b>	<b>Baseline 2022</b>	<b>Target 2023</b>	<b>Target 2025</b>
Increasing the coverage level of families living in poverty by social assistance schemes.	50%	60%	90%
Implementation of a child protection program, and support with maternity payments as well as implementation of child allowances	50%	60%	80%
Realization of pension rights for retirees, war categories and increasing inclusiveness in services and benefits for persons with disabilities.	50%	60%	80%

***Expected impact on competitiveness:*** Although the measure essentially covers the social, pension and disability area, the improvement of social services will help reduce the costs of exercising these rights for the beneficiaries. One of the conditions for increasing competitiveness and achieving economic growth is the establishment and operationalization of a system that can ensure the right to adequate and accessible social protection for its citizens. The reform of social protection, social services, and pensions will improve social cohesion; women and youth will be empowered through social entrepreneurship initiatives. The government and local government will be the key actors in providing social services and social protection to citizens in need.

### ***Estimated cost of activities and sources of funding:***

<b>In EUR</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
1. Budget funding*	30,000,000	64,000,000	79,000,000
2. Non-budgetary funding - IPA		1,000,000	1,000,000
<b>TOTAL</b>	<b>30,000,000</b>	<b>65,000,000</b>	<b>80,000,000</b>

\*national sources of public funding

### ***Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:***

The possibility of using social services and social protection for a large number of beneficiaries (especially children, people with disabilities, the elderly, pensioners, war categories) as a result of the improvement of the social assistance scheme one hand and enhancing the quality of social services on the other one will have an impact on social inclusion. Improvements in the legal framework will bring better living conditions for different social categories, the elderly, people with disabilities, poor families and other minority community groups. The activities planned as part of this measure will affect the increase of well-being and the reduction of poverty.

***Expected environmental impact:*** Social welfare is always positively related to the degree of green consumer preference. Groups with a low socio-economic level create environmental problems during the consumption of goods and services. Thus, reducing poverty and improving the quality of life of certain communities will have an impact on improving the environment where they live.

<b>Risk</b>	<b>Probability</b>	<b>Planned mitigation action</b>
The increase in the cost of the food basket as a result of inflation and changes in the value of pension scheme benefits.	High	Support with other programs of food and hygiene packages for social categories and pensioners.
Increasing the number of SAS beneficiaries as a result of job losses.	Low	Inclusion of SAS beneficiaries in the program of active labour market measures
Increasing the number of beneficiaries of persons with disabilities and pensioners from legal changes	Low	Monitoring the work of professional commissions for the evaluation of persons with disabilities.

### ***5.2.13 Health Systems***

The Republic of Kosovo has many needs and priorities, requiring state budget financing with a view to economic and social development of the Kosovo society. The main challenge of the health sector is the country's budgetary possibilities that cannot meet all the funding needs/demands, and this explains the lack of a real strategy for the purposes of financing the public health sector, in retrospective. During 2020- 2021, the Ministry of Health, facing the COVID-19 pandemic, requested additional financial support from the Government, as well as from donors, to face all the challenges triggered by the pandemic. The Government of the Republic of Kosovo through the Council of Europe Development Bank (CEB) and the World Bank has provided funds in order to address the needs for pandemic management, provision of equipment, personal protective measures, testing capacities, provision of vaccines and vaccination.

Health sector analyses have shown that 18% of the population does not have the opportunity to receive health services as they live in extreme poverty. With the current way of health financing, the problem of access for these population categories cannot be addressed. Failure to implement

the Law on Health Insurance and the lack of allocation of current resources will persist in failing to improve financial protection, where the barriers to the access of vulnerable groups will deepen. The public health budget is insufficient and as a result, forces citizens/patients to cover the cost, primarily for medications and consumables (out-of-hospital medicaments), as well as for health services, in cases where these services are not provided in the public sector. Based on the data of the national health accounts, in 2018, Kosovo allocated 4.60% of the gross domestic product for health, while it allocated 112.27 euro per capita. Compared to the Western Balkans countries, Kosovo shared the lowest level of GDP per capita for health compared to Albania that shared 6.70%, Bosnia and Herzegovina at 9.23%, Montenegro at 7.64%, Serbia at 9.14% and North Macedonia at 6.34 %. While in 2020 the percentage of GDP for health reached 6.8% as a result of donations and loans for the purpose of pandemic management.

The program of treatment outside public health institutions (domestically or abroad) managed by HIF funds has continued, in order to provide health services to citizens, for those services that are not provided in the public health system. Since these state funds dedicated to the TOPHI Program are not sufficient for all the citizens' needs for health services, a number of citizens seek treatment abroad, spending significant amounts of financial resources, which unfortunately, currently we do not have opportunities to be evidenced, therefore this fact could explain the differences in the estimation of expenses from the citizen's pocket between the reports of the national health accounts (NHA) and those of international institutions.

**Structural obstacles:** Failure to implement the Law on Health Insurance and the lack of allocation of current resources will persist in failing to improve financial protection, where the barriers to access of vulnerable groups will deepen. Therefore, the sector analysis reveals the need for change in the financing of the health sector as the sole alternative. This change must begin through the implementation of the legal framework that offers the possibility of sustainable financing for the health sector and the establishment of a mandatory health insurance scheme for all citizens of the Republic of Kosovo.

#### ***Reform Measure #20:*** Ensuring sustainable financing in the health system

The proposed measure aims at revealing the need for change in the financing of the health sector as the sole alternative. This change must stem from amending any implementation of the legal framework that ensures sustainable financing for the health sector. In this regard, the implementation of the Law on Health Insurance and the fair allocation of current resources will improve financial protection and the possibility of access and inclusion of vulnerable groups through the coverage of health services for all citizens regardless of their financial situation in order to achieve universal access.

Strengthening the Health Insurance Fund is the key element in the process of reorganization of health financing, namely for the provision of stable and sufficient financial resources for the health sector by establishing a mandatory health insurance scheme.

The implementation of the measure must take place at the same time as the completion of the Health Information System. Also, for this purpose, secondary legislation will be completed for the implementation of the exemption from the payment of contributions, co-payments and co-financing for health services, the out-of-hospital medicaments scheme, contracting of pharmacies and medical treatment outside public health institutions.

This measure is part of the Government Program 2021- 2025, the National Development Strategy and other sectoral documents. The proposed measure is part of the National Implementation Program for the SAA and the European Reforms Agenda. The ongoing measure is part of the

conclusions deriving from the sub-committee on the internal market, the consumer and public health. The measure has been carried over the years in the Economic Reform Program with planned activities which are mainly related to the drafting and completion of the legal framework. Delays in the last two years have mainly been related to the fact that the health sector has been involved in the pandemic management and the vaccination process.

**a. Activities planned for 2023**

1. Amending and supplementing the Law on Health Insurance;
2. Drafting of the Administrative Instruction on the out-of-hospital medicaments scheme;
3. Feasibility study for HIF;
4. Drafting of the Administrative Instruction on the contracting of pharmacies;
5. Amending and supplementing the Administrative Instruction on medical treatment outside public health institutions;

**b. Activities planned for 2024**

1. Drawing up the price list of health services;
2. Drafting of the Administrative Instruction on the implementation of the exemption from the payment of the contribution, and co-payment for health services;
3. Initiation of the implementation of the Poverty Test for social categories, for exemption from the payment of contributions for health insurance;
4. Strengthening the administrative capacity in the Health Insurance Fund by employing about 48 officers;

**c. Activities planned for 2025**

1. Out-of-hospital medicaments compensation scheme;
2. Initiation of the collection of contributions.

<b>Indicator</b>	<b>Baseline 2023</b>	<b>Target 2024</b>	<b>Target 2025</b>
Contributions collected from all employees in public institutions	0%	0%	100%
Contributions collected for compulsory health insurance in the private sector	0%	0%	65%
Citizens who do not have access to basic health services for economic reasons	13%	0%	0%

**Expected impact on competitiveness:** The implementation of the measure will affect the reduction of inequalities in health, the provision of equal access, as well as economic growth and development. The measure will affect the improvement of health indicators and ensure financial protection from impoverishment due to the health care large expenses. The measure will impact achieving the following results: reducing inequalities, increasing access to health care, reducing poverty. Providing health financing will enable the population to have access to health care without financial burden. This means a broad spectrum of essential services in health promotion and education, treatment, rehabilitation and palliative care.

### **Estimated cost of activities and sources of funding:**

In EUR	2023	2024	2025
1. Budget funding*	525,000	564,000	91,300,000
2. Non-budgetary funding			
TOTAL	525,000	564,000	91,300,000

\*national sources of public funding

As for the third year, the measure includes the largest part of the cost, including contributions that are supposed to be collected for health insurance. Whereas the collection of contributions from employees in the public sector and the cost of these contributions can be calculated, the calculation of the cost of contributions for other categories of insured persons remains a challenge. However, the cost determined for the third year is an estimate and not an exact cost.

### **Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:**

In general, the measure is expected to have a positive impact on social welfare as well as improve labour market performance and competitiveness. This measure will affect the comprehensive approach through the coverage of services from the list of healthcare services for all social and gender categories, at an affordable cost. It also affects the improvement of social services, especially for marginalized groups, as well as persons with special needs, minorities, and gender equality.

**Expected environmental impact:** The measure is neutral in terms of green transition and climate impact

Risk	Probability	Planned mitigation action
Delays in the adoption of primary legislation (Law on Health Insurance)	Medium	
Necessary preparations to initiate the collection of health insurance contributions	Medium	

## **5.3 Summary of reform measures**

<b>A) Reforms that address the three main challenges:</b>	
<b>Key Challenge #1:</b> Creating conditions for stable energy supply	<ul style="list-style-type: none"> <li>- <b>Reform Measure #1:</b> Energy market reform</li> <li>- <b>Reform Measure #2:</b> Promotion of EE and RES with a view to the green transition</li> </ul>
<b>Key Challenge #2:</b> Encouraging sustainable employment through improving quality education and interrelation labour market needs	<ul style="list-style-type: none"> <li>- <b>Reform Measure #3:</b> Adapting Vocational Education and Training to the needs of the labour market</li> <li>- <b>Reform Measure #4:</b> Increasing and ensuring quality in higher education by strengthening the KAA and profiling higher education institutions</li> <li>- <b>Reform Measure #5:</b> Reforming labour market institutions and policies to raise the level of employment, participation in the labour market and effective protection of labour rights.</li> </ul>
<b>Key challenge #3:</b> Reduction of the informal economy and improving the environment for doing business.	<ul style="list-style-type: none"> <li>- <b>Reform Measure #6:</b> Improving the environment for doing business by reducing the administrative burden and reforming inspections;</li> <li>- <b>Reform measure #7:</b> Reducing the informal economy by improving intelligence-based oversight;</li> </ul>
<b>B) Reforms that address other challenges:</b>	
<b>1. Public Financial Management</b>	- <b>Reform Measure #8:</b> Restructuring and consolidation of all IT system resources in support and development of public finance management.
<b>2. Green transition</b>	- <b>Reform Measure #9:</b> Reducing environmental pollution and preserving biodiversity;

<b>3. Digital transformation</b>	- <b>Reform Measure #10:</b> Extension of ICT infrastructure and services for socio-economic development, advanced public services, as well as digitalization of the education and health system.
<b>4. Business environment and reduction of the informal economy</b>	
<b>5. Research, development and innovation</b>	- <b>Reform Measure #11:</b> Improving the environment for research, innovation and entrepreneurship.
<b>6. Economic integration reforms</b>	- <b>Reform Measure #12:</b> Improving the business environment through trade facilitation and quality infrastructure development;
<b>7. Energy market reforms</b>	
<b>8. Transport market reforms</b>	- <b>Reform Measure #13:</b> Further development and modernization of Transport.
<b>9. Agriculture, industry and services</b>	- <b>Reform Measure #14:</b> Structural changes in the agricultural sector; - <b>Reform Measure #15:</b> Increasing competitiveness in the production industry; - <b>Reform Measure #16:</b> Increasing competitiveness in the sector of trade in services; - <b>Reform Measure #17:</b> Increasing Competitiveness in the Tourism and Hospitality Sector.
<b>10. Education and skills</b>	- <b>Reform Measure #18:</b> Reform in pre-university education.
<b>11. Employment and labour market</b>	
<b>12. Social protection and inclusion</b>	- <b>Reform Measure #19:</b> Improving social services and empowering excluded groups.
<b>13. Healthcare systems</b>	- <b>Reform Measure #20:</b> Ensuring sustainable financing in the health system.

## 6. COSTS AND FINANCING OF STRUCTURAL REFORMS

The reforms identified contain existing and new Government policies that addresses key barriers to economic growth, competitiveness and job creation. The total projected cost of the 20 priority reform measures set out in Chapter 5 of the ERP 2023-2025 is estimated at **1,544,568,738 €** (including direct budget expenditures, loans, IPA funds and others). These reforms are expected to be financed mainly through the Kosovo budget but also through external funding from financial institutions, grants and technical assistance from developing partners.

The total direct budgetary impact that derives from the implementation of the 20 structural reforms amounts to **985,094,979 €** (central, local level and other national public finance sources) for the period 2023-2025.

A total of **139,658,861 €** is expected to be donor support during the years 2023-2025. Support is focused on further advancing new reforms. The rest of the donor support is mainly focused on supporting various legislative initiatives in the form of technical assistance. An additional **122,338,500 €** is expected to be supported by IPA funds.

A significant number of activities are expected to be financed through loans. The overall impact of loans for the years 2023-2025, which have already been approved and are in the amount of **195,767,398 €**.

Table: Budgetary implications of structural reforms 2023-2025, by funding sources

a- Total cost of 20 structural measures					
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total
2023	10,645,706 €	31,530,251 €	141,053,679 €	288,916,791€	472,146,427 €
2024	9,031,335 €	39,699,324 €	154,993,836 €	221,787,134 €	425,511,629 €
2025	8,581,226 €	102,156,103 €	256,919,836 €	279,253,517 €	646,910,682 €
<b>Totali</b>	<b>28,258,267 €</b>	<b>173,385,678 €</b>	<b>552,967,351 €</b>	<b>789,957,442 €</b>	<b>1,544,568,738 €</b>

b- Total financing of 20 structural measures								
Year	Central Budget	Local Budget	Other national public finance sources	IPA	Other grants	Project loans	To be determined	Total
2023	325,458,556 €	1,540,000 €	1,600,000 €	33,804,000 €	39,833,700 €	58,910,171 €	11,000,000 €	<b>472,146,427 €</b>
2024	310,558,741 €	5,000,000 €	3,600,000 €	46,981,500 €	31,205,161 €	28,457,227 €	0.00 €	<b>425,802,629 €</b>
2025	319,237,682 €	6,500,000 €	11,600,000 €	41,553,000 €	68,620,000 €	108,400,000 €	91,000,000 €	<b>646,910,682 €</b>
<b>Total</b>	<b>955,254,979 €</b>	<b>13,040,000 €</b>	<b>16,800,000 €</b>	<b>122,338,500 €</b>	<b>139,658,861 €</b>	<b>195,767,398 €</b>	<b>102,000,000 €</b>	<b>1,544,568,738 €</b>

## 7. INSTITUTIONAL ISSUES AND STAKEHOLDER INVOLVEMENT

This chapter presents the process of preparing and approval the Economic Reform Program 2023-2025, and consulting various stakeholders during the process of preparing this program as part of the dialogue on economic governance between the EU and the Republic of Kosovo.

According to the Governments Decision, the Minister of Finance, Labour and Transfer has been appointed as National Coordinator for the ERP, whose work is supported by the Office of Strategic Planning of the Office of the Prime Minister; Department of Economic and Public Policy and International Financial Cooperation at the Minister of Finance, Labour and Transfer; and the coordinators of relevant fields within the line ministries: Minister of Finance, Labour and Transfer, Ministry of Economy, Ministry of Industry, Entrepreneurship and Trade, Ministry of Agriculture, Forestry and Rural Development, Ministry of Education, Science, Technology and Innovation, Ministry of Internal Affairs, Ministry of Environment, Spatial Plan and Infrastructure, Ministry of Justice, and other supporting bodies.

Based on the instructions of the National Coordinator, on **July 15, 2022**, the SPO invited the ministries and other institutions for the initiative meeting, where a high-level meeting was held for the launch of the Economic Reform Program 2023-2025.

According to the working calendar presented at the launch meeting, the Office for Strategic Planning has held these activities:



- Prepare the first proposals of structural reform priorities based on the criteria of the European Commission Guidelines and related instructions.
- On **27.07.2022**, the first workshop was held for the drafting of the Economic Reforms Program (ERP) 2023-2025.
- Holding workshops with ML to review the proposed measures in terms of the quality of presentation of objectives, activities, indicators, indicative cost and impact of the measure.
- Organization of the workshop with CEF and Line Ministries for costing measures for ERP 2023-2025, held on **09-10 November 2022**.
- On **22-25 October 2022**, the first draft of the structural reform chapter was finalized and sent to the EC for evaluation and comment.
- On **November 16-17, 2022**, virtual meetings were held with the delegation of the European Commission and the Line Ministries on the evaluation of the first draft of the Structural Reforms of the Economic Reform Program 2023-2025. In the framework of this mission, thematic meetings were held on certain challenges that have been identified by the European Commission Assessment or ERP 2023-2025.
- As part of the public consultation process to discuss the draft ERP 2023-2025, the draft was sent for public consultation on the government platform from **30.12.2022** to **24.01.2023** (<https://konsultimet.rks-gov.net/viewConsult.php?ConsultationID=41698>). Addressing the comments is presented in a summary of the results of the public consultation in Annex II of the Program.

## ANNEX 1: TABLES OF THE ECONOMIC REFORM PROGRAMME 2023-2025:

**Table 1a: Macroeconomic prospects**

Percentages unless otherwise indicated	ESA Code	Year 2021	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
		Level (bn EUR)	Rate of change				
1. Real GDP at market prices	B1*g	7.499	10.7	4.1	5.5	6.1	6.7
2. Current GDP at market prices	B1*g	7.958	17.5	12.5	9.9	7.7	7.5
<b>Components of real GDP</b>							
3. Private consumption expenditure	P3	6	7.3	1.3	0.2	4.1	5.7
4. Government consumption expenditure	P3	1	9.0	-0.8	8.6	0.2	0.5
5. Gross fixed capital formation	P51	2	13.0	-12.7	10.4	9.0	8.0
6. Changes in inventories and net acquisition of valuables (% of GDP)	P52+P53	0	3.1	1.9	1.7	1.5	1.4
7. Exports of goods and services	P6	3	76.8	24.1	4.7	6.0	7.6
8. Imports of goods and services	P7	5	31.4	-0.4	0.8	3.8	5.5
<b>Contribution to real GDP growth</b>							
9. Final domestic demand		9.5	11.3	-3.2	4.5	6.3	7.4
10. Change in inventories and net acquisition of valuables	P52+P53	0.2	-0.3	-1.1	-0.4	-0.1	-0.1
11. External balance of goods/services	B11	-2	-0.3	8.3	1.4	-0.1	-0.7

**Table 1b: Price developments**

Percentage changes, annual averages	ESA Code	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
1. GDP deflator		6.1	8.1	4.2	1.6	0.8
2. Private consumption deflator		3.3	11.2	4.3	2.2	1.2
3. HICP		3.3	11.6	4.3	2.2	1.2
4. National CPI change		3.3	11.6	4.3	2.2	1.2
5. Public consumption deflator		-0.3	6.8	7.2	1.2	1.0
6. Investment deflator		15.1	24.9	7.7	4.8	2.7
7. Export price deflator (goods & services)		2.4	13.0	5.2	3.0	1.7
8. Import price deflator (goods & services)		8.2	22.8	7.3	4.9	2.9

**Table 1c: Labour markets developments**

	ESA Code	Year	Year	Year	Year	Year	Year
		2021	2021	2022	2023	2024	2025
		Level	Level/Rate of change				
1. Population (thousands)			1,798.2	:	:	:	:
2. Population (growth rate in %)			0.1	-100.0	:	:	:
3. Working-age population (persons)[1]			1,232	:	:	:	:
4. Participation rate			39.3	:	:	:	:
5. Employment, persons [2]			383	:	:	:	:
6. Employment, hours worked[3]			40.7	:	:	:	:
7. Employment (growth rate in %)			10.4	:	:	:	:
8. Public sector employment (persons)			92.5	:	:	:	:
9. Public sector employment (growth in %)			7.5	:	:	:	:
10. Unemployment rate [4]			20.7	:	:	:	:
11. Labour productivity, persons[5]		19.6	0.3	:	:	:	:
12. Labour productivity, hours worked[6]			-3.4	:	:	:	:
13. Compensation of employees	D1	2.3	13.1	:	:	:	:

**Table 1d: Sectoral balances**

Percentages of GDP	ESA code	Year	Year	Year	Year	Year
		2021	2022	2023	2024	2025
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	-7.9	-6.5	-6.0	-6.9	-7.3
<i>of which:</i>						
- Balance of goods and services		-31.8	-29.3	-28.0	-28.2	-28.1
- Balance of primary incomes and transfers		27.7	29.2	26.9	26.6	26.2
- Capital account		-3.8	-6.4	-4.9	-5.3	-5.4
2. Net lending/borrowing of the private sector	B.9/ EDP B.9	-2.9	0.5	2.3	0.7	-0.8
3. Net lending/borrowing of general government		-1.2	-0.5	-3.4	-2.2	-1.1
4. Statistical discrepancy		0.0	0.0	0.0	0.0	0.0

**Table 1e: GDP, investment and gross value added**

	ESA Code	Year	Year	Year	Year	Year
		2021	2022	2023	2024	2025
<b>GDP and investment</b>						
GDP level at current market prices (in domestic currency)	B1g	8.0	9.0	9.8	10.6	11.4
Investment ratio (% of GDP)		32.9	31.9	34.5	36.6	37.7
<b>Growth of Gross Value Added, percentage changes at constant prices</b>						
1. Agriculture		-2.5	-0.5	2.4	3.2	1.8
2. Industry (excluding construction)		7.3	5.9	5.2	6.7	8.2
3. Construction		8.8	-10.4	0.5	0.9	0.7
4. Services		9.4	5.9	9.3	7.1	7.8

**Table 1f: External sector developments**

Billion Euro unless otherwise indicated		Year	Year	Year	Year	Year
		2021	2022	2023	2024	2025
1. Current account balance (% of GDP)	% of GDP	-3.8	-6.4	-4.9	-5.3	-5.4
2. Export of goods	bn EUR	0.8	1.0	1.1	1.2	1.4
3. Import of goods	bn EUR	4.3	5.2	5.6	6.1	6.6
4. Trade balance	bn EUR	-3.6	-4.3	-4.5	-4.9	-5.3
5. Export of services	bn EUR	1.9	2.8	3.0	3.3	3.6
6. Import of services	bn EUR	0.9	1.1	1.2	1.3	1.5
7. Service balance	bn EUR	1.1	1.7	1.8	2.0	2.1
8. Net interest payments from abroad	bn EUR	:	:	:	:	:
9. Other net factor income from abroad	bn EUR	1.7	1.9	2.0	2.1	2.2
10. Current transfers	bn EUR	0.2	0.1	0.2	0.2	0.2
11. <i>Of which</i> from EU	bn EUR	:	:	:	:	:
12. Current account balance	bn EUR	-0.3	-0.6	-0.5	-0.6	-0.6
13. Capital and financial account	bn EUR	-0.3	-0.5	-0.5	-0.6	-0.5
14. Foreign direct investment	bn EUR	-0.3	-0.4	-0.5	-0.5	-0.6
15. Foreign reserves	bn EUR	1.7	1.7	1.1	1.2	1.2
16. Foreign debt	bn EUR	3.0	3.3	:	:	:
17. <i>Of which</i> : public	bn EUR	0.8	0.8	:	:	:
18. <i>O/w</i> : foreign currency denominated	bn EUR	:	:	:	:	:
19. <i>O/w</i> : repayments due	bn EUR	:	:	:	:	:
21. Exchange rate vis-à-vis EUR (annual average)	NCU/EUR	1.0	1.0	1.0	1.0	1.0
<i>p.m. Exchange rate vis-à-vis EUR (annual average)</i>	% year-on-year	0.0	0.0	0.0	0.0	0.0
20. Exchange rate vis-à-vis EUR (end-year)	NCU/EUR	1.0	1.0	1.0	1.0	1.0
<i>p.m. Exchange rate vis-à-vis EUR (end-year)</i>	% year-on-year	0.0	0.0	0.0	0.0	0.0
22. Net foreign saving	% of GDP	2.3	2.3	2.9	3.3	3.7
23. Domestic private saving	% of GDP	2.0	1.9	2.4	2.6	2.8
24. Domestic private investment	% of GDP	2.2	2.4	2.6	3.0	3.4
25. Domestic public saving	% of GDP	0.4	0.4	0.5	0.7	0.9
26. Domestic public investment	% of GDP	0.4	0.4	0.8	0.9	0.9

**Table 1g: Sustainability indicators**

	Dimension	Year	Year	Year	Year	Year
		2018	2019	2020	2021	2022
1. Current Account Balance	% of GDP	-11.0	-5.7	-8.0	-3.8	-6.4
2. Net International Investment Position	% of GDP	-6.1	-5.8	-12.3	-11.6	-16.8
3. Export market shares	%, yoy	:	:	:	:	:
4. Real Effective Exchange Rate [1]	%, yoy	-0.3	2.3	0.2	2.3	5.1
5. Nominal Unit Labour Costs	%, yoy	-16.8	1.4	-1.4	13.1	:
6. Private sector credit flow	% of GDP	34.5	33.7	32.9	35.2	37.7

7. Private sector debt	% of GDP	23.0	24.1	28.1	27.7	27.0
8. General Government Debt	% of GDP	17.0	17.6	22.4	21.5	19.8

**Table 2a: General government budgetary prospects**

	ESA code	Year	Year	Year	Year	Year	Year
		2021	2021	2022	2023	2024	2025
		Level (bn NCU)	% of GDP				
<b>Net lending (B9) by sub-sectors</b>							
1. General government	S13	-0.0984	-1.2	-0.5	-3.4	-2.2	-1.1
2. Central government	S1311	:	:	:	:	:	:
3. State government	S1312	:	:	:	:	:	:
4. Local government	S1313	:	:	:	:	:	:
5. Social security funds	S1314	:	:	:	:	:	:
<b>General government (S13)</b>							
6. Total revenue	TR	2.201	27.7	27.8	29.3	28.1	28.0
7. Total expenditure[1]	TE	2.299	28.9	28.4	32.8	30.4	29.2
8. Net borrowing/lending	EDP.B9	-0.098	-1.2	-0.5	-3.4	-2.2	-1.1
9. Interest expenditure	EDP.D41 incl. FISIM	0.032	0.4	0.4	0.5	0.5	0.5
10. Primary balance[2]		-0.066	-0.8	-0.1	-3.0	-1.8	-0.6
11. One-off and other temporary measures [3]		:	:	:	:	:	:
<b>Components of revenues</b>							
12. Total taxes (12 = 12a+12b+12c)		1.971	24.8	25.1	26.0	25.7	25.7
12a. Taxes on production and imports	D2	1.665	20.9	20.9	21.3	21.2	21.2
12b. Current taxes on income and wealth	D5	0.306	3.8	4.2	4.7	4.4	4.4
12c. Capital taxes	D91	:	:	:	:	:	:
13. Social contributions	D61	:	:	:	:	:	:
14. Property income	D4	0.036	0.5	0.4	0.5	0.4	0.4
15. Other (15 = 16-(12+13+14)) [4]		0.194	2.4	2.3	2.9	2.0	2.0
16 = 6. Total revenue	TR	2.201	27.7	27.8	29.3	28.1	28.0
p.m.: Tax burden (D2+D5+D61+D91-D995) [5]		1.971	24.8	25.1	26.0	25.7	25.7
<b>Selected components of expenditures</b>							
17. Collective consumption	P32	0.995	12.5	11.3	12.6	11.7	11.1
18. Total social transfers	D62 + D63	0.843	10.6	11.9	11.2	9.6	9.4
18a. Social transfers in kind	P31 = D63	0.000	0.0	0.0	0.0	0.0	0.0
18b. Social transfers other than in kind	D62	0.843	10.6	11.9	11.2	9.6	9.4
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	0.032	0.4	0.4	0.5	0.5	0.5
20. Subsidies	D3	:	:	:	:	:	:

21. Gross fixed capital formation	P51	0.420	5.3	4.7	8.3	8.4	8.0
22. Other (22 = 23-(17+18+19+20+21)) [6]		0.010	:	:	:	:	:
23. Total expenditures	TE [1]	2.299	28.9	28.4	32.8	30.4	29.2
p.m. compensation of employees	D1	0.667	8.4	7.3	7.6	7.1	6.6

**Table 2b: General government budgetary prospects**

	ESA code	Year	Year	Year	Year	Year
		2021	2022	2023	2024	2025
bn NCU						
<b>Net lending (B9) by sub-sectors</b>						
1. General government	S13	-0.10	-0.05	-0.34	-0.24	-0.13
2. Central government	S1311	:	:	:	:	:
3. State government	S1312	:	:	:	:	:
4. Local government	S1313	:	:	:	:	:
5. Social security funds	S1314	:	:	:	:	:
<b>General government (S13)</b>						
6. Total revenue	TR	2.20	2.49	2.88	2.98	3.20
7. Total expenditure[1]	TE	2.30	2.54	3.22	3.22	3.32
8. Net borrowing/lending	EDP.B9	-0.10	-0.05	-0.34	-0.24	-0.13
9. Interest expenditure	EDP.D41 incl. FISIM	0.03	0.04	0.05	0.05	0.06
10. Primary balance[2]		-0.07	-0.01	-0.29	-0.19	-0.07
11. One-off and other temporary measures [3]		:	:	:	:	:
<b>Components of revenues</b>						
12. Total taxes (12 = 12a+12b+12c)		1.97	2.25	2.56	2.72	2.93
12a. Taxes on production and imports	D2	1.66	1.87	2.10	2.25	2.42
12b. Current taxes on income and wealth	D5	0.31	0.38	0.46	0.47	0.50
12c. Capital taxes	D91	:	:	:	:	:
13. Social contributions	D61	:	:	:	:	:
14. Property income	D4	0.04	0.03	0.04	0.05	0.05
15. Other (15 = 16-(12+13+14)) [4]		0.19	0.21	0.28	0.22	0.22
16 = 6. Total revenue	TR	2.20	2.49	2.88	2.98	3.20
p.m.: Tax burden (D2+D5+D61+D91-D995) [5]		1.97	2.25	2.56	2.72	2.93
<b>Selected components of expenditures</b>						
17. Collective consumption	P32	1.00	1.01	1.24	1.24	1.26
18. Total social transfers	D62 + D63	0.84	1.06	1.10	1.02	1.07
18a. Social transfers in kind	P31 = D63	0.00	0.00	0.00	0.00	0.00
18b. Social transfers other than in kind	D62	0.84	1.06	1.10	1.02	1.07
19 = 9. Interest expenditure (incl. FISIM)	EDP.D41 + FISIM	0.03	0.04	0.05	0.05	0.06
20. Subsidies	D3	:	:	:	:	:
21. Gross fixed capital formation	P51	0.42	0.42	0.82	0.89	0.91

22. Other (22 = 23-(17+18+19+20+21)) [6]		0.01	0.01	0.02	0.02	0.02
23. Total expenditures	TE [1]	2.30	2.54	3.22	3.22	3.32
p.m. compensation of employees	D1	0.67	0.65	0.75	0.75	0.76

**Table 3: General government expenditure by function**

% of GDP	COFOG Code	Year	Year	Year	Year	Year
		2021	2022	2023	2024	2025
1. General public services	1	4.9	3.0	:	:	:
2. Defence	2	1.2	0.3	:	:	:
3. Public order and safety	3	2.6	1.1	:	:	:
4. Economic affairs	4	4.5	2.0	:	:	:
5. Environmental protection	5	0.1	0.0	:	:	:
6. Housing and community amenities	6	0.5	0.2	:	:	:
7. Health	7	3.5	1.3	:	:	:
8. Recreation, culture and religion	8	0.8	0.3	:	:	:
9. Education	9	4.3	1.6	:	:	:
10. Social protection	10	7.6	3.7	:	:	:
11. Total expenditure (item 7 = 23 in Table 2)	TE	28.9	28.4	32.8	30.4	29.2

**Table 4: General government debt developments**

% of GDP	ESA code	Year	Year	Year	Year	Year
		2021	2022	2023	2024	2025
1. Gross debt [1]		21.5	19.8	22.6	23.0	23.8
2. Change in gross debt ratio		-0.9	-1.7	2.8	0.3	0.8
<b>Contributions to change in gross debt</b>						
3. Primary balance [2]		0.8	0.1	3.0	1.8	0.6
4. Interest expenditure [3]	EDP D.41	0.4	0.4	0.5	0.5	0.5
5. Real growth effect		-2.1	-0.8	-1.0	-1.3	-1.4
6. Inflation effect		-1.2	-1.6	-0.8	-0.3	-0.2
7. Stock-flow adjustment		1.1	0.1	1.1	-0.3	1.3
<i>of which:</i>						
- Differences between cash and accruals [4]		:	:	:	:	:
- Net accumulation of financial assets [5]		:	:	:	:	:
<i>of which:</i>						
- Privatisation proceeds		:	:	:	:	:
- Valuation effects and other [6]		:	:	:	:	:
p.m. implicit interest rate on debt [7]		2.1	2.0	2.6	2.3	2.3
<b>Other relevant variables</b>						
8. Liquid financial assets [8]		:	:	:	:	:
9. Net financial debt (9 = 1 - 8)		:	:	:	:	:

**Table 5: Cyclical developments**

% of GDP	ESA Code	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
1. Real GDP growth (% , yoy)	B1g	10.7	4.1	5.5	6.1	6.7
2. Net lending of general government	EDP.B.9	-1.2	-0.5	-3.4	-2.2	-1.1
3. Interest expenditure	EDP.D.41	0.4	0.4	0.5	0.5	0.5
4. One-off and other temporary measures		:	:	:	:	:
5. Potential GDP growth (% , yoy)		4.2	4.9	5.3	5.5	5.5
Contributions:						
- labour		:	:	:	:	:
- capital		:	:	:	:	:
- total factor productivity		:	:	:	:	:
6. Output gap		0.1	-0.6	-0.4	0.1	1.3
7. Cyclical budgetary component		0.0	-0.5	-1.4	-0.6	0.5
8. Cyclically-adjusted balance (2-7)		-1.2	-0.1	-2.0	-1.7	-1.6
9. Cyclically-adjusted primary balance (8+3)		-0.8	0.3	-1.5	-1.2	-1.1
10. Structural balance (8-4)		:	:	:	:	:

**Table 6: Divergence from previous programme**

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
<b>1. GDP growth (% , yoy)</b>					
Previous programme	9.6	7.8	7.1	6.8	:
Latest update	10.7	4.1	5.5	6.1	6.7
Difference (percentage points)	1.1	-3.7	-1.6	-0.7	:
<b>2. General government net lending (% of GDP)</b>					
Previous programme	-4.8	-5.6	-6.6	-7.3	:
Latest update	-1.2	-0.5	-3.4	-2.2	-1.1
Difference	3.5	5.0	3.2	5.1	:
<b>3. General government gross debt (% of GDP)</b>					
Previous programme	26.3	26.5	28.2	29.5	:
Latest update	21.5	19.8	22.6	23.0	23.8
Difference	-4.8	-6.7	-5.6	-6.6	:

**Table 8: Basic assumptions on the external economic environment**

	Dimension	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
Short-term interest rate	Annual average	0.99	2.96	5.35	5.08	:
Long-term interest rate	Annual average	1.55	1.95	4.08	6.06	5.94
USD/EUR exchange rate	Annual average	0.85	0.95	:	:	:
Nominal effective exchange rate	Annual average	0.70	-2.00	-0.40	0.00	:
Exchange rate vis-à-vis the EUR	Annual average	:	:	:	:	:
Global GDP growth, excluding EU	Annual average	6.00	3.10	2.80	3.40	:



EU GDP growth	Annual average	5.36	3.23	0.66	2.07	2.18
Growth of relevant foreign markets	Annual average	:	:	:	:	:
World import volumes, excluding EU	Annual average	11.00	4.80	2.50	3.70	:
Oil prices (Brent, USD/barrel)	Annual average	70.70	101.80	85.00	78.00	76.25

### Comparison with the previous programme

Document	Description	2020	2021	2022	2023 budget law	2024 proj.	2025 proj.
ERP 2022	Total revenues	1,722.2	2,183.7	2,364.5	2,565.3	2,772.7	n/a
	<i>Tax- Revenues</i>	1,507.0	1,948.0	2,102.9	2,287.4	2,476.9	n/a
	<i>Non-tax Revenues</i>	181.2	235.8	239.1	255.4	273.3	n/a
	Total expenditures	2,234.9	2,290.9	2,747.7	2,907.3	3,069.8	n/a
	<i>Recurrent spending</i>	1,827.7	1,837.9	1,990.3	1,996.8	2,054.9	n/a
	<i>Capital expenditure</i>	379.7	420.8	704.4	848.3	946.0	n/a
	Overall budget balance	-512.7	-107.1	-383.3	-342	-297.2	n/a
	<i>Budget balance (as per fiscal rule)</i>	-364.1	-63.5	-244.6	-164.7	-77.4	n/a
	GDP	6,771.6	7,600.7	8,405.0	9,188.6	10,001.2	n/a
	Overall deficit, as % of GDP	-7.6%	-1.4%	-4.6%	-3.7%	-3.0%	n/a
	Bank balance, as % of GDP	3.5%	4.0%	3.5%	3.1%	3.4%	n/a
	Capital Expenditure, as % of GDP	5.6%	5.5%	8.4%	9.20%	9.50%	n/a
Recurrent expenditure, % of GDP	27.0%	24.2%	23.7%	21.7%	20.5%	n/a	
Document	Description	2020	2021	2022	2023 budget law	2024 proj.	2025 proj.
ERP 2023	Total revenues	1,722.2	2,200.9	2,491.9	2,884.1	2,982.2	3,196.1
	<i>Tax- Revenues</i>	1,507.0	1,947.9	2,219.1	2,525.4	2,684.9	2,885.4
	<i>Non-tax Revenues</i>	181.2	236.1	253.1	261.2	274.7	288.2
	Total expenditures	2,234.9	2,299.3	2,539.9	3,223.6	3,219.6	3,323.8
	<i>Recurrent spending</i>	1,827.7	1,837.6	2,075.7	2,344.8	2,270.7	2,341.9
	<i>Capital expenditure</i>	379.7	419.8	419.4	819.9	885.7	913.0
	Overall budget balance	-512.7	-104.2	-46.6	-337.9	-236.0	-126.4
	<i>Budget balance (as per fiscal rule)</i>	-364.1	-50.3	13.6	-204.4	-118.7	15.3
	GDP	6,771.6	7,958.0	8,593.9	9,843.0	10,605.0	11,401.0
	Overall deficit, as % of GDP	-7.6%	-1.3%	-0.5%	-3.4%	-2.2%	-1.1%
	Bank balance, as % of GDP	3.5%	4.0%	3.4%	4.0%	3.6%	4.4%
	Capital Expenditure, as % of GDP	5.6%	5.3%	4.9%	8.3%	8.4%	8.0%
Recurrent expenditure, % of GDP	27.0%	23.1%	24.2%	23.8%	21.4%	20.5%	
Difference between ERP 2022 and ERP 2021	Total revenues	0.0%	0.8%	5.4%	12.4%	7.6%	n/a
	<i>Tax- Revenues</i>	0.0%	0.0%	5.5%	10.4%	8.4%	n/a
	<i>Non-tax Revenues</i>	0.0%	0.1%	5.8%	2.3%	0.5%	n/a
	Total expenditures	0.0%	0.4%	-7.6%	10.9%	4.9%	n/a
	<i>Recurrent spending</i>	0.0%	0.0%	4.3%	17.4%	10.5%	n/a
	<i>Capital expenditure</i>	0.0%	-0.2%	-40.5%	-3.3%	-6.4%	n/a
	Overall budget balance	0.0%	-2.7%	-87.9%	-1.2%	-20.6%	n/a
	<i>Budget balance (as per fiscal rule)</i>	0.0%	-20.8%	-105.6%	24.1%	53.4%	n/a
	GDP	0.0%	4.7%	2.2%	7.1%	6.0%	n/a
	Overall deficit, as % of GDP	0.0%	-7.1%	-88.2%	-7.2%	-25.8%	n/a
	Bank balance, as % of GDP	0.0%	0.8%	-0.3%	30.1%	4.2%	n/a
	Capital Expenditure, as % of GDP	0.0%	-4.1%	-41.9%	-9.5%	-12.1%	n/a
Recurrent expenditure, % of GDP	0.0%	-4.6%	1.9%	9.8%	4.4%	n/a	

**Table 10a and 10b: Costing and financing of structural reform measures**

<b>Reform Measure #1: Energy market reform</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023							
2024	100,000			2,000,000	2,100,000		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources (KOSTT)	IPA funds	Other grants	Project loans	Total
2023							
2024			2,000,000		100,000		2,100,000

<b>Reform Measure #2: Promotion of EE and RES with a view to the green transition</b>								
Table 10a: Costing of structural reform measure								
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total			
2023	2,000,000	659,538	15,000,000	67,425,790	85,085,328			
2024	190,161	700,000		40,800,000	41,690,161			
2025		800,000		146,000,000	146,800,000			
Table 10b: Financing of structural reform measure								
Year	Central Budget	Local Budget	Other national public finance sources, KEK, TERMOKOS	IPA funds	Grants from KfW, EBRD, WBIF, BE, MCC	Project loans, WB EIB	Privat Investments	Total
2023	1,500,000	500,000	1,600,000	25,000,000	37,700,000	7,785,329	11,000,000	85,085,328
2024	2,400,000	1,000,000	1,600,000	10,000,000	26,290,161	400,000		41,690,161
2025	3,000,000	1,500,000	11,600,000	5,000,000	63,700,000	62,000,000		146,800,000

<b>Reform Measure #3: Adapting Vocational Education and Training to the needs of the labour market</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023		1,050,000	300,000		1,350,000		
2024		1,055,000	250,000		1,305,000		
2025		660,000	600,000		1,260,000		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants: ALLED2, GIZ, LUX Development, EYE, OeAD, DVV	Project loans	Total
2023	50,000				1,300,000		1,350,000
2024	55,000				1,250,000		1,305,000
2025	60,000				1,200,000		1,260,000

<b>Reform Measure #4: Increasing and ensuring quality in higher education by strengthening the KAA and profiling higher education institutions</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023	67,858.56	145,000.00		200,000.00	412,858.56		
2024	48,420.00	133,367.84			181,787.84		
2025	149,288.83				149,288.83		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	387,858.56				25,000		412,858.56
2024	181,787.84						181,787.84
2025	149,288.83						149,288.83

**Reform Measure #5: Reforming labour market institutions and policies to raise the level of employment, participation in the labour market and effective protection of labour rights.**

Table 10a: Costing of structural reform measure

Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total
2023	2,785,331.00	743,150.00	29,000,000.00	1,005,000.00	33,533,481.00
2024	2,785,331.00	514,790.00	29,000,000.00	1,065,000.00	33,656,121.00
2025	2,788,193.00	519,790.00	29,000,000.00	1,065,000.00	33,372,983.00

Table 10b: Financing of structural reform measure

Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	33,250,421.00				283,060.00		33,533,481.00
2024	33,601,121.00				55,000.00		33,656,121.00
2025	33,312,983.00				60,000.00		33,372,983.00

**Reform Measure #6: Improving the environment for doing business by reducing the administrative burden and reforming inspections**

Table 10a: Costing of structural reform measure

Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total
2023	70,000	50,000		1,600,000	1,720,000
2024	20,000	10,000			30,000
2025	70,000	50,000		1,600,000	1,720,000

Table 10b: Financing of structural reform measure

Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	110,000				10,000	1,600,000	1,720,000
2024	25,000				5,000		30,000
2025	110,000				10,000	1,600,000	1,720,000

**Reform measure 7: Reducing the informal economy by improving intelligence-based oversight**

Table 10a: Costing of structural reform measure

Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total
2023	121,000	46,000			167,000
2024	151,000	29,000			180,000
2025	50,000	20,000			70,000

Table 10b: Financing of structural reform measure

Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	167,000						167,000
2024	180,000						180,000
2025	70,000						70,000

**Reform Measure #8: Restructuring and consolidation of all IT system resources in support and development of public finance management**

Table 10a: Costing of structural reform measure

Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total
2023		2,000,000		8,096,452	10,096,452
2024		2,000,000		8,146,452	10,146,452
2025		2,000,000		8,346,452	10,346,452

Table 10b: Financing of structural reform measure

Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	9,096,452			1,000,000			10,096,452
2024	9,146,452			1,000,000			10,146,452
2025	9,346,452			1,000,000			10,346,452

<b>Reform Measure #9: Reducing environmental pollution and preserving biodiversity</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023		1,133,640		570,000	1,703,640		
2024		3,455,000		33,850,000	37,305,000		
2025		62,150,000		320,000	62,470,000		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants (JICA, FAO)	Project loans	Total
2023	670,000				433,640	600,000	1,703,640
2024	650,000			33,200,000	3,455,000		37,305,000
2025	570,000			33,200,000	3,600,000	25,100,000	62,470,000

<b>Reform Measure #10: Extension of ICT infrastructure and services for socio-economic development, advanced public services, as well as digitalization of the education and health system</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023		2,400,000	3,334,843	2,720,000	8,454,843		
2024		1,900,000	1,200,000	1,801,449	4,901,449		
2025		1,300,000		1,000,000	2,300,000		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	2,720,000			1,400,000		4,334,843	8,454,843
2024	1,801,449			1,300,000		1,800,000	4,901,449
2025	1,000,000			1,300,000			2,300,000

<b>Reform Measure #11: Improving the environment for research, innovation and entrepreneurship</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023		40,000	300,000	150,000	490,000		
2024		60,000	300,000	150,000	510,000		
2025		30,000	200,000	150,000	380,000		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	490,000						490,000
2024	510,000						510,000
2025	380,000						380,000

<b>Reform Measure #12: Improving the business environment through trade facilitation and quality infrastructure development</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023	8,500	39,000	32,000	6,000,000	6,079,500		
2024	14,400	12,000	157,000		183,400		
2025	3,000	23,000	33,000		59,000		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	6,047,500				32,000		6,079,500
2024	26,400			157,000			183,400
2025	26,000			33,000			59,000

<b>Reform Measure #13: Further development and modernization of Transport</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023					202,168,869		
2024					146,598,304		
2025					139,901,402		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	169,168,869					33,000,000	202,168,869
2024	130,341,077					16,257,227	146,598,304
2025	134,201,402					5,700,000	139,901,402

<b>Reform Measure #14: Structural changes in the agricultural sector</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023		3,128,681	58,977,022	3,090,000	65,195,703		
2024		3,128,681	58,977,022		62,105,703		
2025		3,128,681	58,977,022		62,105,703		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans WB	Total
2023	62,105,703			1,000,000		2,090,000	65,195,703
2024	62,105,703						62,105,703
2025	62,105,703						62,105,703

<b>Reform Measure #15: Increasing competitiveness in the production industry</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023	30,000	172,000	1,666,000	5,000,000	6,868,000		
2024	30,000	140,000	1,666,000	2,150,000	3,986,000		
2025	30,000	140,000	1,666,000	2,150,000	3,986,000		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	6,868,000						6,868,000
2024	3,986,000						3,986,000
2025	3,986,000						3,986,000

<b>Reform Measure #16: Increasing competitiveness in the sector of trade in services</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023	16,200	61,500			77,700		
2024	16,200	64,500			80,700		
2025	16,200	66,000			82,200		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	27,700				50,000		77,700
2024	30,700				50,000		80,700
2025	32,200				50,000		82,200

<b>Reform Measure #17: Increasing Competitiveness in the Tourism and Hospitality Sector</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023	41,872	14,000	2,000,000	564,000	2,619,872		
2024	41,882	34,000	2,000,000	324,500	2,400,382		
2025	41,893	14,000		20,000	75,893		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	2,175,872	40,000		404,000			2,619,872
2024	2,075,882			324,500			2,400,382
2025	55,893			20,000			75,893

<b>Reform Measure #18: Reform in pre-university education</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023	2,991,620.25	86,560		12,520 000.00	15,598,180.25		
2024	1,741,038.75	187,130		10,950 000.00	12,878,168.75		
2025	1,661,800.50	149,960		8,720 000.00	10,531,760.50		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	10,598,180.25			5,000,000.00			15,598,180.25
2024	12,878,168.75						12,878,168.75
2025	10,531,760.50						10,531,760.50

<b>Reform Measure #19: Improving social services and empowering excluded groups</b>							
Table 10a: Costing of structural reform measure							
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total		
2023			29,000,000	1,000,000	30,000,000		
2024	1,000,000	3,000,000	60,000,000	1,000,000	65,000,000		
2025	1,000,000	4,000,000	74,000,000	1,000,000	80,000,000		
Table 10b: Financing of structural reform measure							
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	Total
2023	20,000,000	1,000,000				9,000,000	30,000,000
2024	50,000,000	4,000,000		1,000,000		10,000,000	65,000,000
2025	60,000,000	5,000,000		1,000,000		14,000,000	80,000,000

<b>Reform Measure #20: Ensuring sustainable financing in the health system</b>								
Table 10a: Costing of structural reform measure								
Year	Salaries	Goods and Services	Subsidies and Transfers	Capital Expenditures	Total			
2023		525,000			525,000			
2024	254,000	310,000			564,000			
2025		300,000			300,000			
Table 10b: Financing of structural reform measure								
Year	Central Budget	Local Budget	Other national public finance sources	IPA funds	Other grants	Project loans	To be determined	Total
2023	25,000					500,000		525,000
2024	564,000							564,400
2025	300,000						91,000,000	91,300,000

**Table 11: Reporting on the implementation of ERP 2022-2024 structural reform measures**

<b>Reform Measure #1: Adapting Vocational Education and Training to the needs of the labour market</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Definition of professional qualifications according to the labour market needs and quality assurance view a view to the implementation of dual learning (MESTI);	3
	2. Identification of needs for vocational resource capacity building in VET (MESTI);	3
	3. Drafting legislation for the implementation of dual education (MESTI);	2
	4. Standardization of Career Centers at the vocational school level (MESTI);	4
	5. Drafting of the Regulation on Kosovo Practice Firms Centre (MESTI);	1
	6. Feasibility study related to the IVETs Autonomy, including the financial component (MESTI);	2
	7. Drafting and reviewing the secondary legislation on the National Qualifications Authority and development of accreditation processes for institutions that will implement the Recognition of Prior Learning MESTI.	2
<b>Description of implementation and explanation of whether we have partial implementation or non-implementation</b>	1. In 2022, in cooperation with the labour market, we identified 4 priority profiles, such as mason, hairdresser, chef, hotel and restaurant assistant, and piloting of the implementation of the dual system has been initiated and started for them. The training of quality coordinators continued throughout 2022 with a focus on quality at workplace learning and 100 coordinators were trained on business relations within all IVETs.	
	2. Based on the Education Strategy specific objective: A feasibility study has been carried out in cooperation with GIZ for improving the governance, financing and information management system of vocational education and training and adult education. The study findings have been forwarded to the cabinet and the publication of the content and the identification of the needs for VET vocational resource capacity building is expected.	
	3. At the government level, a Task Force for the initiation and implementation of dual education was established and this body will, in line with its tasks and in cooperation with the MESTI Vocational Education Department, will work on the legal aspect of dual education, following the pilot phase findings in 4 profiles.	
	4. The first draft of the document ‘Standardization of Career Counselor Services in IVETs’ has been drawn up, the document has not yet been approved due to harmonization with the AI on Restructuring the Internal Management of the School.	
	5. Since no reform has been considered, the regulation on KKNP has been removed.	
	6. In terms of financial regulation, MESTI has completed the Draft AI on the Parameters and Criteria for the Specific Education Grant, which has been forwarded for preliminary discussion, while drafting of a special AI on the financing of VET is provided for under thee legislative plan for 2023.	
	7. A working group on amending and supplementing the AI 5/2014 on Validation and Accreditation of Institutions Providing Qualifications was established and two working meetings were held, while the establishment of a working group on amending and supplementing the AI28/2014 on Verification of the Occupational Standard is in the process.	
<b>Reform Measure #2: Increasing and ensuring quality in higher education by strengthening the KAA and profiling higher education institutions</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Approval of the Draft Law on Higher Education (Assembly);	5
	2. Approval of by-laws deriving from the Law on KAA (MESTI);	1
	3. Restructuring of KAA in line with the new Law on KAA (MESTI/KAA);	1
	4. Drafting of the manual on areas of expertise (MESTI/KAA);	2

	5. Drafting of Regulation on Involving Students in Quality Assurance Processes (MESTI/KAA);	1
	6. Capacity building of KAA through the recruitment of 15 new officers (MESTI/KAA);	1
	7. Review of standards at the Bachelor and Master level to promote quality assurance in higher education (MESTI/KAA);	4
<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. The law was approved in December by the Government and was forwarded to the Assembly for further procedure. The law passed the first reading in the Assembly at the beginning of 2022, while it is expected to be adopted in the second reading in the first quarter of 2023	
	2. After the approval of the Law on KAA, MESTI in cooperation with KAA will prepare an Administrative Instruction pursuant to the rules of the new Law. All amendments in the new Law will be implemented in the new Instruction. This project provides that MESTI and KAA will be supported by the Heras Plus project funded by the ADA Agency of Austria.	
	3. After the Law on KAA is adopted, the KAA restructuring is foreseen, including the new organizational chart, according to the rules defined under the Law. KAA will harmonize all internal regulations according to the new Law.	
	4. KAA is currently using the Erasmus Area Code for areas of expertise. It is envisaged that this document will be revised to be supplemented by some more specific sub-areas for the Kosovo case.	
	5. One of the priorities defined by the ESG standard is the students' involvement in quality assurance processes in higher education institutions. KAA in cooperation with donors will draft a regulation providing for students' involvement in quality assurance mechanisms.	
	6. KAA staff are civil servants. The amendment of the Law on Public Officials has slowed down the recruitment process of the Agency's staff. KAA plans to recruit 15 new staff in the next two years 2023-2024, mainly in the area of monitoring and accreditation.	
	7. Supported by the Heras Plus project funded by the Austrian ADA, KAA is in the process of revising the bachelor and master level standards. This process is expected to be completed in the third quarter of 2023.	
<b>Reform Measure #3: Enhancing employment, reducing inactivity, formalization, development of vocational skills, improvement and expansion of public employment services and vocational training in accordance with the requirements of the labour market with special emphasis on vulnerable groups.</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Drafting and approval of the Youth Employment Guarantee Scheme Implementation Plan	5
	2. Expansion of Active Labour Market Measures for the long-term unemployed, young people, persons with disabilities;	5
	3. Drafting and approval of a concept document governing the scope of service provision and employment measures;	3
	4. Drafting of the Employment Strategy;	2
	5. Drafting of the Guide on the categorization of jobseekers and the provision of services according to the public employment service categories;	3
	6. Review and development of 4 Curricula, learning packages based on the standards of the profession, publication of textbooks for 4 Qualifications and validation of 4 vocational training profiles;	5
	7. Opening a professional training profile in VTC based on the labour market requirements;	5
	8. Piloting through external outsourcing for at least two vocational training deficit profiles.	2
	9. Advancement of the Occupational Classification Standard for Kosovo and the integration of occupations with skills/competencies and qualifications.	1
	10. Labour Market Barometer Feasibility;	1
	11. Feasibility for the quality of employment services and vocational training	1



	through the development of the monitoring and evaluation system.	
	12. Approval of the Draft Law on Labour;	4
	13. Development of the Employment Register Concept, host institution;	2
	14. Development of the awareness campaign, for the innovations emerging from the Draft Law on Labour in terms of addressing undeclared work.	4
<b>Description of implementation and explanation of whether we have partial implementation or non-implementation</b>	1. The scheme has been drafted and the final vision has been approved by the Government.	
	2. The number of jobseekers included in the Active Labour Market Measures including Vocational Training for this period is 4594 persons, 1798 young people and 25 PWDs.	
	3. A working group was established, and the first version of the concept document was drafted by the contracted expert. Comments of the group members are expected to be finalized and it will be forwarded for approval.	
	4. A working group has been established and is now in the finalization phase of the analysis, which will be followed by setting objectives and activities that will arise as a result of the analysis.	
	5. The Guide on the provision of employment services according to the categorization of jobseekers has been drafted and this document will enter into force after the completion of the EIMS development according to the Guide. The new Guide is expected to begin to be implemented in the Employment Offices in April 2023.	
	6. Regarding the design of Curricula and learning packages, from level III to level IV, curricula and learning packages have been completed in the following profiles: Accounting Clerk, Carpentry, Electrical Installations and Mason referring to profession standards.	
	7. The 12 existing VTC profiles mostly demand in the labour market and that have the most candidates on the waiting lists for inclusion in vocational training have been operationalized. The profiles opened include: <ul style="list-style-type: none"> <li>- Construction in VTC - Prishtina and Prizren;</li> <li>- Kitchen in VTC - Gjilan and Gjakova;</li> <li>- Hairdressing/Make-up in VTC - Gjakova and Mitrovica;</li> <li>- Tailoring in VTC - Gjilan, Gjakova and Prizren;</li> <li>- Carpentry in VTC - Ferizaj;</li> <li>- Welding in VTC - Prizren;</li> <li>- Bakery in VTC - Prizren.</li> </ul>	
	8. This activity was not carried out this year due to delays in drafting the manual for the implementation of the Voucher scheme. After the manual is drafted, this activity is planned to be implemented with the support of the GIZ-Fit for Jobs project in 2023.	
	9. Advancement of the Occupational Classification Standard for Kosovo and the integration of occupations with skills/competencies and qualifications has not started.	
	10. Market Barometer Feasibility has not been carried out. ALLED phase 3 will be developed.	
	11. Feasibility for the quality of employment services and vocational training through the development of the monitoring and evaluation system has not been conducted.	
	12. The working group forwarded the final version for approval at the political level.	
	13. The concept drafting process is initiated, however, its preparation is based on the new Draft Law on Labour and as such the process is pending the approval of the new Law on Labour in order to continue with the draft consolidation and approval.	
	14. The campaign started implementation in Q4 of 2022 and is expected to end in Q2 of 2023.	
<b>Reform Measure #4: Improving health services</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Amending and supplementing the Law on Health Insurance;	1
	2. Drafting of the Administrative Instruction on Outpatient Medicaments Scheme	1
	3. Feasibility study for HIF;	2
	4. Drafting of the Administrative Instruction on the Contracting of Pharmacies	1

	5. Amending and supplementing the Administrative Instruction on Medical Treatment Outside Public Health Institutions;	4
<b>Description of implementation and explanation of whether we have partial implementation or non-implementation</b>	1. The draft law has not been finalized and the same is carried over to the 2023 legislative program	
	2. The AI has not been approved. It is initially intended to approve the Law on Insurance and then the by-laws.	
	3. The Terms of Reference have been prepared and sent for approval to the World Bank since this activity will be funded by the loan. The activity is expected to be finalized by the second half of 2023	
	4. The AI was not approved because it was not in the legislative plan. It is initially intended to approve the Law on Insurance and then the by-laws.	
	5. The IA was finalized at the end of 2022 but it has not been approved and the same is in the 2023 legislative plan and is expected to be approved in the first quarter of 2023	
<b>Reform Measure #5: Development of policies for EE and RES with a view to the green transition</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Adopting the Draft Law on RES (ME);	4
	2. Designing a new RES competitive scheme (ME, ERO);	5
	3. Drafting a concept document on a revision of the Law on EE (ME);	5
	4. Building a training scheme, certification of assessors and increasing the number of certified energy auditors (ME, MESPI);	4
	5. Establishing an energy performance digital platform in buildings (ME, MESPI);	4
	6. Approval of the Draft Law on Energy Performance in Buildings (MESPI);	5
<b>Description of implementation and explanation of whether we have partial implementation or non-implementation</b>	1. The Draft Law on Renewable Energy Sources has been drafted and has passed the preliminary and public consultation process. The document according to planning is expected to be approved by the Government.	
	2. The RES competitive scheme design was completed in Q2.	
	3. The Concept Document on Energy Efficiency was approved on 29.12.2022	
	4. The construction of the energy auditors' scheme is a finalized process and in the course of these activities, ESS/UP has been authorized for their training, while regarding the certification of energy assessors we are in the training phase of trainers with the support of KfW and GIZ.	
	5. The digital platform is in the finalization and testing phase in terms of providing information. This platform is supported by the KEP-GIZ project.	
	6. The Draft Law in Energy Performance in Buildings has been drafted and finalized by the working group and is currently in the phase of receiving opinions from line institutions. After receiving and addressing potential issues, this document will be forwarded to the Government for adoption.	
<b>Reform Measure #6: Energy market reform</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Drafting and Approval of the Energy Strategy and the Program for the Implementation of the Energy Strategy (ME);	5
	2. Approval of a Concept Document on the revision of the laws in the energy sector (ME);	5
	3. Operationalization of the Albanian Power Exchange - ALPEX, (KOSTT)	4
	4. Establishing a platform for the comparison of supply prices (ERO);	3
<b>Description of implementation and</b>	1. The Energy Strategy 2022-2031 was adopted by the Government of the Republic of Kosovo, while the Program for the Implementation of the Energy Strategy will be drafted/approved after the Energy Strategy is adopted by the Assembly of the Republic of Kosovo	

<b>explanation of whether we have partial implementation or non-implementation</b>	2. The Concept Document has been approved.	
	3. In 2022, the main progress related to the operationalization of ALPEX relates to preparing the necessary regulatory basis for ALPEX operation. The following are the results noted: <ul style="list-style-type: none"> <li>- In January 2022, ALPEX became an associate member of EUROPEX;</li> <li>- On 10 February 2022, an agreement was signed between ALPEX and the service provider of the Trading Platform, namely the Greek Consortium;</li> <li>- After the public review, in December 2022, the following documents were approved by ERO and ERE: ALPEX Rules and Procedures.</li> </ul> <p>The operationalization of ALPEX has been postponed for several months due to the delayed process related to public discussions, review and approval of ALPEX Rules and Procedures.</p> <p>The training of the Parties has started regarding the Trading Platform, which also means the incorporation in this process of the Trading Parties in order to be able to trade through this Platform.</p>	
	4. The project for establishing a price comparison Platform/Tool, to help consumers compare energy prices in an open market, was supported technically by USAID/NARUC, with EOR being a beneficiary, and it therefore had no financial cost. In 2022, a Rule was drafted which deals with the Price Comparison Tool in the energy sector, and the same is to be adopted by the ERO Board in 2023. Likewise, the Price Comparison Tool is planned to be launched in 2023 due to some internal procedures related to program security and implementation on the ERO website.	
<b>Reform Measure # 7 Reducing environmental pollution and preserving biodiversity</b>		
	<b>Reform implementation phase (1-5)</b>	
<b>Activities planned for 2022</b>	1. Drafting and adoption of the Long-Term Decarbonisation Strategy (MESPI, ME);	2
	2. Drafting and Adoption of the Strategy for Environmental Protection and Sustainable Development 2022-2031 (MESPI, ME);	3
	3. Researching and analysis of opportunities for establishing the Deposit Refund System (MESPI);	5
	4. Drafting of Law on waters of Kosovo (MESPI);	2
	5. Reviewing and supplementing the National Water Management Strategy 2017-2036 (MESPI);	4
	6. Finalization of the Drini i Bardhë River Basin Management Plan (MESPI);	4
	7. Preparation of the Circular Economy Roadmap (MESPI).	4
<b>Description of implementation and explanation of whether we have partial implementation or non-implementation</b>	1. The MESPI Secretary General issued the Decision under prot. no. 1646/22 on 31.03.2022, establishing a working group for drafting this Strategy. Two meetings of this group were held, which is working on the drafting of this document. However, due to its complexity, the inevitable need for support in its drafting has been identified. After resending a request for support from the TRATOLOW project, we received a positive response from the project. As to costs, there have been none so far.	
	2. By the decision of the MESPI Secretary General, a working group was established for drafting the Strategy for Environmental Protection and Sustainable Development 2022-2031. Thematic WGs have also been established for each sector included in the Strategy, which have worked on drafting the initial drafts. The thematic group on biodiversity carried out, through the TAIEX assistance, an expert mission from 31.05-03.06.2022, during which the first draft was completed. Also, a three-day workshop supported by GIZ was organized from 24-26.08.2022, in which thematic issues covered by this Strategy were discussed, such as: Air, Biodiversity and Hydrometeorology. The first thematic drafts have been prepared, which have been integrated into the SEPSD draft. This draft has been forwarded to working group members for comments. Currently, it is being improved, based on the feedback received. The draft will thereafter be submitted for preliminary and public consultations. The working group was supported by GIZ with the organization of a Workshop costing approximately 4,000.00 Euro and technical assistance was provided through TAIEX by two international experts, each engaged for five working days.	
	3. Supported by GIZ, the research and analysis process of opportunities for the establishing the DRS resulted in a Business Plan, which was developed and consulted with the parties involved in the	

	<p>process (public sector and private sector). Institutional and legal analysis has been carried out. Based on the business plan and the institutional and legal analysis, the status of the organization (PRO) was analyzed, whether it should be private, public-private or public.</p> <p>The status of the organization (PRO) has been determined to be private (non-profit). Glass, plastic bottles and cans will be included in the deposit return system.</p> <p>Based on the recommendations from this document under prot. 158/2022, dated 20.09.2022, an interministerial working group was established to draft the Administrative Instruction Packaging/Wrapping and Packaging Wastes, which also deals with plastic bags and Deposit Refund System. This by-law is in the final drafting stage.</p> <p>The approximate budget provided by GIZ is 242,431.00 Euro</p>
	<p>4. The Draft Law on Amending and Supplementing the Law No. 04/L-147 on Waters of Kosovo was withdrawn from the 2022 Legislative Program by Government Decision no. 03/99, dated 30.09.2022, due to the fact that the regulatory limit for amending and supplementing a law is only allowed up to in 40%. This prevents the comprehensive regulatory achievement of the regional standard of the relevant act. Since this limit is exceeded for this law, it is planned to initially draft a Concept Document, which preceded the drafting of the new Draft Law on Waters.</p> <p>The drafting of this document incurs only administrative costs. Thus, no additional cost is required.</p>
	<p>5. The MESPI Secretary General issued the Decision under prot. no. 1167/22 on 15.03.2022 establishing an Interministerial Working Group. In support of the Interministerial Working Group for drafting the revision of the National Water Management Strategy of Kosovo, the Secretariat of the Interministerial Water Council drafted the initial draft, for which preliminary and public consultations have been completed. On 21.12.2022, the opinion was received from the Strategic Planning Office/OPM. On 27.12.2022, it was forwarded to the Cabinet of the MESPI Minister for further proceedings.</p> <p>During this process, an online workshop was held, supported by TAIEX</p>
	<p>6. Supported by SIDA, the draft of the Drini i Bardhë River Basin Management Plan has been completed. On 28.12.2022, the Government issued a Decision on public scrutiny of this Plan.</p>
	<p>7. The drafting of the Circular Economy Roadmap has been finalized, supported by UNDP experts. It has also been reviewed by the working group members, in order to provide comments. Such comments have been reviewed by UNDP experts. It is expected to be published for public consultation in mid-January. The approximate budget for drafting this document is around 63,000.00 Euro.</p>
<p><b>Reform Measure #8: Extension of ICT infrastructure and services for socio-economic development, advanced public services, as well as digitalization of the education system</b></p>	
	<p><b>Reform implementation phase (1-5)</b></p>
<b>Activities planned for 2022</b>	<p>1. Approval of the Digital Agenda 2030;</p>
	<p>2. Review of the Kosovo IT Strategy;</p>
	<p>3. Drafting of a concept document on the Electronic Communications Code;</p>
	<p>4. Extension of 5G fixed and mobile infrastructure;</p>
	<p>5. Finalization of the Fixed Station for frequency monitoring;</p>
	<p>6. Finalization of the National Research and Education Network (KREN)</p>
	<p>7. Development of trainings for young people and Program - YOU (Youth Online and Upward Program);</p>
	<p>8. Digitalization of businesses through the use of ICT (eID System, creating the right and safer ecosystem for e-business and e-commerce);</p>
	<p>9. Ongoing development of the Digital Excellence Centre - 5G Pilot;</p>

	10. Development of the digital corridor Prishtina - Tirana based on 5G technology;	1
	11. Creation of the ICT monitoring system;	1
	12. Further development of electronic services on the eKosova Platform, application of the electronic payments module (AIS);	3
	13. Expanding the implementation of the Interactive/Interoperability Platform for systems integration (AIS);	3
<b>Description of implementation and explanation of whether we have partial implementation or non-implementation</b>	1. A consultancy-technical expertise was used for the drafting of the Strategy. Three workshops and many other separate meetings were held with stakeholders to analyze the situation, identify objectives and finalize the Kosovo Digital Agenda 2030. The final draft of the Kosovo Digital Agenda 2030 is ready for initiating the consultation procedures and further adoption by GRK.	
	2. The American USAID showed its willingness to assist us in the Review of the Kosovo IT Strategy Action Plan. For this purpose, USAID launched a call for consulting companies to assist in the process of the Review of the Kosovo IT Strategy Action Plan. However, since no consultancy company applied, the process failed and now this activity is rescheduled for 2023.	
	3. The working group established to draft a concept document on the Electronic Communications Code conducted an analysis and prepared the draft of the concept document, the draft has been finalized, the preliminary consultation and the public consultations have been carried out. During Q1 2023, the procedures for approval by GRK will also be carried out.	
	4. Fixed infrastructure successfully completed. All residential areas are covered with fixed broadband infrastructure. The last area (Delloc) to be covered by fixed broadband infrastructure was completed in May 2022. For the 5G ready mobile network infrastructure - activities planned for 2022 have been successfully completed. This activity is an ongoing activity for 2023-2024. During the first half of 2022, the connection of 21 mobile network stacks (5G ready) was completed. In June, the new Call was initiated for the connection of more than 20 other stacks which will be finalized by the spring of 2023.	
	5. The SNMS project has been completed according to the previous plans and the technology acceptance has been made following the operationalization of the SNMS System. The four points for setting up the Remote Fixed Monitoring - RFMS and Radio Direction Finding Station - RDFS, the Transportable Monitoring Station (TMS) and the Mobile Monitoring Station - MMS have been completed. Some additional sensors and training for their application have also been added. On 19.09.2022, the solemn inauguration was also held by the Prime Minister, the Minister, representatives of the World Bank, RAEPC, etc.	
	6. The Kosovo National Research and Education Network (KREN) Project in ITP Prizren has been fully implemented. ME, through the KODE Project, established the Kosovo Research and Education Network (KREN) at ITP Prizren, with which all Higher Education Institutions (HEIs) are connected, and through KREN with the Pan-European GEANT network. The Data Center at KREN is now functional, which offers a large number of Microsoft Azure services and other related services for HEIs.	
	7. Within the May/June CODE Project, four training halls in four Kosovo regions were supplied with the necessary equipment. During Q1-Q2, 10 training modules were contracted in all Kosovo regions, training sessions were conducted and will resume on: Paython, 2 x Advanced Network Administrator, Mobile Development, 2 x Digital Marketing, Full Stack developer, 3D printing technology, 2 x IT Essentials, and Video Editing Beginner to Pro. The first generations that started with the training in March/May have finished it at the end of September - November and about ~400 trainees have been certified. Altogether, these 10 modules include the training of 810 young people with 300 classes for each module. This is an ongoing activity. The goal is to have 2000 young people trained by the end of the KODE Project.	

	8. The ToR drafting activity has been completed. The Office of the European Union (EUO) in Kosovo led the process of preparing the Terms of Reference for the establishment of the eIDAS system. EUO has carried out the process for expressions of interest and is now in the phase of selecting the company to implement the project. The full implementation of the project is planned to be completed by 2024.	
	9. The Terms of Reference for the 5G Pilot project have been prepared. The procurement procedures were initiated at the beginning of July, but due to some procedures related to the availability of funds, they were cancelled by the Procurement Office and now the procedures must be repeated. It will be processed again during Q1 of 2023 following the approval of the new Law on Budget for 2023.	
	10. The development of the Prishtina-Tirana digital corridor based on 5G technology has been postponed for the coming years.	
	11. The Terms of Reference are currently being finalized, but due to a similar process initiated by the Regional Cooperation Council - RCC for this purpose for the 6 regional countries (WB6), it will be followed up whether it will be successfully implemented through this initiative or otherwise it will be re-initiated by us during the following year.	
	12. IRK provides a moderate number of e-government services. The application of the electronic payment module has been implemented. Further development of electronic services on the eKosova Platform is necessary; investment in the modernization of the state IT infrastructure;	
	13. Expanding the Implementation of the Interoperability Platform for the systems integration is ongoing. It must be proceeded with the further advancement of hardware capacities and increased security in the State Data Center - SDC; with the construction of the Disaster Recovery Center; as well as building and advancing professional human capacities.	
<b>Reform Measure #9: Improving the business environment by reducing the administrative burden, reforming inspections</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Updating the Administrative Burden Reduction Program (OPM);	5
	2. Updating the policy development methodologies; the manual for concept documents, the manual for MCD and the manual for explanatory memorandums (OPM);	4
	3. Analysis of the legal basis of about 300 by-laws adopted by the Government (continuation of the analysis of 1762 by-laws adopted by the ministries carried out in 2021) and the corresponding repeal and establishment of the legal basis of the by-laws as a result of both rounds (OPM);	5
	4. Development of modular training on the tools and approaches used to reduce the administrative burden and capacity building to reduce the administrative burden (OPM);	1
	5. Alignment and approval of 50 laws with the Law on General Administrative Procedure (MIA);	5
	6. Analysis of the simplification, merger or annulment of permits and licenses for all line ministers and regulators (OPM)	2
	7. Assessment of digitalization of all permits and licenses (OPM);	4
	8. Amending the horizontal legislation enabling and regulating the inspection reform (OPM);	3
	9. Human capacity building, meaning training inspectors and other relevant officers, preparing them for the full implementation of the new inspection concept (Central Inspection Office);	1
	10. Development of the digital inspection platform (MIET).	1
	11. Reorganization of inspection units, including the interconnection of databases (MIET).	1
	12. Adoption of Law on Trade Organization (MIET).	1



	13. Increasing the number of market inspectors and training (MIET).	1
<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. The Administrative Burden Prevention and Reduction Program has been updated and approved.	
	2. Policy development methodologies have been developed. Inter-institutional consultations will be conducted and forwarded for approval.	
	3. The analysis has been approved by the Government. And 25 legal acts deriving from the analysis have been repealed.	
	4. The module has not been developed, due to a lack of financial resources.	
	5. 50 laws are harmonized with the Law on General Administrative Procedure and are adopted by the Government.	
	6. The analysis for all ministries has been initiated, while for the regulators it has not yet started due to the lack of financial resources.	
	7. The assessment of digitalization has been finalized, the final draft has yet to be submitted officially.	
	8. The drafts of the amended laws have been submitted, the same remains to be put in public consultation and adopted by the Government.	
	9. There are no developments in this direction, due to the delay in harmonizing the legislation and other aspects.	
	10. There is no development in this direction.	
	11. There is no development in this direction.	
	12. The concept document has been approved by the Government, while the amendment and supplementation of the law has been decided in the draft Legislative Program for 2023.	
	13. There is no development in this direction.	
<b>Reform Measure #10: Reduction of the informal economy</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. The implementation of the new risk approach by TAK based on the design and implementation of projects, to target the treatment of sectors with a high level of risk, such as the construction sector, accommodation, informal employment, trade, respectively stock control (TAK);	3
	2. Determination of corrective measures for the implementation of projects through ex-post evaluation of the implementation of such projects; (ATK)	3
	3. Increasing the number of inspections and staff engaged in joint operations between TAK and KC, under the leadership of a joint group established by both institutions in order to deal with businesses characterized by a high level of risk in evading tax and customs liabilities; (ATK & Customs)	3
	4. Reviewing the provision of direct access of FIU-K to the TAK database. The authorities should examine the FIU's indirect access to the TAK database in the course of the financial intelligence analysis to ensure the timely availability of information commensurate with the risks and priorities of the competent authorities.	3
	5. Increasing the level of supervision and the number of on-site inspections, especially in relation to the DNFBP sector, to ensure, among other things, that beneficial ownership information is being collected and maintained.	3
	6. Approval of the Law on the Register of Beneficial Owners (MIET);	3
<b>Description of implementation and explanation of whether we have partial implementation or non-implementation</b>	<p>1. In 2022, the projects launched and for which operational activities have been developed include:</p> <ul style="list-style-type: none"> <li>• Project, Construction (period 01.01.2022 to 30.12.2022)</li> <li>• Project, Informal Employment (period 01.01.2022 to 30.12.2022)</li> <li>• Project, Accommodation and Food Service (Visits and Inspections/period 01.06.2022 to 30.12.2022)</li> <li>• Project, Shortage in Stocks &amp; Goods without origin (period 01.07.2022 to 30.12.2022)</li> </ul> <p>In addition to the above-mentioned projects, the two following projects were designed in 2022 for which activities are expected to start in 2023, notably:</p> <ul style="list-style-type: none"> <li>• “Non-declarant” project</li> <li>• “VAT Credit” project.</li> </ul>	

	<p>2. For each of the implementation projects, the project manager and the team involved in monitoring and evaluation of the project implementation are defined. Reports are submitted to the TAK Department for Development and Coordination of Projects on a regular monthly basis, where the latter then reports to the TAK Senior Management, regarding the results achieved, challenges and recommendations for remedial actions or approaches. The latter comes as a result of the feedback that comes either from the data or even from the regular meetings that are held with the project implementation staff, respectively the field staff.</p>
	<p>3. In 2022, joint activities were undertaken between TAK and KC, based on the risk assessments of both institutions, the teams from both institutions meet continuously to coordinate activities.</p> <p>In 2022, the Action Plan for the joint teams to combat the informal economy for 2023 was drawn up, and the high-risk areas to start with joint activities are defined, namely the following areas:</p> <ul style="list-style-type: none"> <li>• Goods imported from China and Turkey;</li> <li>• Releases of raw material for production,</li> <li>• Importers of Gold and gold ornaments,</li> <li>• Importers of technological equipment from China (such as cameras, etc.),</li> <li>• Importers of Car Parts, and</li> <li>• Importers of Mobile Phones.</li> </ul> <p>No additional costs specifically dedicated to this plan have been foreseen, they fall within the general operational activities.</p>
	<p>4. The Financial Intelligence Unit and the Tax Administration of Kosovo signed a Memorandum of Cooperation, in order to increase the exchange of information related to the detection and prevention of money laundering, combating terrorist financing, tax evasion and other related criminal offenses, as well as in establishing and further facilitating the inter-agency coordination and cooperation. In 2022, a TAK Liaison Officer was also appointed to FIU-K, further enhancing the cooperation between institutions and combating the informal economy. However, the provision of direct access of FIU-K to the TAK database has not yet been achieved.</p>
	<p>5. In 2022, a total of 27 compliance inspections were carried out. Out of the total number of inspections in the DNFBP sector, 20 inspections or 74% of the total inspections were carried out. This activity has BRK administrative costs, and there are no additional costs.</p>
	<p>6. On 06.10.2022, a working group was established which is working on the finalization of the Draft Law on Beneficial Owners. The draft law is expected to be finalized at the beginning of February 2023. During the month of December, a two-day workshop was organized for the working group members by GIZ. A study visit was also organized for the three working group members at the National Business Registration Center in Albania, where the legislation on the Register of Beneficial Owners was discussed, as well as their experiences in the implementation of this law. The costs for the two-day workshop at the GIZ center were approximately 150 Euro, while the costs for the study visit to Albania for the three working group members were approximately 600 Euro.</p>

<b>Reform Measure #11: Improving the environment for research, innovation and entrepreneurship</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Adoption of Law on Innovation and Entrepreneurship (MIET);	4
	2. Operationalization of the National Innovation Council - the digital coalition (MIET);	3
	3. Operationalization of the National Science Council and drafting of the National Science Program (MESTI);	5
	4. Drafting of the AI on Transfer and Forms of Knowledge and Technology Transfer (MIET);	5



	5. Drafting and approval of a concept document for the mapping of research, science and innovation systems (MESTI);	5
	7. Launching grant schemes for direct support of businesses and natural persons for innovative projects (MIET);	3
	8. Voucher support to scientific projects and publications in indexed journals;	5
	9. Investments in innovation centers and laboratories in high schools, faculties and vocational schools MESTI.	3
<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. The Draft Law on Innovation and Entrepreneurship is in the final stage before submitted for public consultation. 6 workshops were held with the Working Group members. The document was reviewed by an expert engaged by GIZ for this draft law.	
	2. Operationalization of the National Innovation and Entrepreneurship Council - the decisions and all accompanying documentation for the re-operationalization of this advisory body have been prepared, however, it has not yet been reviewed in any of the government meetings.	
	3. To develop the Kosovo Information System, MESTI has undertaken actions for the operationalization of the National Science Council. The National Science Council drafted the National Science Program. This document reflects the strategic priorities in research and innovation. MESTI is working on a concept document for the revision of the Law on Scientific Research Activities and the Law on Scientific Innovation and Transfer of Knowledge and Technology aiming at reforming national research and innovation policies.	
	4. MESTI has adopted administrative instruction on the forms of knowledge transfer through which institutions are provided with the legal basis for the establishment of knowledge transfer offices. The purpose of this policy is to support the partnership between Academy and Industry. The reforms are expected to affect economic development, competitiveness and absorption of competitive funds at the national level and in European programs. Also, a priority was given to drafting the Administrative Instruction on the Register of Innovative Scientific Institutions, whereby the following areas are regulated: <ul style="list-style-type: none"> <li>- Requirements to institutions are clarified;</li> <li>- Application procedures;</li> <li>- Application assessment procedures;</li> <li>- License award conditions;</li> <li>- Conditions for obtaining a license;</li> <li>- Obligations of institutions related to the national interest;</li> <li>- Obligations of institutions against international directives and documents.</li> </ul> As to the budget, we have the Heras plus project support in this activity.	
	5. MESTI has taken measures to address the lack of data on research and innovation indicators and is in the development stage of the “Kosovo Research Information System (KRIS)” platform. This platform will serve as a platform repository for scientific research work, and it will provide standardized research information in Kosovo. KRIS will collect and generate statistics, at least in the following aspects: <ul style="list-style-type: none"> <li>- Scientific research institutions in Kosovo;</li> <li>- The number of researchers in Kosovo, according to scientific research institutions (including higher education institutions);</li> <li>- The number of scientific publications according to different scientific categories (scientific articles, academic books, monographs, etc.) and according to different scientific areas, published in different international and local databases;</li> <li>- Scientific journals approved in Kosovo;</li> <li>- The various funds allocated and/or used for scientific research;</li> <li>- Local and international scientific projects with the participation of researchers from Kosovo;</li> </ul> The number of researchers from the diaspora,	

	<p>6. Launching of grant schemes for direct support of businesses and natural persons for innovative projects - has not been implemented by MIET because the budget from the economic category of subsidies and transfers was re-destined by the Government in order to fulfill the obligations deriving from the Memorandum of Understanding between the Kosovo Government and German Government on the Innovation and Training Park in Prizren. The Innovation Department prepared the program for the implementation of grant schemes, which as of 2024 will be implemented by KIESA, while the program will be prepared by the Innovation Department.</p> <p>7. MESTI supported 16 scientific projects and publications in 64 indexed journals as well as participation in international conferences and 43 researches.</p> <p>200,000 Euro for these schemes have been allocated from the science and innovation budget.</p> <p>8. Investments in innovation centers and laboratories in secondary schools, faculties and vocational schools - the budget from the innovation capital investment category for this purpose will go to the Rectorate, according to an MoU signed between UP and MIET on the operationalization of the common center for the use of physical space for start-up businesses for 6 months with the possibility of extension for another 6 months. In addition to physical space, mentoring and consultancy for the development of innovative ideas will be provided to such start-ups. This project will continue in 2023.</p>	
<b>Reform Measure #12: Improving cross-border trade through trade facilitation</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Drafting of the Trade Policy Document (MIET).	1
	2. Amending and supplementing the Customs and Excise Code (CEC) and the AI on implementation of CEC (MFLT- Kosovo Customs).	3
	3. Adoption of the new Law on Internal Trade (MIET).	3
	4. Initiation of the negotiation process for agreements with the EFTA countries (MIET).	5
	5. Adoption of the Regulation on the Establishment of the Trade Facilitation Information Center by the Government (MIET-Kosovo Customs).	1
	6. Feasibility study for NCTS (New Computerized Transit System) project platform (Customs - MF).	1
	7. Finalization of negotiations with CEFTA countries for Additional Protocol 7 on the settlement of trade disputes.	4
	8. Submitting the application to the World Trade Organization for the purpose of membership in this mechanism;	1
	9. Drafting of the secondary legislation and Law on External Trade (MIET);	3
	10. Ratification and implementation of the agreement with the EFTA countries (MIET).	1
<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. Relevant institutions for the GP on drafting the Trade Policy Document/Program have been identified, but the Trade Policy Document/Program has not been drawn up as the Strategy for Industry Development and Business Support is expected to be approved at the beginning of 2023 and after the approval of this Strategy, drafting of the Trade Policy Program will be launched as one of the programs within it.	
	2. Amending and supplementing the Customs and Excise Code (CEC) and the AI on implementation of CEC (MFLT- Kosovo Customs) - <i>It has been completed and now it remains to be adopted by the Assembly.</i>	
	3. The Draft Law on Internal Trade has been completed by the Working Group but it has not yet passed the other procedures	
	4. We have started negotiations for an agreement with the EFTA countries, two meetings of the negotiating groups were held, the first meeting in Geneva and the second meeting in Prishtina, at the end of November	

	<p>5. Activity planned for 2024 - Adoption of the Regulation on the Establishment of the Trade Facilitation Information Center by the Government (MIET-Kosovo Customs).</p> <p>6. The feasibility study for the NCTS (New Computerized Transit System) project platform (Customs-MF) - just as you also emphasized in the meeting we had at MIETT, it has been reported as an activity for several years but there has been no progress because it is already related to political aspects (you may find the narrative clarification in the KC comment). <b>Additional clarification on NCTS:</b> In this activity, we had the dilemma of whether to remove it entirely or not as an activity from ERP or shift it an activity to 2025, hoping that there will be a positive movement in the aspects of further political clarifications in relation to memberships in the Convention, as in order to be a member of the Joint Convention Committee, there must be a consensus of all members, where one of the members of the Convention is Serbia, which has expressed its disagreement. - Therefore, we think that even if it is completely removed as an ERP activity, it would not cause any problems, but I believe that MIET as well as you can give your opinion of whether it should remain or be removed as an activity since it is related to the well-known political problems.</p> <p>7. We have participated in three rounds of negotiations for Additional Protocol 7 on dispute resolution with CEFTA countries.</p> <p>8. The application to the World Trade Organization for the purpose of membership in this mechanism has not been submitted yet;</p> <p>9. The AI on Import Quotas falls in the secondary legislation related to Law on Foreign Trade (MIET), where we have established a WG which is expected to finalize the draft in the first quarter of 2023</p> <p>10. When the Kosovo-EFTA agreement is finalized, the Ratification and implementation of the Agreement with these countries are also expected to take place.</p>	
<b>Reform Measure #13: Further development of quality infrastructure and empowerment of the role of market surveillance authorities</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Drafting of the Action Plan on the transposition of EU Regulation 2019/1020 on Market Surveillance and Compliance of Products and EU Regulation 2019/515 on Mutual Recognition of Goods (DIC-TI);	5
	2. Implementation of the Trade Barriers Elimination Program 2021-2025 ( <i>Treaty on the Functioning of the European Union</i> 34-36 TFEU), for the part of the unaligned area of technical and non-technical legislation (national provisions) (DIC);	5
	3. Establishment of the accreditation scheme for certification bodies (EN ISO/IEC 17065) including the requirements of the technical rules; (DAK/DIC - MIET);	1
	4. Accreditation of three KMA testing/calibration laboratories (Volume and Flow Laboratory, Mass Laboratory and Pressure Laboratory) - (KMA/ MIET);	5
	5. Drafting and adoption of the Law on General Product Safety (transposition of Directive 2001/95/EC), as well as the adoption of 85 aligned EU standards, according to the requirements of the Law on General Product Safety; (KAS-MIET);	5
	6. Drafting of three Administrative Instructions on construction products such as: plastic pipes, concrete pipes, concrete walls (DIC);	1
	7. Drafting of a concept document on market surveillance and product compliance, as well as for mutual recognition of goods traded in the EU; (DIC-IT);	4
	8. Establishment of the length laboratory, and preparation for accreditation of the force calibration laboratories, thermometry (KMA).	4
<b>Description of implementation and explanation of whether we have partial implementation or non-</b>	1. The Action Plan for the transposition of two EU Regulations has been drawn up and the Action Plan has been adopted by Decision No. 19/89, dated 20.07.2022; Transposition and Implementation of: EU Regulation 2019/1020 on Market Surveillance and Compliance of Products and EU Regulation 2019/515. (1,500 BK, 10,000 Lux DEV Project)	
	2. The Annual Report on the implementation of the Trade Barriers Elimination Program 2021-2025 was adopted by Decision No. 20/89, dated 20.07.2022. 10 legal and sub-legal acts against trade barriers have been reviewed. (1,000 BK, 8,300 Lux DEV Project)	

<b>implementation</b>	3. Since no application has been submitted by the certification bodies, consequently no activity has been developed.	
	4. This activity was carried out according to planning. Three KMA laboratories (volume, mass and pressure) have been accredited by the Accrediting Body of Turkey "TURKAK". (20,000 Euro Project FMG 2)	
	5. The Law on General Product Safety was drafted and adopted at the 96 <sup>th</sup> meeting of the Government of the Republic of Kosovo, by Decision No. 09/96, dated 14.09.2022. (BK 3,000 Euro)	
	6. Due to the lack of staff, these Instructions have not been drawn up and therefore have been postponed for 2023, which also appear in the ERP 2023-25. The Administrative Instruction on Concrete Pipes have been completely removed from the legislative plan.	
	7. A Concept Document has been drafted in the area of Surveillance of the Market and Compliance of Products, and the preliminary and public consultation procedures are expected to be carried out. (1,500 BK, 5,500 Lux DEV Project)	
	8. In December 2022, the supply of laboratory equipment for the length laboratory was made - the supply of a length comparator, while work was done on the preparation of laboratory procedures according to the ISO EN 17025 Standard for the accreditation of the strength and thermometry laboratory within KMA. (26,820 Euro BK)	
<b>Reform Measure #14: Further development and modernization of Transport</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	2. Drafting of the Transport Development Strategy 2022-2030 (MESPI);	5
	3. Amending and supplementing the Law on the Establishment of the Road Traffic Safety Agency (MESPI);	1
	4. Amending and supplementing the Law on Railways (MESPI);	1
	5. Digitalization of the Road Accident Database (MESPI);	1
	6. Drafting of the Administrative Instruction on the framework for installation of intelligent transport systems (ITS) and intelligent transport system (ITS) (MESPI);	4
	7. Preliminary design of the technical project for line 7 railway Fushe Kosova - Podujeva (Border with Serbia) (MESPI);	5
	8. Drafting of AI on Drivers Licensing and Devices and Equipment for Motor Vehicles Powered by Gas (MESPI);	1
	9. Driving License Document Concept (MESPI);	5
	10. Drafting of the AI on Road Infrastructure Safety Management (MESPI);	4
	11. Establishment of vehicle control centres on the road (MESPI);	1
	12. Professional capacity building in the area of road safety inspection (MESPI);	1
	13. Application of emission control of exhaust gases from vehicles (MESPI);	3
	14. Operationalization of structures for road traffic safety (MESPI);	4
	15. Identification of high-risk road axes (MESPI);	4
	16. Development of the driving license e-testing application (MESPI);	5
	17. Application for membership of Kosovo in international organizations of road, railway and air transport (MESPI);	2

	18. Normalization of low space, opening of air routes with Albania and Montenegro (MESPI);	
	19. Feasibility study for the Kosovo-Albania railway line (MESPI).	1
<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. The Multimodal Transport Strategy 2023-2030 has been finalized and adopted by the Government at the 118 <sup>th</sup> Government meeting dated 11.01.2023.	
	2. There has been no application in relation to amending and supplementing the Law on the Establishment of the Road Traffic Safety Agency. A study has been drawn up by the EU Integration Support Facility Project regarding the establishment of the Road Safety Agency, but there is no further development.	
	3. It has been partially implemented since this action/measure (amending and supplementing the Law on Railways) depends on the drafting process of the concept document which is in the final drafting stage and is expected to be adopted in the first part of 2023, and it will be proceeded with the process of drafting the Draft Law on Railways according to Annex 1 of TCT.	
	4. The digitalization of the Database of road accident records is expected to be realized through a project proposed in the potential list of Transport LPP, in PIF6 for 2023.	
	5. All procedures have been completed and the administrative instruction is in the Legal Office for further procedures.	
	6. This project has been completed.	
	7. Drafting of the draft Instruction on licensing of train drivers has been interrupted since there is an ARH regulation for the licensing of train drivers.	
	8. The Driving License Document Concept has been finalized.	
	9. The working group has drawn up the final draft which has been forwarded to the Legal Department.	
	10. 550,000.00 Euro have been allocated for the implementation of this project. In 2022, a tender for the supply of equipment was announced. However, in the absence of responsible offers, the tender was cancelled. The funds are carried over to 2023.	
	11. Professional capacities have not been built in the area of road safety inspection, this should happen after the entry into force of the AI on Road Infrastructure Safety Management.	
	12. Law No. 08/L-025 <a href="#">on Protection of Air from Pollution</a> was approved in June 2022. Regulations defining tolerance limits of gases released by vehicles remain to be issued in 2023. Determination of gas limits, as well as the determination of the price list for measuring gases is being done in cooperation with the Japanese experts engaged within the JAICA project, as well as in accordance with the CITA (International Committee for Technical Control of Vehicles) recommendations. A pilot project for gas measurement is planned to start in June 2023. Depending on the outcomes of the pilot project, mandatory measurement is expected to start in 2024.	
	13. Working groups on road safety have been established in eight (8) regional centers of Kosovo in cooperation with the Road Traffic Police of Kosovo.	
	14. The working group submitted, according to Decision No. 5414 dated 22.07.2020, a work report regarding the identification of high-risk road axes, but it has not been implemented due to a lack of funds.	
	15. A three (3) year contract has been signed for the development of the driving license e-testing application. The application is being maintained, developed and advanced.	
	16. MESPI organized meetings with the representatives of the Ministry of Justice regarding the ownership of the preparation of formal procedures for application in some of the international organizations and	

	<p>mechanisms from the transport sector. In coordination with the representatives of the Ministry of Foreign Affairs, we are analyzing the procedures and concrete steps for membership, since in some of the mechanisms-organizations we must be members of the UN in advance, and this makes our application extremely difficult. We are treating this issue with utmost care to have the support of the member countries that are in the relevant mechanisms.</p>
	<p>17. This relatively complex activity (goal) is still in process and is characterized by actions from the political, legal and technical levels.</p> <p>ANSA, in line with its powers and responsibilities, throughout this period, held continuous meetings and activities in this matter with all relevant stakeholders (Minister of MESPI, KFOR, CAA...), giving its contribution by implementing some projects, which aim at achieving this goal.</p> <p>In addition, ANSA made the necessary plans for 2023 to train its personnel in higher airspace management.</p> <p><b>ANSA Technical Capacity Building (Operational Equipment and Staff) for the provision of higher airspace services</b></p> <p>During this period, ANSA completed the following projects:</p> <ul style="list-style-type: none"> <li>- Installation of Radar (PSR/SSR) in Gjakova. It is expected to be certified by the Civil Aviation Authority of Kosovo.</li> <li>- Conventional (SID/STAR) and PBN (Performance Based Navigation) Procedures have been designed and published. The necessary training for these procedures have also been carried out and published in IA.</li> <li>- The ATM (Air Traffic Management) project has been initiated and is currently in the tendering process.</li> <li>- New Radios and Frequencies have been installed</li> </ul> <p><b>Coordination with the Air Navigation Services Agency-ANSA and the Cadastral Agency for drafting the VFR maps</b></p> <p>These maps were designed and completed with the “Runway Extension...” project. For their publication, we are still waiting for some data from KFOR.</p> <p><b>Publication of the air corridor in the Kosovo-Albania lower airspace</b></p> <p>According to information, KFOR has addressed this request to NATO, which is expected to be further handled by ICAO (International Civil Aviation Organization) for changing the status of points from “tactical” to “flight planable”.</p> <p><b>The opening of the air corridor in the Kosovo-Montenegro lower airspace</b></p> <p>During this period, various activities were developed in this matter. We are in full coordination with MESPI, CAA, NATO and KFOR for the next steps. The ANSA Director participated in meetings held with the Montenegrin authorities in Podgorica in October, as part of the Kosovo delegation led by Minister Liburn Aliu.</p> <p><b>The opening of the air corridor in the Kosovo-Serbia lower airspace</b></p> <p>ANSA completed and published the conventional instrumental procedures and PBN for the Kosovo-Serbia air routes, as well as trained personnel on such procedures. For known reasons, these air routes have not yet been opened to civilian traffic.</p>
	<p>18. The status of the Kosovo-Albania railway line construction project is as follows:</p> <ul style="list-style-type: none"> <li>- The joint working group (Kosovo-Albania) established by the decision of the MESMPI Minister of Kosovo and the Minister of Infrastructure and Energy of Albania on 14.04.2022 has completed the Terms of Reference for the drafting of the feasibility study and conceptual design for the new railway line which will connect Prishtina with Durrës.</li> <li>- On 20.06.2022, the financial agreement between the two governments was signed for funding the feasibility study and conceptual design</li> <li>- It is expected that the Ministry of Infrastructure and Energy of Albania will publish the tender.</li> <li>- The evaluation of the bids and the selection of the winning company is expected to be done by a joint group of experts.</li> <li>- The procedure of publishing the tender, selecting the company and signing the contract takes about 8 months under the most ideal conditions (If the tender is published in July 2022, then the contract should be signed in April 2023)</li> <li>- The implementation of the design project is expected to take 14 months (the feasibility study should be completed in June 2024).</li> </ul>

	19.	
<b>Reform Measure #15: Structural changes in the agricultural sector</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Drafting of the legal basis for the Development of the Agricultural Insurance Fund (MAFRD);	2
	2. Increasing the areas with agricultural crops with a focus on products with added value (MAFRD);	5
	3. Drafting of the Concept Document for the Common Market Organization - CMO (MAFRD);	5
	4. Drafting of the national plan for the Inventory of Agricultural Lands of the Republic of Kosovo (MAFRD);	0
	5. Feasibility study of irrigation projects based on the Master Plan for irrigation of agricultural lands (MAFRD);	4
	6. Development of a system for managing grants and subsidies (Software development (MAFRD, AAD);	3
<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. It depends on the approval of the Law on Agriculture and Rural Development, which has passed all stages in the Assembly, the first reading, the discussions with the parliamentary group, is only pending the second reading/approval.	
	2. The call for applications for RDP 2022 was open from 07.07-15.08.2022, where the number of applications reached 1,025 for measures 1, 3 and 7. Out of this number, after the administrative control, 525 applications were rejected, while 484 met the evaluation criteria, of which 291 are potential beneficiaries approved with a value of €15,872,321.62. Administrative control, approval, field control has been completed and 28,010 farmers have benefited in 27 sub-sectors supported by the Direct Payments/Subsidies Program. Also, the application for milk quality, reported slaughters, aquaculture, calves for fattening for the first six months has been completed with 1,414 farmers have applied and 1,373 farmers have benefited. For the implementation of the Direct Payments Program for 2022, the total value executed is €55,509,542.48.	
	3. As a completed activity, the Concept Document for the Common Market Organization was approved at the meeting of the Government of the Republic of Kosovo by Decision No. 17/69 dated 13.04.2022.	
	4. The Agricultural Land Inventory Program has been transferred to the NDP to be finalized in 2023.	
	5. The irrigation system has been rehabilitated for 7,750 ha of irrigated area. Investment value: €4,140,766.44	
	6. MAFRD selected, through regular procedures, a company for the development of the system, but for a while the matter was in the process of appeal before the PRB (there was no quorum). After the case was returned from PRB, following a legal opinion by the LD, MAFRD, the project has been re-evaluated for the second time, but there are no funds available because MFLT has withdrawn the funds.	
<b>Reform Measure #16: Increasing competitiveness in the production industry</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Drafting and approval of the Industrial Development Strategy (Industrial Policy) (MIET/DI);	4
	2. Drafting of the value chain study for the chemical industry sector (MIET/DI);	5
	3. Financial support for at least 100 businesses, with the purpose of increasing production, product quality, export, competitiveness and access to international markets, as well as promoting Kosovo export and tourism (MIET);	5
	4. Restructuring of the KIESA functions (MIET);	3
	5. Increasing the capacities of the incubation space (MIET);	2



	6. Finalization of the construction of the physical infrastructure of four economic zones (Suhareka, Vitia, Vushtri and Lipjan) (MIET);	4
	7. Feasibility study for the impact of Economic Zones (MIET);	5
	8. Drafting of the Law on Economic Zones (MIET/DI)	4
	9. Drafting of the follow-up care program for investments (MIET);	1
	10. Drafting of the National Investment Policy (including foreign direct investments, strategic investments) (MINT);	1
	11. Review and adoption of the Law on Foreign Investments (MIET).	4
<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. Strategy for Industry Development and Business Support (Industrial Policy) - Five meetings were held with the Working Group, as well as four meetings of Thematic Groups with representatives of governmental institutions, businesses, local and international economic chambers, NGOs and donors within the scope related to the industry, to identify challenges, obstacles and to propose intervention measures for the industry development. Analyzes have been made for industrial sub-sectors, priority sectors that contribute to economic development have been identified. The objectives, intervention measures, and the instruments of the Strategy have been determined, as well as a wide group and other relevant stakeholders have been consulted. The Draft Strategy has been finalized and forwarded for preliminary consultation. The Strategy Action Plan has been drawn up and the stakeholders, who will be shareholders in the implementation of the plan, are being consulted. BK: 64,870 Euro, for the expert engagement: GIZ: 10,600.00 for experts and 14,557.23 for workshops and the EU: 28,000,000 for expert. <b>Total: BK: 64,870 Euro; Donors: 53,157.23</b>	
	2. Finalization and publication on the MIET website of the Value Chain Studies for the sectors: <ul style="list-style-type: none"> <li>- The industry of non-metallic mineral products, published on the website: <a href="https://mint.rks.gov.net/desk/inc/media/B5615150-2B0E-4BD3-A9D7-426B51040FE2.pdf">https://mint.rks.gov.net/desk/inc/media/B5615150-2B0E-4BD3-A9D7-426B51040FE2.pdf</a></li> <li>- The metal industry is translated into two languages and will be published on the MIET website;</li> <li>- The chemical industry is translated into two languages and will be published on the MIET website;</li> <li>- The food and beverage processing industry is translated into two languages and will be published on the MIET website;</li> <li>- The ICT ZV study is translated into two languages and will be published on the MIET website;</li> </ul> Four roundtables were also organized with the private sector and other stakeholders to receive their inputs. An overview of obstacles, challenges and recommendations for value chains for the wood, textile, clothing and leather sectors has been drawn up; the plastic, metal, food and beverage sector, as well as the chemical industry. BK: 5,580.00 Euro; GIZ: 101,010.00 Euro and 2,071.10 Euro for workshops organized. <b>Total: BK: 5,580.00 Euro; GIZ: 103,081.10 Euro</b>	
	3. 32 enterprises were supported for the purchase of machinery in order to increase production, and 83 companies were also supported for participation in international fairs in order to promote export and tourism, with 560 products and services being promoted. <b>BK: 1,100,000 Euro.</b>	
	4. The Law on Sustainable Investments has been finalized by us and has been submitted to the Government for adoption, which also provides for the KIESA restructuring. <b>BK:10,000 Euro.</b>	
	5. We are just about to complete the business incubator in Malisheva. <b>BK: 32,000 Euro.</b>	
	6. Construction works have been completed in the economic zones of Suhareka and Vushtri and are continuing in Vitia and Lipjan. <b>BK: 500,000 Euro.</b>	
	7. A study on economic zones has been completed by German GET.	
	8. The Law on Industrial and Technological Parks (Economic Zones) - has been drafted and forwarded to the Government for adoption.	
	9. The Law on Sustainable Investments has been finalized by us and has been submitted to the Government for adoption, which in reference to KIESA restructuring, also provides for the establishment of the relevant investor care units.	



	10.	
	11. The Law on Sustainable Investment incorporates the Law on Foreign Investments, which has already been finalized by us and has been submitted to the Government for adoption.	
<b>Reform Measure #17: Increasing Competitiveness in the Tourism and Hospitality Sector</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Approval of the Strategy for the Tourism Sector and the Action Plan (MIET);	4
	2. Drafting of Administrative Instructions deriving from the new Law on Tourism (AI on Tourism Register and AI on Tourist Guides) (MIET);	5
	3. Development and promotion of the Kosovo tourism brand (MIET);	3
	4. Supporting tourism in rural areas through subsidies and transfers (MIET, MAFRD);	2
<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. The Draft Tourism Strategy is in the stage of public discussion. Budget: 700 Euro (only for the draft finalization stage)	
	2. The AI on Tourism Register has been drafted, which is now under public discussion The AI on Conditions for Exercising the Tourist Guide Activity, Registration and Honorary Tourist Guide, has passed the stage of public discussion and is now expected to be approved. The AI on Operation and Permission to Exercise the Activity of Travel Agencies has passed the stage of public consultation and is expected to be approved. Budget: 16.600 Euro (of which 12.100 Euro were supported by PPSE/Swisscontact)	
	3. The research for the identification and analysis of the tourism brand has been completed with the support of UNDP. The final research report gives the results/findings on Kosovo branding as a tourist destination, and a Brand Communication Strategy has been prepared. Based on these findings (elements), the Terms of Reference for the brand were prepared, as well as the procurement procedures for the development of the brand in the visual aspect were conducted twice, but no company met the the selection criteria. Budget: 20.000 Euro (supported by UNDP)	
	4. The Rural Development Program 2022 has projected 3,500.000 Euro for investment grants for the development of rural tourism/agri-tourism. RDP 2022 was drafted on time, but there were delays in the implementation of the program. 629,762 Euro have been spent on the implementation of this sub-measure by the end of 2022.	
<b>Reform Measure #18: Increasing competitiveness in the sector of trade in services</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Establishing a Single Point of Contact (SPC) through the e-Kosova portal and its operationalization (MIET).	3
	2. Identifying further services sectors that fall under services directive 123/2006/EC to to be integrated for use on the SPC (MIET and relevant institutions).	4
	3. Strengthening communication with businesses, society, professional associations and municipalities for the digitalization of administrative procedures related to the service sector by drafting a communication document and organizing at least one event (MIET and relevant institutions).	5
	4. Diagnosing potential service trade sectors and assessing the competitive advantage of trade in services (MIET).	5
	5. Resuming negotiations on mutual recognition between CEFTA countries for selected occupations (general practitioners, dentists and architects) (MIET).	5
	6. Drafting and approval of the Law on Electronic Trading (MIET and relevant institutions).	1

<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. A Single Point of Contact has been established for the licensing sector of auditors and audit companies within the e-Kosova online platform. Meanwhile, the website/link with information about “SPC” which is planned to be implemented through a Twinning project, after a model has been prepared, failed due to non-fulfillment of the contract criteria by the economic operator.	
	2. The development/description of the service for the licensing of surveyors and accountants has been identified and started in cooperation with the relevant institutions (Cadastral Agency, KCFR, SCAAK, IKAF)	
	3. 3 events were organized with universities (UP, Universum, UBT) with the purpose of awareness raising of the services and the service directive among students (young entrepreneurs). We organized and held a roundtable on the conclusion of the Twinning Project on 14 October 2022, and a video spot was prepared for the Single Point of Contact. Also, supported by the twinning project, a document/strategy of communication and promotion of the SPC to stakeholders has been drawn up.	
	4. They have been finalized and published on the MIET website: ‘Health service analysis’, ‘ICT service analysis’ drawn up in cooperation with the LuxDevelopment project as well as ‘Legal service analysis’ drawn up in cooperation with the GIZ project (GIZ has also organized a discussion table before finalisation). (€18,000.00 Project LuxDev, €14,000.00 GIZ)	
	5. The decision was approved at the Berlin Summit in November 2022 as part of the Common Regional Market Action Plan. (It incurs no cost)	
	6. Meetings were held with the ME to discuss the competence for Electronic Trading and this issue remains to be defined at the political level because the Regulation (GRK) No. 02/2021 on the Areas of Administrative Responsibility of the Office of the Prime Minister and Ministries defines the ME as the responsible institution developing and supporting the ICT sector, in particular, electronic trading... (It includes no cost)	
<b>Reform Measure #19: Reform in pre-university education and increased involvement in early education.</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Drafting of the situation analysis for the adaptation of the existing spaces of schools into kindergartens (MESTI);	5
	2. Construction of 12 new preschool institutions and adaptation of 2 schools into kindergartens (MESTI);	2
	3. Drafting of all by-laws deriving from the Law on Early Childhood (MESTI);	1
	4. Drafting and adoption of the Core Curriculum for Early Childhood Education (MESTI);	3
	5. Adoption of Law on Textbooks and School Materials (MESTI/Assembly);	4
	6. Employment of 20 new inspectors (MESTI);	4
	7. Drafting and approval of the AI on the Selection Procedures for Educational Staff of Pre-university Education (MESTI);	3
	8. Review, harmonization, finalization and approval of the legislation on PDT (MESTI);	3
	9. Training of 3500 teachers according to priority programs (MESTI);	4
<b>Description of implementation and explanation whether we have partial implementation or non-implementation</b>	1. An analysis of the current situation has been drawn up and then, with the engagement of a UNICEF expert, an analysis of the population movement and the impacts on the need for necessary spaces has been drawn up, which is being completed during the preparation of the final report.	
	2. Construction of 12 kindergartens is planned (6 from the EU donations and 6 from the MESTI budget), but due to the increase in the prices of goods in the market, the EU has re-examined the contracts and their prices, which were concluded and managed by the EU staff for 6 kindergartens and postponed the completion dates until mid-2023, the same also applies to MESTI contracts and due to the increase in prices, the work has stopped in the majority of them or has been worked at low pace and minimal planning is carried out to complete at least 3 kindergartens, but it resulted in the completion of construction of only one kindergarten.	

	3. The law has been submitted to the Assembly of the Republic of Kosovo for discussion and approval, so by-laws will be drawn up after the adoption of the law. This activity is carried over to 2023.	
	4. In September, a working group was established to draft the core curriculum for early childhood education. The group held two briefings about the process. In cooperation with UNICEF, an international expert has been engaged, who will help the working group in drafting the curriculum for early childhood education. The first meeting was also held with the engaged expert, who was informed of the working group composition and the MESTI expectations in the implementation of this process.	
	5. The law has been finalized by MESTI and is currently in the Government for adoption.	
	6. We are at the stage of selecting candidate applications, and after that, candidate interviews will be held.	
	7. After the entry into force of the Law on Public Officials, a Working Group was established through the Minister's decision to draft a by-law on the recruitment procedures for educational staff in Educational Institutions.	
	8. In 2022, two administrative instructions have been revised and are under public discussion: The AI on the State Council for Licensing of Teachers and the AI on the Approval Criteria and Procedures of Programs for the Professional Development of Teachers and Educational Workers	
	9. 3000 teachers have been trained in the areas related to Teaching Methodology, Educational Leadership, ICT, 21 <sup>st</sup> Century Soft Skills Development, Programs for Children with Disabilities, Educator Programs on Early Childhood Development etc.	
<b>Reform Measure #20: Improving social services and empowering excluded groups</b>		<b>Reform implementation phase (1-5)</b>
<b>Activities planned for 2022</b>	1. Adoption of the Law on Social and Family Services and the drafting of the secondary legal framework to start with the implementation of the law;	4
	2. Drafting and adoption of the Law on SAS and of the secondary legal framework to start with the implementation of the law;	3
	3. Adoption of the Law on Local Finance and drafting of the Administrative Instruction on the financing formula for social and family services (Special Grant for Social Services);	2
	4. Drafting of primary legislation on assessment, recognition of status, benefits and services for persons with disabilities.	3
	5. Drafting of by-laws for the implementation of legislation on assessment, recognition of status, benefits and services for persons with disabilities.	1
	6. Drafting and adoption of the Administrative Instruction of Exemption of Social Categories from the Health Insurance Payment;	2
	7. Construction of Houses for the Protection of Children as well as the implementation of the child allowance program;	3
	8. Supporting the licensed non-governmental sector (50 NGOs) with grants and subsidies for the provision of social and family services;	5
	9. Signing at least 1 Bilateral or Multilateral Agreement on Social Security;	1
	10. Development of the program and preparation of modules for vocational training and training of social workers (200 social workers).	5
<b>Description of implementation and explanation of whether we</b>	1. The Draft Law on Social and Family Services was drafted and finalized by the Working Group, but it was not managed to be adopted in 2022	
	2. The first draft of the Draft Law on the Social Assistance Scheme has been drawn up, but this draft law has not been finalized by the Working Group.	

<b>have partial implementation or non-implementation</b>	3. The Working Group finalized the Draft Law, but the Draft Law on Local Government Finance has not been approved and there was no opportunity to initiate the drafting of the Administrative Instruction on the Funding Formula and the Special Grant for Social Services.
	4. The Draft Law on the Rights, Status, Services and Benefits for Persons with Disabilities has been drafted and finalized by the Working Group, but this draft law has not been processed further.
	5. No by-laws have been drafted since the Draft Law under point 4 has not been finalized and approved.
	6. A Draft Administrative Instruction has been prepared, but it has not been processed further, due to the initiation of amendments and the drafting of the new Law on Health Insurance
	7. The child allowance program has been implemented, but the construction of Houses for the Protection of Children has not started.
	8. Licensed NGOs have been supported by the MFLT public call, and the amount of support for 2022 from this call was about €1.0 million.
	9. The procedure for reaching a bilateral agreement has been initiated, but no bilateral agreement on social insurance has been signed
	10. The training program and training modules have been drawn up, the Accreditation Program has been processed on behalf of the General Council for Social and Family Services and training has been delivered to over 200 social workers/employees of social services

## ANNEX 2: LINKS BETWEEN REFORM AREAS AND RELEVANT POLICY DOCUMENTS

Reform measures ERP 2023-2025	Key structural challenges (Commission assessment of ERP 2022-2024)	ERP Policy Guidance 2022	Enlargement Package 2021	Sustainable development goals 2020-2030	European Green Deal / Green Agenda for Western Balkans	European Digital Agenda / Digital Agenda of Western Balkans	IPA projects supporting this reform
<i>Reform Measure #1:</i> Energy market reform	Key Challenge #1: Creating conditions for stable energy supply	<b>4c.</b> Adopt an action plan for the gradual adjustment of energy tariffs reflecting actual costs and providing mitigation measures for vulnerable consumers; <b>4d.</b> Implement the plan to liberalize the retail energy market	This reform measure addresses Report for Kosovo 2022 - point - 5.4 Green agenda and sustainable connectivity, Chapter 15 Energy. Regarding the internal energy market, the implementation of the opening of the retail market remains necessary, as well as the gradual adjustment of energy tariffs, reflecting the expected increase in costs and mitigating measures for vulnerable consumers.	SDG - is related to objective 7 Ensure access to affordable, reliable, sustainable and modern energy for all. Indicators 7.1, 7.2, 7.3, 7.a, 7, b.	Is related to pillar I - Climate, energy, mobility. 2.1.2. Supplying clean, affordable and secure energy.		
<i>Reform Measure #2:</i> Promotion of EE and RES with a view to the green transition	Key Challenge #1: Creating conditions for stable energy supply	<b>4a.</b> Adopt a coherent long-term energy and climate strategy for lowering carbon emissions, including plans for a phase-out of coal and fossil fuels subsidies as committed under the Sofia Declaration; <b>4b.</b> In line with the commitments of the Green Agenda for the Western	This reform measure addresses Report on Kosovo 2022 - point - 5.4. Green agenda and sustainable connectivity, Chapter 15 Energy. Respectively, implement efficient energy projects in municipalities and present incentives for efficient energy in	SDG - is related to objective 7 Ensure access to affordable, reliable, sustainable and modern energy for all. Indicators 7.2	Is related to pillar I - Climate, energy, mobility. 2.1.1. Increasing the EU's climate ambition for 2030 and 2050. 2.1.4. Building and renovating in an energy and resource efficient way.	2030 Digital Compass: The European way for the Digital Decade: 3.4 Digitalisation of public services	Measures for Energy Efficiency and RES. IPA - 40 mil

		Balkans: increase energy efficiency incentives for the private sector and households and improve the support schemes for renewable energy projects with the introduction of competitive bidding/auctions;	the residential and private sectors. As well as improve support schemes for renewable energy projects by introducing competitive bidding for support for renewable sources.				
<b>Reform Measure #3:</b> Adapting Vocational Education and Training to the needs of the labour market	Key Challenge #2: Encouraging sustainable employment through improving quality education and interrelation labour market needs	<b>5b.</b> Improve the business environment through measures to simplify, merge, abolish and digitise licenses and permits with an aim to reduce the barriers to formalisation of employment and businesses and continue to address tax evasion in identified high-risk sectors in line with the strategy and the action plan, which should be updated based on sector risk assessments and tax gap analysis	This reform measure addresses Report for Kosovo 2022 - point - 5.3 Competition and inclusive growth Chapter 26 Education and Culture. Respectively, in increasing the provision of quality professional education and training for the professions required in function of the Youth Guarantee.	SDG - is related to objective 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Indicators 4.3, 4.4,		EU's objective for 2030: "A tech savvy continent where all are digitally empowered" DA of WBs: 6.4.5. European Digital Competence Framework for Citizens and the support from the European Tra	
<b>Reform Measure #4:</b> Increasing and ensuring quality in higher education by strengthening the KAA and profiling higher education institutions	Key Challenge #2: Encouraging sustainable employment through improving quality education and interrelation labour market needs	<b>6a.</b> Thoroughly apply existing quality assurance mechanisms at all levels of education through increased school inspections, including training of inspectors, and effectiveness of quality coordinators,	This reform measure addresses Report for Kosovo 2022 - point - 5.3 Competition and inclusive growth Chapter 26 Education and Culture. Respectively, to systematically	SDG - is related to objective 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Indicators 4.3, 4.4, 4.5 and 4b		DA of WBs: 6.4.4. HE Innovate 2030 Digital Compass: The European way for the Digital Decade: 3.1 A digitally skilled population and highly skilled digital professionals	

		as well as monitoring and follow up procedures of higher education institutions and their study programmes by the Accreditation Agency.	implement quality assurance mechanisms at all levels of education, especially in pre-university and professional education; in the field of higher education, the continuation of monitoring after the accreditation of programs;				
<b>Reform Measure #5:</b> Reforming labour market institutions and policies to raise the level of employment, participation in the labour market and effective protection of labour rights	Key Challenge #2: Encouraging sustainable employment through improving quality education and interrelation labour market needs	<b>6c.</b> Finalise, in co-operation with all relevant ministries, their agencies and stakeholders, a Youth Guarantee Implementation Plan, adopt it and initiate its implementation	This reform measure addresses Report for Kosovo 2022 - point 5.3 Competition and inclusive growth Chapter 19, respectively to ensure the implementation of the Youth Guarantee Plan and the preparation for the piloting of the scheme; Adoption of the new Labor Law in accordance with the EU acquis, especially regarding non-discrimination in employment and parental leave. Intensification of inspections in higher risk work sectors and enforcement of occupational health and safety regulations to ensure a reduction in workplace accidents.	SDG - is related to objective 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Indicators 8.2, 8.3, 8.5, 8.6, and 8b.		EU's objective for 2030: "A tech savvy continent where all are digitally empowered"; EU's objective for 2030: "The continent with a high share of digitalised businesses" DA of WBs: 6.4. Digital Skills	

<p><b>Reform Measure #6:</b> Improving the environment for doing business by reducing the administrative burden and reforming inspections</p>	<p>Key challenge #3: Reduction of the informal economy and improving the environment for doing business</p>	<p><b>5b.</b> Improve the business environment through measures to simplify, merge, abolish and digitise licenses and permits with an aim to reduce the barriers to formalisation of employment and businesses and continue to address tax evasion in identified high-risk sectors in line with the strategy and the action plan, which should be updated based on sector risk assessments and tax gap analysis</p>	<p>This measure addresses the recommendations of the Country Report 2022 and the conclusions of the Subcommittee regarding the amendment of the Law on Commercial Companies and one of the main priorities of the sector, the development of the inspection reform.</p>	<p>SDG - is related to objective 8, indicators 8.2, 8.3, 8.10, 8.a. Is related to objective 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.</p>		<p>2030 Digital Compass: The European way for the Digital Decade: 3.4 Digitalisation of public services</p>	<p>Administrative Burden Reduction Programme IPA 2022 4.2 mil EUR</p>
<p><b>Reform measure #7:</b> Reducing the informal economy by improving intelligence-based oversight</p>	<p>Key challenge #3: Reduction of the informal economy and improving the environment for doing business</p>	<p><b>5a.</b> Update the action plan of the 2019–2023 National Strategy for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes, and ensure its implementation <b>5c.</b> With an aim to prevent evasion of property income tax, improve transparency by publishing all sales prices of real estate property.</p>	<p>This measure addresses the recommendations of the Country Report 2022-point 5.3 Competition and Inclusive Growth Chapter 16 respectively to ensure the more systematic implementation of risk-based tax controls and to continue the implementation of the strategy to combat the informal economy, money laundering, terrorist financing and financial crime (2019-2023);</p>			<p>2030 Digital Compass: The European way for the Digital Decade: 3.4 Digitalisation of public services</p>	



<p><b>Reform Measure #8:</b> Restructuring and consolidation of all IT system resources in support and development of public finance management</p>	<p>Key challenge #3: Reduction of the informal economy and improving the environment for doing business</p>		<p>This measure addresses the recommendations of the Country Report 2022-point 5.3 Competition and inclusive growth Chapter 17, respectively the increase of reporting capacities for government financial statistics according to the EU (ESA 2010) and ensuring regular monitoring of standards; Drafting of the new draft law on public finance management and accountability addressing current regulatory weaknesses for an effective public finance management (PFM) system, while ensuring coherence with the reform priorities in the new PFM strategy 2022-2026.</p>			<p>2030 Digital Compass: The European way for the Digital Decade: 3.4 Digitalisation of public services</p>	<p>Digital interoperability of IT services. IPA – 3 million</p>
<p><b>Reform Measure #9:</b> Reducing environmental pollution and preserving biodiversity</p>			<p>This measure addresses the recommendations of the Report for Kosovo 2022 - point 5.4 Environment and climate change. Chapter 27, respectively increase the coverage of waste collection, implement extensive reduction, separation</p>	<p>SDG - is related to objective 13 Take urgent action to combat climate change and its impacts[b]. indicators 13.2, 13.3, 13.a 15.a.</p>	<p>Is related to pillar III – Depollution and pillar V – Biodiversity. 2.1.7. Preserving and restoring ecosystems and biodiversity. 2.1.8. A zero pollution ambition for a toxic</p>	<p>2030 Digital Compass: The European way for the Digital Decade: 3.3 Digital transformation of businesses</p>	<p>IPA 2021 1. Construction of waste water treatment plant facilities in Kosovo B (12 mil EUR) 2. EU Support to Clean Air (Design of Sulphur Dioxide (SO<sub>2</sub>),</p>

			<p>of recycling and reuse of waste, effectively address the issue of illegal dumping and introduce circular economy measures for waste reduction.  → harmonizing and starting the implementation of legal provisions on environmental responsibility, damage and crime; implement the polluter pays principle and raise public awareness of environmental protection;  → implement the climate change strategy and climate change action plan, prepare a roadmap for alignment with the Green Agenda for the Western Balkans and the climate acquis and adopt a National Energy and Climate Plan, in line with the requirements of the Energy Community and finalize the draft long-term decarbonisation strategy.</p>		<p>-free environment.  2.2.1. Pursuing green finance and investment and ensuring a just transition.  2.2.3. Mobilising research and fostering innovation.  2.2.4. Activating education and training.</p>		<p>reduction) (2 mil EUR)  3. Support to the Kosovo Landfill Management Company (2 mil EUR)  IPA 2022  1. Advancing Circular Economy and Integrated Waste Management in Kosovo (ACCENT) (total cost 11.4 mil EUR, IPA grant 9.9 mil EUR)  Pristina’s Sewage and Rainwater Network (total cost 43.4 mil EUR, IPA grant 20 mil EUR).</p>
<p><b>Reform Measure #10:</b>  Extension of ICT infrastructure and services for socio-economic development, advanced</p>			<p>Related to the Report on Kosovo 2022 - point -5.3  Competition and Inclusive Growth,</p>			<p>All EU’s Objectives:  EU’s objective for 2030: “Top-notch</p>	<p>EU Support for the Competitiveness of the Kosovo’s ICT Sector  IPA 2019 – 4 mil</p>

<p>public services, as well as digitalization of the education and health system</p>			<p>Chapter 10, respectively to complete the alignment of Kosovo's legislation with the European Electronic Communications Code, the EU Directive on Network and Information Security and the EU Toolbox - on 5G cyber security, and revise the Law on the Independent Media Commission in accordance with the Audio-visual Media Service Directive;</p>			<p>trustworthy and secure Digital Infrastructures”; EU’s objective for 2030: “A tech savvy continent where all are digitally empowered”; EU’s objective for 2030: “The continent with a high share of digitalised businesses”; EU’s objective for 2030: “Modernised public services 5.2.</p>	
<p><b>Reform Measure #11:</b> Improving the environment for research, innovation and entrepreneurship</p>			<p>It is related to the Report on Kosovo 2022 - point -5.3 Competition and Inclusive Growth, Chapter 25, respectively to develop a strategic approach to the development, prioritization and promotion of scientific research and innovation and to ensure higher government spending on scientific research; seek to stimulate investment from the private sector by complementing a Smart Specialization Strategy;</p>	<p>SDG - is related to objective 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Indicators 8.2, 8.3; objective 9, indicators 9.5 and 9.b.</p>		<p>“The continent with a high share of digitalised businesses” 2030 Digital Compass: the European way for the Digital Decade: Digital transformation of businesses DA of WBs: 6.5. Innovation &amp; start -up ecosystems – Start -up Europe 7.3. Digitalisation of Industries and Digital Innovation Hubs 8.2. Research in information and communication</p>	

			→ continuation of efforts to increase participation in the Horizon Europe program;			technologies (ICTs)	
<b>Reform Measure #12:</b> Improving the business environment through trade facilitation and quality infrastructure development			<p>This measure addresses recommendations for reducing Kosovo's long-term trade deficit by expanding trade in services, ratifying and implementing Additional Protocol 5, 6 and 7 of CEFTA and implementing commitments under the Action Plan for the Regional Common Market 2021-2024.</p> <p>This measure of reform reflects the recommendations for the further harmonization of national legislation with the EU acquis in the field of quality infrastructure and the increase of implementation capacities in particular of conformity assessment and market surveillance bodies.</p>	<p>SDGs - related to goal 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Indicators 8.a; Goal 17 strengthens the means of implementation and revitalizes the Global Partnership for Sustainable Development</p> <p>SDG - linked to goal 9 on building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation. Indicators 9.1, 9a.</p>	<p>Point 2 of the European Green Deal: Transforming the EU economy for a sustainable future; sub-point 2.1.3. Mobilizing Industry for a Clean and Circular Economy (Digital technologies are a critical enabler for achieving the sustainability goals of the Green Deal across many different sectors Point 2 of the European Green Deal: Transforming the EU economy for a sustainable future; sub-point 2.1.3. Mobilizing industry for a clean and circular economy (Energy-intensive industries, such as steel, chemicals and cement, are essential to Europe's economy as they supply several key value chains).</p>	<p>DA of WB: 6.1. e-governance 7.1. trust</p>	<p>Improving the environment for doing business. IPA – 190,000</p>
<b>Reform Measure #13:</b> Further development and modernization of Transport			invest in road maintenance and inspections, organise prevention campaigns and	<p>SDG - is related to objective 11 Make cities and human settlements</p>		<p>EU's objective for 2030: "Top-notch trustworthy and secure Digital</p>	

			<p>establish a systematic monitoring mechanism for the collection of crash data;</p> <p>→ transpose the EU rail market acquis and adopt the new rail safety and interoperability law;</p> <p>→ adopt the strategy on multimodal transport, which should include inter alia the civil aviation strategy; continue efforts to align Kosovo's aviation regulation with the European Common Aviation Area Agreement;</p> <p>→ adopt the intelligent transport system (ITS) strategy and its action plan, ensure sufficient capacity and resources for its implementation and continue efforts to harmonise with the EU passenger rights acquis across all modes of transport.</p>	<p>inclusive, safe, resilient and sustainable. Indicators 11.2.</p>		Infrastructures	
<p><b>Reform Measure #14:</b> Structural changes in the agricultural sector</p>			<p>It is related to the Report on Kosovo 2022 - point 5.5. Agriculture, Chapter 11 Agriculture and rural development, respectively carry out a qualitative assessment of the effectiveness of</p>	<p>SDG - is related to objective 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture. Indicators 2.3, 2.4,</p>	<p>Is related to pillar IV - Sustainable agriculture and food production. 2.1.6. From 'Farm to Fork': designing a fair, healthy and</p>	<p>2030 Digital Compass: The European way for the Digital Decade: 3.4 Digitalisation of public services</p>	<p>Expansion of irrigation systems – IPA 1 million</p>

			<p>direct payments and rural development programs provided for in the financial framework 2014-2020, approve the Law on Agricultural Land and the program for agricultural and rural development 2022-2027;</p> <p>take urgent and effective measures to stop the loss of agricultural land and the implementation of spatial planning legislation and take effective actions towards the development of organic agriculture and quality policy sectors.</p>	2.5, 2.a, 2.b, 2.c.	environmentally friendly		
<p><b>Reform Measure #15:</b> Increasing competitiveness in the production industry</p>			<p>adopt and start implementing a strategy for industrial development and business and the sustainable economic growth pillar of the National Development Strategy 2021-2030;</p> <p>→ improve the capacities of the Ministry of Industry, Entrepreneurship and Trade (MIET) and the Kosovo Investment and Enterprise Support Agency (KIESA).</p>	<p>SDG - is related to objective 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. 5 Achieve gender equality and empower all women and girls.</p>		<p>EU's objective for 2030: "Top-notch trustworthy and secure Digital Infrastructures"</p>	

<p><b>Reform Measure #16:</b> Increasing competitiveness in the sector of trade in services</p>			<p>remove remaining unjustified trade restrictions; implement commitments under the Common Regional Market Action Plan 2021-2024; ratify and implement CEFTA Additional Protocol 5 on trade facilitation and Additional Protocol 6 on trade in services as soon as possible; and finalise the negotiations on, and adopt, the Additional Protocol 7 on dispute settlement; → adopt the new Law on Internal Trade and the Law on External Trade; approve the Regulation on the establishment of the Trade Facilitation Enquiry Point. → start the process to establish a development and humanitarian aid policy.</p>	<p>SDG - is related to objective 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Indicators 8.a. SDG, Goal 17, strengthen the means of implementation and revitalize the global partnership for sustainable development.</p>	<p>Also, a document on Common Regional Market, which derived from Sofia Summit, points out on adoption of a services trade liberalization package to, inter alia, and enable the supply of services without obligatory establishment and authorization, in line with Chapter 3 of the EU acquis, enable mobility for students, researchers, and professors and establish a regional ecommerce market by adopting core harmonized rules and internal market principles, facilitating customs clearance of parcels, and removing geoblocking.</p>		
<p><b>Reform Measure #17:</b> Increasing Competitiveness in the Tourism and Hospitality Sector</p>			<p>This measure reflects the recommendations related to the obligations arising from the tourism law as well as the general development of the tourism sector.</p>	<p>SDG - is related to objective 8 Promote sustained, inclusive and sustainable economic growth, full and productive</p>			<p>Mapping nature trails – IPA 748,500</p>

				employment and decent work for all. Indicators 8.9			
<b>Reform Measure #18:</b> Reform in pre-university education	Key Challenge #2: Encouraging sustainable employment through improving quality education and interrelation labour market needs	<b>6a.</b> Thoroughly apply existing quality assurance mechanisms at all levels of education through increased school inspections, including training of inspectors, and effectiveness of quality coordinators, as well as monitoring and follow up procedures of higher education institutions and their study programmes by the Accreditation Agency	systematically apply quality assurance mechanisms at all education levels, particularly in the pre-university and professional education; in the area of higher education, continue post-accreditation monitoring of programmes; → finalise the implementation of the new curricular framework for basic education with quality textbooks and by providing sustainable training to teachers;	SDG - is related to objective 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Indicators 4.1, 4.2, 4.3, 4.5,4.7, 4.a, 4.b, 4.c.			Construction of new preschool institutions - IPA 5 million
<b>Reform Measure #19:</b> Improving social services and empowering excluded groups			pursue thorough reforms in the area of the social assistance schemes to ensure better targeting and impact on poverty and improve delivery of social services in municipalities.	SDG - is related to objective 1 End poverty in all its forms everywhere, indicators 1.3, 1.4. 5 Achieve gender equality and empower all women and girls, 5.4 10 Reduce inequality within and among countries, 10.4.		EU's objective for 2030: "Modernised public services responding to society's needs"	Digitization of services – IPA, 2 million
<b>Reform Measure #20:</b> Ensuring sustainable financing in the health system			It concerns the Report for Kosovo 2022 - point 5.2 Internal market Chapter 28 Consumer and health	SDG – is related to objective 3 Ensure healthy lives and promote well-being for all at all ages.		EU's objective for 2030: "Modernised public services responding to society's needs" 2030 Digital	



			<p>protection  respectively increase  human and financial  resources necessary  to implement health  sector reforms and to  strengthen the health  care system  including further  roll-out of the  electronic public  health information  system, notably for  Roma and Ashkali  communities;</p>	<p>Indicators 3.8, 3.c  and 3.b</p>		<p>Compass: The  European way for  the Digital Decade:  3.4 Digitalisation of  public services  DA of WBs:  6.3. eHealth</p>	
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### ANNEX 3: EXTERNAL CONTRIBUTION TO THE ERP 2023-2025

Remark area section	Comment received on:	Contributing stakeholder	Status of comment	Comment
<b>General</b>				
	<p>The sentences that occurs quiet often in activities throughout ERP like such as:</p> <ul style="list-style-type: none"> <li>- apply affirmative measures in the digitalization of women owned businesses</li> <li>- apply affirmative measures for women owned businesses</li> <li>- taking into account affirmative measures in supporting women farmers</li> <li>- through the application of affirmative measures when evaluating the applications for grants and subsidies</li> </ul>	<p>Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org</p>	Rejected	This are done through application calls
<b>Key Challenge #1: Creating conditions for stable energy supply</b>				
<p><b>Reform Measure #1:</b> Energy market reform</p> <p><b>Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:</b></p>	<p>Please clarify what is meant by a gender component, as it repeated several times throughout the document in terms of impact on gender equality. Is it signified that new policies as well as legislative initiatives will undergo Gender Impact Assessment, as required from the Better Regulation Strategy (and its updated Action Plan)?</p>	<p>Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org</p>	Rejected	Ensuring that women and men can and do participate without unfair barriers, have equal rights, life prospects and opportunities, and the power to shape their own lives and contribute to society
<b>Key Challenge #2: Encouraging sustainable employment through improving quality education and interrelation labour market needs</b>				
<p><b>Key Challenge #2</b> <b>State of play</b></p>	<p>Schools are still faced with challenges such as the lack of necessary cooperation with businesses, insufficient adaptation to the labour market, lack of sufficient infrastructure and equipment, including practical learning and workplace learning, which have already begun to be implemented in some of the schools, lack of professional capacity for teaching and quality management at all levels of the education sector <b>including towards transforming existing gender roles and stereotypes reflected through textbooks and sometimes enforced among teachers.</b></p>	<p>Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org</p>	Rejected	We are talking about schools and what challenges they face in general
	<p>Kosovo's labour market is characterized by high unemployment levels, low employment levels and a high inactivity level <b>especially from a gender</b></p>	<p>Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850</p>	Rejected	The gender perspective in the labour market is mentioned just below this sentence

	<b>perspective, a high level of informality, discrimination in the labour market.</b>	Mobile +383 44 240 708 Web: www.womensnetwork.org		
	Please provide gender disaggregated statistics on the % of young women and men, in this group, for a clearer picture of young women and men’s level of unemployment.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
	<b>Low level of women’s employment</b> Women continue to be underrepresented in the labour market, with a 20.6% level of participation compared to 54.9% level of men participation, as per the 2022 labour force survey. The main problems hindering women’s employment continue to be: Unequal burden of care responsibilities, reflected also on the old labour law, through the regulation of maternity and paternity leave;	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
	<b>Public Employment Services:</b> Taking into account the <b>diverse</b> difficulties <b>that women and men</b> citizens face in the labour market	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	When we talk about citizens of Kosovo, that means women and men
	<b>Structural problems:</b> Mismatch of supply and demand in the labour market; the gender gap <b>in the employment levels;</b>	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
<b>Reform Measure #3:</b> Adapting Vocational Education and Training to the needs of the labour market <b>Description of the measure:</b>	as well as in the National Program for Gender Equality 2020-2024, Strategic Objective 1.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
<b>Activities planned for 2023:</b> Activity one	Women comprise a lower number of students enrolled at Vocational Training Centres for adults (VTC) and as attendees of Adult Education courses were women. A suggested reason for this is the social perceptions that VTC cater to “male” professions. Another limiting factor is the absence of public transport to VTC, which particularly affects women owing to	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	The study will consider these issues.

	safety concerns. It is important to support the development of VET programs that address their needs, for an increase of participation of women, especially since this is considered and analyzed as a structural problem above.			
<b>Activities planned for 2023: proposed a new activity</b>	Support development, institutionalization and promotion of more diverse VET programs that address market needs and are tailored to women's particular needs; (MESTI)	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	MESTI did not foresee this activity for this year
<b>Activities planned for 2024: Activity 1</b>	These should be drafted taking into account the diverse needs of women and men, towards the VET system.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	While drafting the guidelines, KWN should address this to MESTI
<b>Indicators</b>	Diverse VET programs that address market needs and are tailored to women's particular needs;	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	If MESTI did not foresee the activity above that means this indicator is not necessary
<b>Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:</b>	The development of more diverse VET programs that address market needs and are tailored to women's particular needs will help increase the percentage of women participating in VET programs and as such, increase their skills to adapt and contribute proportionally to the labour market needs. Tailored VET programs coupled with training of EO staff in strategies for reaching, supporting and engaging women can contribute to women's increased employment rates.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	The recommendation above were rejected and for this this is not necessary.
<b>Reform Measure #3: Adapting Vocational Education and Training to the needs of the labour market</b>	What we would like to contribute to is "Reform Measure #3: Adaptation of Vocational Education and Training to the needs of the labor market" and is concretely reflected in a "Draft Law" (see attached), which for some time (years) we intend to postpone it. We believe that this draft law and the approach it offers would create a basis for the creation of a mechanism that would operationalize the field of providing professional, non-professional and on-job	LIRAKA Consulting Company sh.p.k. lirakacc@gmail.com	Rejected	For the establishment of an agency, a political decision is needed, so for this year, the creation of such an agency has not been foreseen. There is an agency that performs these tasks (Employment Agency of the Republic of Kosovo) and Centres for vocational training in the 7 regions of Kosovo.

	training, for the workforce currently and potentially for the market of work.			
<b>Reform Measure #4:</b> Increasing and ensuring quality in higher education by strengthening the KAA and profiling higher education institutions <i>Description of the measure:</i>	Is this draft law mentioned here the one on Higher Education? Please specify as attention must be paid to the Draft Law on Higher Education, so to harmonise it with the Law on Gender Equality and base it on gender impact assessment. The draft Law is not mentioned anywhere, despite the previous ERP's commitment for its approval from the assembly.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	We are talking about the law on Kosovo Accreditation Agency and not the law on Higher Education
<b>Activities planned for 2023:</b> Activity 6  <b>Activities planned for 2024:</b> Activity 3  <b>Activities planned for 2023:</b> Activity 2	Capacity building of KAA through the recruitment of new officers, <b>taking into account the application of affirmative measures deriving from the Law on Gender Equality during recruitment</b>	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	The procedures of recruiting officers will take into account the Law on Gender Equality
<b>Indicator 1.</b> Capacity building of KAA (recruitment of officers for currently vacant positions)	This is the activity/input but it does not necessarily measure improved quality. This should be revised to better measure the objective. Improved quality arguably would reflect also on a more gender-transformative approach. A proposed indicator would maybe be the following, to better relate it to the objective: # Number of KAA new officers, provided with capacity building in relation to quality assurance; or, in order to track improvement, to include another activity on monitoring of capacities built;	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	This indicator will measure the quality improvement. The procedures of recruiting officers will recruit the qualified personnel in order to improve the quality
<b>Reform Measure #5:</b> Reforming labour market institutions and policies to raise the level of employment, participation in the labour market and	Overall, this year's ERP aims to draft and approve several strategies and laws in relation to the labour market. Taking into account the diverse needs of women and men towards access in the labour market, as per the Law on Gender Equality and the Better Regulation Strategy, all of these policies will undergo Gender Impact Assessments.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	These are listed as activities so there is no need to mention in the description of the measure

effective protection of labour rights. <i>Description of the measure:</i>				
<i>Activities planned for 2023:</i> Activity 2	Please specify what is meant here. Drafting of a concept document, strategy, action plan?	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
<i>Activities planned for 2023:</i> Activities 7,8,9	Please elaborate more in the description of this measure, how are these documents all different from one-another? If there will be an Employment and Labour Market Strategy, what's the need for a concept document "regulating the field of employment". What specifics will be regulated with this document? Furthermore, how does the Employment Policy differ from the above?	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	The first one is a Strategy, second one is Concept Document is an analysis which probably will led to drafting a law whereas the third one is most likely a program.
<i>Activities planned for 2023:</i> Activity 14	Considering that the ERP is in line with ERA II Action Plan, we suggest to specify this here, just like its specified in the Action Plan of ERA II, Action 3.3.a.4, especially because this will contribute greatly to the improvement of the position of women (the target, vulnerable group of this measure) in the labour market, through the improvement of maternity, paternity, and parental leave model.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
<i>Activities planned for 2024:</i> Activities 8	Labor Law? Isn't it planned to be approved in 2023 as per above? 14. Amending and supplementing the Law on Labour"	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
<i>Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:</i>	With the new Labour Law that aims to improve the maternity, paternity and parental leave, this measure will also contribute to a better treatment of women in the labour market, as their care responsibilities have been hindering their employment and the unequal share of these responsibilities have left them discriminated from employers.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
<b>Key challenge #3: Reduction of the informal economy and improving the environment for doing business.</b>				
<i>Reform Measure #6:</i> Improving the	Conduct a gender impact assessment of taxes to identify opportunities for tax reforms and potential	Kosova Women's Network/Rrjeti i Grave të Kosovës	Rejected	It is not foreseen by the ministry

environment for doing business by reducing the administrative burden and reforming inspections <b>Activities planned for 2023:</b> New activity	new revenues that would contribute to furthering gender equality.	Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org		
<b>Reform measure 7:</b> Reducing the informal economy by improving intelligence-based oversight <b>Activities planned for 2023:</b> New activity	Gender Analysis to better understand the level of inclusion of women and men in the informal economy, which will further inform all interventions to reduce informality, based on the diverse consequences for women and men involved;	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	It is not foreseen by the ministry
<b>Reform area 1: Public Financial Management</b>				
<b>State of play:</b>	Not enough importance has been given to this sector. We recommend to review it again and also add other measures. Transparency and Accountability are some of the main objectives of the Kosovo Government and improving those is not reflected in this document. We recommend to integrate gender-responsive budgeting and gender analyses of the budgets as means to improve the overall PFM system in Kosovo. Currently, Kosovo does not fulfill the criteria set on the internationally recognized PEFA framework nor the UN SDGs, and EU directives among other best practices. Further, the PFM legislation does not correspond with the Kosovo Law on Gender Equality. Thus, it is very important to establish a mechanism as part of the public finance system for tracking budget expenditures towards gender equality to be used to inform budget planning and reporting. Please considering adding another measure.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	This part is an analyses of the hole PFM sector, whereas the proposed measure is just one part of the reform toward improving the PFM sector which aims at the integration and interaction of the systems and services of agencies and departments within MFLT to ensure reliable and fast services to all parties (institutions, businesses and citizens). The measure also aims to align the budget with policy priorities, improve tax compliance and deliver services more effectively.
<b>Reform area 2: Green transition</b>				
<b>Reform area 3: Digital transformation</b>				

<i>State of play</i>	A gender analysis is also crucial, to inform further interventions related to the digital transformation, which may impact women and men in different ways. Kosovo is currently in the process of drafting, amending or updating numerous public policies related to digitalisation. A few of the existing policies are clearly outdated, in terms of developments unforeseen in the digital field. They do not reflect a gender perspective either. The need for digital transformation is becoming consistently more present. This was shown even more so during COVID-19. Bearing in mind that digital transformation is not about technology alone, but it takes place through the intersection of people, business, and technology, it is evident that the impact that digital transformation is having on women and men differs.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	This is an activity which is not foreseen in this year's ERP, since there is an upcoming analysis done by KWN on gender and digitalization there would be good news to share it with Ministry of Economy since they are drafting the new Strategy on IT this year.
<b>Reform Measure #10:</b> Extension of ICT infrastructure and services for socio-economic development, advanced public services, as well as digitalization of the education and health system <i>Description of the measure:</i>	ME and KODE project also strive to include a gender perspective in their implementation. Please consider taking from them gender disaggregated data on women and men number of participants in these trainings, to get a broader picture on how the implementation of KODE Project is contributing towards the decrease of the gender digital divide, and to inform interventions as well as activities planned throughout this measure.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
<b>Indicator 3</b>	Number of trainees in the field of ICT on the digital economy, gender disaggregated	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	We can not foresee the % of women and men that will go through these trainings since it is not done yet. This will be done through application calls
<b>Reform area 4: Business environment and reduction of the informal economy</b>				
<b>Reform area 5: Research, development and innovation</b>				
<b>Reform Measure #11:</b> Improving the environment for	Number of Supported scientific projects	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850	Accepted	



research, innovation and entrepreneurship <b>Indicator 2</b>		Mobile +383 44 240 708 Web: www.womensnetwork.org		
<b>Reform area 6: Economic integration reforms</b>				
<b>Reform area 7: Energy market reforms</b>				
<b>Reform area 8: Transport market reforms</b>				
<b>Reform area 9: Agriculture, industry and services</b>				
<b>Reform Measure #15:</b> Increasing competitiveness in the production industry;	The comment is about giving our contribution to "Reform Measure #15: Increasing competitiveness in the manufacturing industry", where we with the same contribution through a draft law would like to contribute in this direction. This draft law (see attached) presents the legal basis that regulates the creation of "Tax Free Zones", where the creation of these zones would increase the competitiveness of local and foreign companies that would potentially be located in these zones.	LIRAKA Consulting Company sh.p.k. lirakacc@gmail.com	Rejected	This year the Government of Kosovo has a plan to draft and approve the Law on Industrial and Technological Parks.
<b>State of play:</b> Structural obstacles in the agricultural sector	While different sub-sectors may affect women and men farmers differently, as they tend to be distributed across different sub-sectors of agricultural production, women remain in a particularly vulnerable position in the agricultural sector, comprising only 5% of licensed farmers, working informally in the sector, and consisting of an underrepresentation among agricultural subsidy beneficiaries to date (2%). Violations of grant and subsidy contracts remain prevalent, with men applying for subsidies on behalf of women.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Accepted	
<b>Reform Measure #14:</b> Structural changes in the agricultural sector <b>Activities planned for 2023:</b> Activity 5	Development of a system for managing grants and subsidies, <b>including a monitoring system</b> (MAFRD, ADA);	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	When the system for managing grants and subsidies is developed it includes the monitoring system
<b>Indicator</b> New Indicator	Percentage of women farmers increased	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708	Rejected	For this year it is not foreseen in the ERP, when the system for managing grants and

		Web: www.womensnetwork.org		subsidies is developed we will foresee this indicator
<b>Reform area 10: Education and skills</b>				
<i>State of Play:</i> Structural obstacles	In the area of education and skills, barriers are related to the low inclusion of children in preschool education, <b>lack of preschool education centers</b> especially in rural areas, and inclusion of students of marginalized groups and matching skills with market demands. <b>The lack of preschool centers has been proven to directly hinder women’s employment, due to the unequal burden of care responsibilities for children.</b>	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Partially	
<i>Reform Measure #18:</i> Reform in pre-university education <i>Activities planned for 2023:</i> Activities 4,5,6	- Design and institutionalize teacher training on undoing socialized gender norms, roles and stereotypes, as well as gendered power relations through teaching; - Hiring # school psychologists, and enhance their professional capacities in addressing gender-based violence and preventing drop-outs; - Develop, institutionalize and promote more diverse VET programs that address market needs and are tailored to women’s particular needs;	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	Ministry did not foresee these activities for this year
<b>Reform area 11: Employment and labour market</b>				
<b>Reform area 12: Social protection and inclusion</b>				
<i>State of play</i> <i>Structural obstacle</i>	A review of pre-existing trends in social assistance beneficiaries would likely suggest that men would be inclined to benefit from these measures more than women. Generally social assistance is provided through families, rather than individuals. Studies show that in Kosovo men tend to “represent” the family in social assistance schemes. Yet, although men tend to collect this social assistance on behalf of their families, more women depend on this funding. Insufficient information exists regarding how social assistance is distributed within households and whether it benefits all family members equally. There is a lack of information as to whether women and girls have equal access to these state funds. Given existing gender roles and power relations within Kosovo	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	When we say that pre-existing trends in social assistance beneficiaries would likely suggest that men would be inclined to benefit from these measures more than women we need to have a source to back this claim, which I this case we did not have. Secondly, we are talking about the state of play of the social protection and inclusion as well as what are the general structural obstacles to improve. As said Financing of new social protection

	<p>families, including tendencies for men to take decisions regarding family resources, it cannot be assumed that women and men necessarily benefit equally from state social assistance.</p> <p>Women's high inactivity and unemployment rates, due largely to unpaid care responsibilities, mean that they tend to have lower pension amounts later in life. In Kosovo, since fewer women have paid into the pension system through official employment, more women tend to receive the basic pension, whereas more men receive higher, "contributory" pensions. Considering that women also tend to have less access to resources, such as deriving from property and inheritance, lower pensions also can contribute to the feminization of poverty among older women later in life.</p>			<p>programs, the maintenance and improvement of the social protection system, the creation of the social insurance system, the synchronization of social support policies, the improvement of the legal framework, human and institutional capacity building in the provision of social services according to the needs of citizens remain a challenge</p>
<p><b>Reform Measure #19:</b> Improving social services and empowering excluded groups</p>	<p>Moreover, the personal assistance for people with disabilities scheme should undergo reforms. Personal assistance is not defined explicitly in Kosovo's legal framework. Therefore, the legal framework currently does not require personal assistants to have any specific qualifications to perform this work; anyone can become a personal assistant. It is important that persons with disabilities have the right to select their own assistants so that they feel comfortable with those persons. Rather, the Law on Social and Family Services defines "Direct Social Care" as "the provision of help with domestic duties, personal care, mobility, communication or supervision. Several persons who may need personal assistants, like those with mental disabilities, other physical disabilities, or the deaf are not mentioned explicitly in the legal framework as eligible. While ostensibly they may apply with the claim that they have a disability of at least 80%, the legal framework does not clearly provide for them to receive a disability pension or personal assistant. Thus, it is important that when adopting the below mentioned laws to incorporate consistent, internationally recognized definitions of disability. Ensure that these use an intersectional</p>	<p>Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org</p>	<p>Rejected</p>	<p>These are suggestions that needs to be addressed when we start drafting Law on Social and Family Services and the drafting of the secondary legal framework to start with the implementation of the law</p>

	<p>approach to gender, attending to the potentially different needs of diverse women and men with disabilities, as well as intersections with ethnicity, age, and other factors that could hinder access to appropriate care services.</p> <p>Moreover, the personal assistance for people with disabilities scheme should undergo reforms. Personal assistance is not defined explicitly in Kosovo’s legal framework. Therefore, the legal framework currently does not require personal assistants to have any specific qualifications to perform this work; anyone can become a personal assistant. It is important that persons with disabilities have the right to select their own assistants so that they feel comfortable with those persons. Rather, the Law on Social and Family Services defines “Direct Social Care” as “the provision of help with domestic duties, personal care, mobility, communication or supervision. Several persons who may need personal assistants, like those with mental disabilities, other physical disabilities, or the deaf are not mentioned explicitly in the legal framework as eligible. While ostensibly they may apply with the claim that they have a disability of at least 80%, the legal framework does not clearly provide for them to receive a disability pension or personal assistant. Thus, it is important that when adopting the below mentioned laws to incorporate consistent, internationally recognized definitions of disability. Ensure that these use an intersectional approach to gender, attending to the potentially different needs of diverse women and men with disabilities, as well as intersections with ethnicity, age, and other factors that could hinder access to appropriate care services.</p>			
	<p>Throughout the process of drafting the aforementioned laws, including budgets, and secondary legislation ensure meaningful consultation with women’s rights organisations working with diverse women and men with disabilities, towards</p>	<p>Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: <a href="http://www.womensnetwork.org">www.womensnetwork.org</a></p>	<p>Accepted</p>	<p>When drafting laws, it is foreseen that apart from institutions that contribute in law making there are always involved civic society and</p>

	identifying issues and addressing them through the legal framework.			other organisation in the working groups.
<b>Reform Measure #19:</b> Improving social services and empowering excluded groups  <i>Activities planned for 2023:</i> New activity proposed	Drafting of bylaws for the funding of Personal Assistants for People with Disabilities (Review the eligibility criteria for personal assistance, as many more persons may need personal assistance than who currently receive it, considering that persons with disabilities that amount to more than 50% also may require personal assistants to participate actively in society); Specify in secondary legislation the minimum experience, expertise, and qualifications that personal assistants must have to provide qualified services, such as via obligatory training and qualification testing. Regulate continuous capacity-building for personal assistants. Persons should still be selected by and in agreement with persons with disabilities.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	These bylaws will be drafted in the first activity 'Adoption of the Law on Social and Family Services and the drafting of the secondary legal framework to start with the implementation of the law'
<i>Activities planned for 2023:</i> Activity 8	The quality and timing of support also need to be improved, for example doing away with the waiting periods when they experience cuts in funding (e.g., shelters) and introducing better systems of financing that ensure uninterrupted services for vulnerable groups.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	The activity is meant to be implemented until the end of the year were we then report on the implementation of the activity in the next cycle of ERP.
<b>Indicator 1</b> Increasing the coverage level of families living in poverty by social assistance schemes.	As suggested above, we suggest to look upon this based on individuals, women and men, as looking upon families does not reflect the real level of poverty between women and men, even within the same family.	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	These suggestions should be addressed in the MFLT when the review their policies.
<b>Expected impacts on social outcomes, such as employment, poverty reduction, gender equality:</b>	The possibility to develop new social assistance schemes, will contribute to the improvement of the situation of women in Kosovo, who have not been benefiting in the same way as men, given the social, patriarchal structure of the Kosovar family, where the head of the household (men) benefits from these schemes. Furthermore, construction of community homes for the elderly, for people with disabilities and homes for child protection will help reduce the burden of care that usually falls upon women by increasing their chances of joining and staying in the labour	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: www.womensnetwork.org	Rejected	This should be foreseen when drafting the law and we encourage the KWN to contribute in this process.

	market. Moreover, the by providing better quality care and more opportunities for personal assistance as caretakers of people with disabilities could facilitate their “full and effective participation in society on an equal basis with others” in accordance with the CRPD.			
<b>Reform area 13: Healthcare systems</b>				
<b>Reform Measure #20:</b> Ensuring sustainable financing in the health system <b>Indicator 3</b>	Citizens who do not have access to basic health services for economic reasons	Kosova Women's Network/Rrjeti i Grave të Kosovës Office/Zyre: +381 (0)38 245 850 Mobile +383 44 240 708 Web: <a href="http://www.womensnetwork.org">www.womensnetwork.org</a>	Accepted	