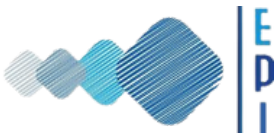
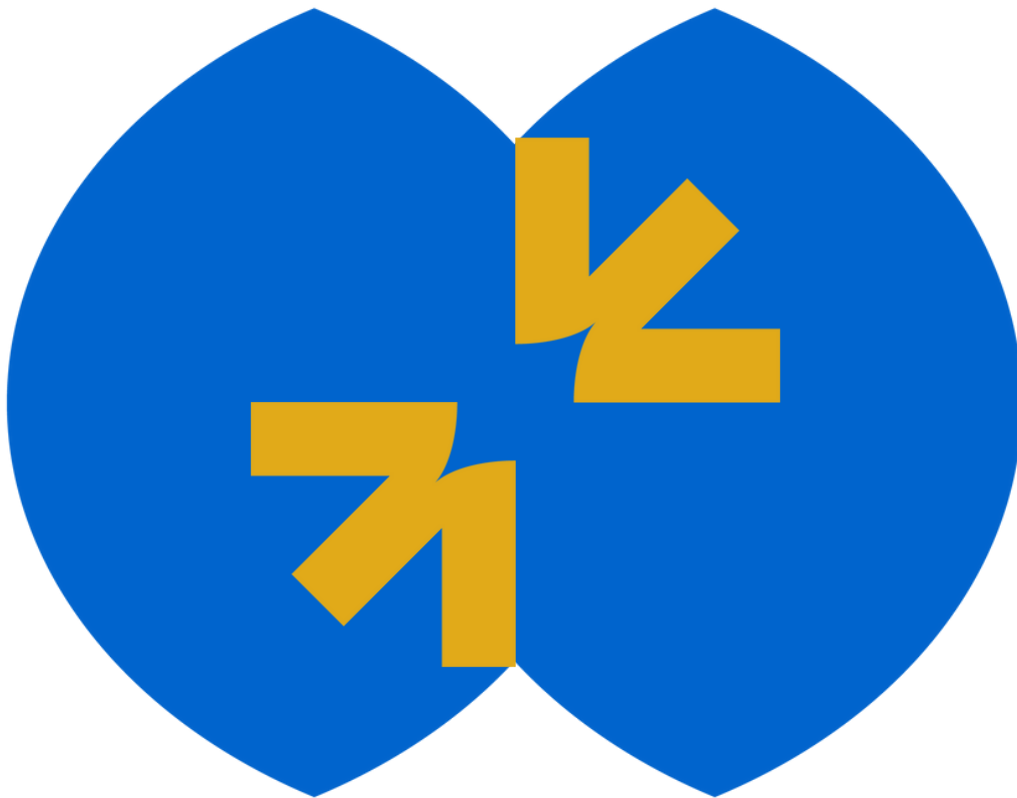


Kosovo's Reform Agenda: The gaps between planning and implementation

Policy Brief

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February, 2024





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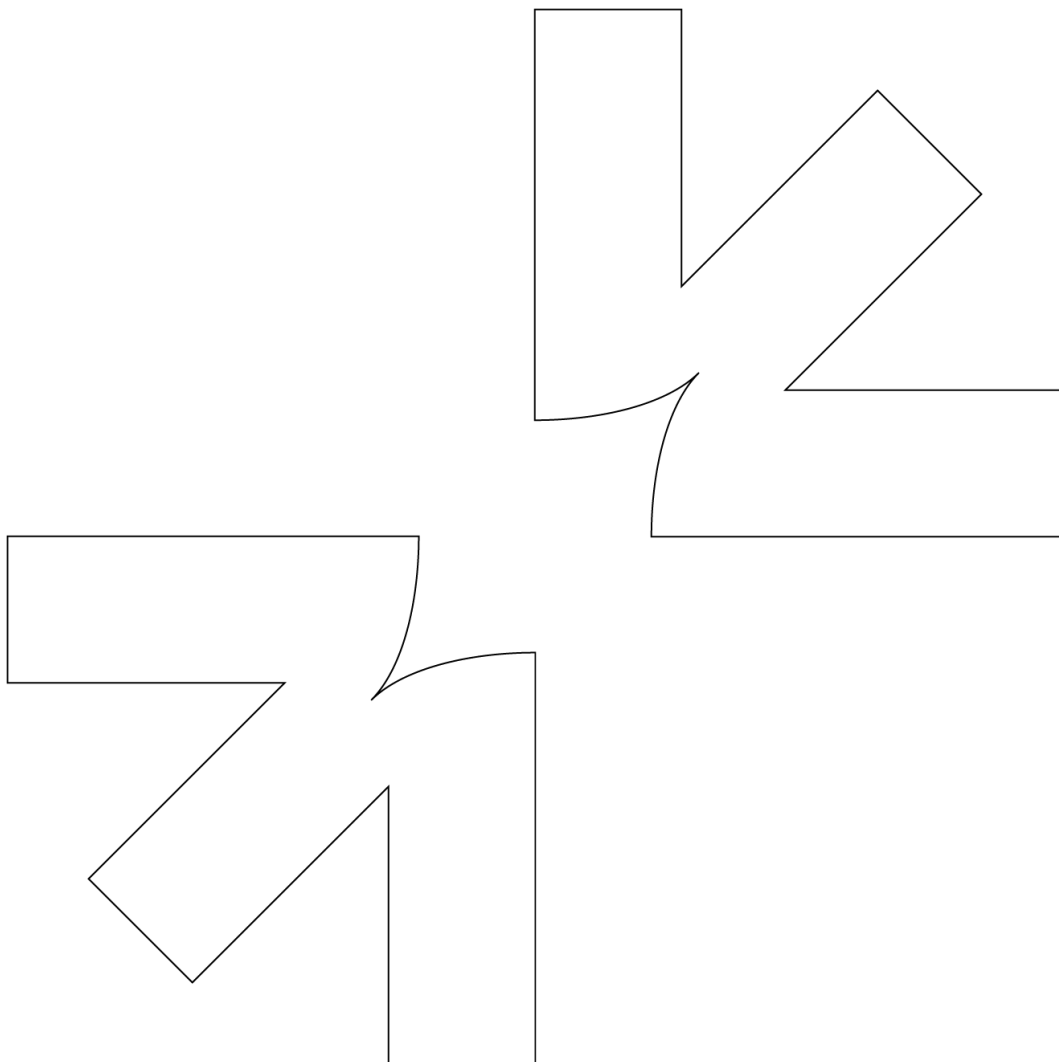




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Introduction

For decades now the Western Balkans were promised membership in the European Union (EU). Just as the enlargement prospects can at best be described as half-hearted, so can the economic progress of the region which has continuously underperformed the necessary development to catch up with the EU. This disproportion in incomes not only costs in quality of life, but also complicates the path forward towards full accession into the Union as it makes reforms unfeasible and makes enlargement less favorable to the EU public. That has been one of the main reasons why on 31 May 2023 European Commission President Ursula von der Leyen proposed the New Growth Plan to aid the region's economic catch-up with the Union.¹ The initial plan is to provide upwards of €6 billion to initiate a process of rapid economic development with an ambitious political commitment to double the Gross Domestic Product (GDP) of the region in a decade.²

This plan constitutes the ambitious enterprise of the EU, or any other international player, vis-à-vis the Western Balkans region. By aiding the region's economies with €2 billion in grants and another €4 billion in soft loans, the EU will make the most serious financial contribution, in addition to pre-existing Instruments of Pre-Accession (IPA) funds totaling €14 billion for the IPA III period of 2021-2027.³ This level of dedication has proven that despite all of its shortfalls, the EU remains the most committed partner of the Western Balkans. It goes without saying that the initiative was quickly welcomed both in the region but also among the EU capitals. After a round of initiation and quick lobbying, the New Growth Plan was officially adopted by the Council on May 2024, in what was considered by many to be a breakneck speed.⁴

In Kosovo, the New Growth Plan was received with a pronounced enthusiasm. It reconfirmed the EU's commitment to the country's integration in the face of the

¹ WeBalkans. "President Ursula von Der Leyen Presents Growth Plan for the Western Balkans at Globsec 2023 Bratislava Forum News." WeBalkans, June 6, 2023.

<https://webalkans.eu/en/news/president-ursula-von-der-leyen-presents-growth-plan-for-the-western-balkans-at-globsec-2023-bratislava-forum/>.

² European Commission. "Growth Plan for the Western Balkans." European Neighbourhood Policy and Enlargement Negotiations (DG NEAR), November 2023. <https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans> .

³ European Commission. "Overview - Instrument for Pre-Accession Assistance." European Neighbourhood Policy and Enlargement Negotiations (DG NEAR), 2021. https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/overview-instrument-pre-accession-assistance_en.

⁴ European Council. "Reform and Growth Facility for the Western Balkans Adopted." European Council, May 7, 2024. <https://www.consilium.europa.eu/en/press/press-releases/2024/05/07/reform-and-growth-facility-for-the-western-balkans-adopted>.



reversible measures introduced in May 2023 that are, nonetheless, in force to this day. Kosovo is set to benefit €883 million in five key policy areas listed as: Governance, Public Administration Reforms and Public Finance Management, Green and Digital Transition, Private Sector Development and Business Environment, Human Capital Development and Retention and, Fundamentals / Rule of Law.⁵ Given that Kosovo's national income is the lowest in the region, it will benefit the largest amount of funding on per capita basis. As the Commission approved Kosovo's Reform Agenda (RA) in October 2023⁶, the scene is set for its implementation.

The Process of the Development and the Adoption of the Reform Agenda

The New Growth Plan is a highly significant investment program; however, it is not a free handout for the Western Balkans' governments. Each and every government was requested to articulate a Reform Agenda that showcases their commitments to necessary reforms and details out a plan to execute them. The Kosovar government has officially adopted its Reform Agenda on 9 October 2024.⁷ The Agenda lays out 111 reform steps, divided across 30 reforms in 5 key policy areas, to be undertaken in a timeframe of less than three years between 2024 and 2027. Each step corresponds to an installment of payment which will be carried out every six months. Kosovo is expected to obtain a 7% prepayment by the end of the year to kick-start the reforms, valued at €32 million.⁸ Importantly, if any of the governments cannot fulfill their slot, the freed-up funds will be redistributed among other members.

The New Growth Plan was officially presented to the Government of the Republic of Kosovo in June 2023. There were unofficial talks across the summer of the same year on how to draft an agenda.⁹ Later, a team of the political advisers of the Prime Minister and his Deputy in charge of EU integration met with a delegation of EU Commission on 6 & 7 February 2024 to initiate the process of the negotiations on

⁵ Loxha Stublla, Arberesha. "The New Growth Plan for the Western Balkans" Group for Legal and Political Studies, July 2024. <https://legalpoliticalstudies.org/wp-content/uploads/2024/07/GLPS-PA06-The-New-Growth-Plan-for-the-Western-Balkans.pdf>.

⁶ Euronews. "EC Approves Reform Agendas of Kosovo and Four Other States in Region." Euronews Albania, October 23, 2024. <https://euronews.al/en/ec-approves-reform-agendas-of-kosovo-and-four-other-states-in-region/>.

⁷ Office of the Prime Minister. "Reform Agenda of Kosovo." Office of the Prime Minister of the Republic of Kosovo, 9 October 2024. <https://kryeministri.rks-gov.net/wp-content/uploads/2024/10/RGF-Kosovo-Reform-Agenda.pdf>.

⁸ Ibid. 5

⁹ Çollaku, Artan. "Kosovo's Reform Agenda Drafting Process." By Besar Gergi, GLPS. 18 November, 2024.



the final form of the RA.¹⁰ The delegation was informed about the nature of this new program and its differences with the previous existing programs like IPA. After the initial meeting in Brussels, an array of meetings between ministries, independent agencies and all governmental bodies were carried out to prepare a draft-Reform Agenda. The team behind the drafting held numerous thematic meetings between different executive bodies to coordinate the work.

While executive bodies have led the way in coordination and drafting, they have not taken due measures to include other actors in this process. The interviewees for this Policy Brief confirm that they have consulted neither the Parliament, nor its European Integration Committee members during the preparation phase. Given that the Reform Agenda (RA) will result in international financial obligations for Kosovo, the Constitution requires a ratification process in the Assembly.¹¹ Hence, sidestepping the Assembly on such a strategically important issue that will later require its approval does not bode well for the RA. Additionally, the civil society organizations were not properly consulted either. Although a meeting with CSO representatives was held on May 2023, admittedly the nature of the discussions was informative rather than consultative. A plausible defense would be that the government itself had short notice and had to work on a tight schedule to submit the Agenda. However, going forward, at least in the implementation phase the government should take necessary measures to consult the legislative body and the civil society to have a better planning process and subsequently, implementation.

The Reform Agenda was well received across the political spectrum and also civil society, commerce chambers and academia. It was initially presented to the public by the government on 2 May 2024 when the Inter-Ministerial Council on EU Integration met.¹² Prime Minister Albin Kurti declared that this agenda was essential to reforming public administration & public finance management. In a similar tone, President Vjosa Osmani claimed that the Plan will improve both the economic development and European integration progress. Mimoza Ahmetaj from the main opposition party DPK has welcomed the news of the adoption of the RA and urged the government to take it seriously.¹³ The Commerce Chamber of Kosovo

¹⁰ Sekiraqa, Lorena. "Kosova's Reform Agenda Drafting Process." By Besar Gergi, GLPS. 22 November, 2024.

¹¹ Ibid. 5

¹² Bytyqi, Valbona. "Prezantohet Agjenda e reformave", May 2, 2024. <https://www.koha.net/arberi/418408/prezantohet-agjenda-e-reformave-me-te-cilen-synohet-perfitimi-i-950-milioneve>.

¹³ Zymberi, Kaltrina. "Paradoksi i BE-së, jep fonde nga plani i rritjes për Kosovën por masat vazhdojnë." Dukagjini, October 19, 2024. <https://www.dukagjini.com/paradoksi-i-be-se-jep-fonde-nga-plani-i-rritjes-per-kosoven-por-masat-vazhdojne/>.



has welcomed the initiative as a new push for investment in the country.¹⁴ Finally, Group for Legal and Political Studies has published a Policy Analysis on the potential impact of the RA on the governance & economy.¹⁵

Policy Areas of the Reform Agenda

Below is a presentation of the five main policy areas and the corresponding reforms and reforms steps as presented in the Reform Agenda adopted by the government.¹⁶

Governance, Public Administration Reform and Public Finance Management

This policy area has two sub-areas of Public Administration Reform and Public Finance Management. The first sub-area includes eight reform measures with a total allocation of €62.6 million while the second entails seven measures that are expected to bring in €59.5 million. One of the main challenges in the efficiency of the public administration in Kosovo is identified as the high number of vacant positions in public bodies. Therefore, the first three measures of the RA are dedicated to fulfilling these vacancies through an enhanced human resources management and meritocratic selection process. The second sub-division deals with the detailed implementation of the Law of Public Salaries and entails five measures to ensure that the remuneration process is streamlined. Further, it intends to improve the regulation of public procurement with four measures and improve the quality of public investment with three measures. These reform steps will be carried out by the OPM, Ministry of Finance, Labor and Transfers (MFLT) and also the Ministry of Internal Affairs (MIA).

Kosovo has inherited a relatively outdated public administration and therefore its reform was long overdue. The process initiated with the two laws on salaries and public officials has created considerable tensions in the administration and so far, has been slow to yield results. According to the European Commission's 2024 country report: "The strategic framework for public administration is in place, but not efficiently implemented."¹⁷ One of the results high inflation and government's slow response to it was a high turnover rate amongst the public sector employees,

¹⁴ Kosovapress. "Mungesa e investimeve në Kosovë, oda ekonomike kërkon rritjen e borxhit publik." Kosovapress, October 31, 2024. <https://kosovapress.com/mungesa-e-investimeve-oek-kerkon-rritjen-e-borxhit-publik>.

¹⁵ Ibid. 5

¹⁶ Ibid. 7

¹⁷ European Commission. "Kosovo Report 2024." European Neighbourhood and Enlargement Policy, 30 October 2024. https://neighbourhood-enlargement.ec.europa.eu/document/download/c790738e-4cf6-4a43-a8a9-43c1b6f01e10_en?filename=Kosovo+Report+2024.pdf



as the purchasing power of the public sector eroded all the while the private sector showed significantly more elasticity. Therefore, it is essential that the vacancies these movements created be filled in order to provide effective services towards the citizens. Public finances are consistently one of the most criticized policy areas of any government in the country. The digitalization of the public procurement process is likely to result in the cutting of red tape bureaucracy and increased public trust in the fairness of the procurement system.

Green and Digital Transition

This policy area is a merger of two different agendas into one field. Green transition and the digitalization of the public administration & economy are some of the fields where Kosovo lags behind the most compared to the EU.¹⁸ The first portfolio of the policy area entails the digitalization of the public services with five measures, adoption of the e-signature with two steps and the adoption of the 5G technology with three more. Cyber-security is aimed to be upgraded with four reforms steps. Together they are allocated a total of €97 million from the RA and they include significant investment into the technological infrastructure of the country. Green transition contains four sub-areas in market reforms and decarbonization with each four steps, renewables and energy efficiency with each three steps to a total of 14 reform actions. In total they are allocated almost €105 million. It is the most ambitious policy area of the whole plan which has set targets such as CO₂ reduction and has many investments in clean energy production and buildings renovation. These policies will be executed by the OPM, Ministry of Economy (MoE), Ministry of Environment, Spatial Planning and Infrastructure (MESPI) and the Ministry of Internal Affairs.

Energy security problems have been one of the most persistent issues in the post-war Kosovo and the lack of alternatives has hindered the quick adoption of the green transition agenda.¹⁹ Therefore investments in bolstering production through clean energy methods and incentivizing of the efficient use of energy are some of the most important policies that Kosovo needs today. However, the predominant use of coal for energy production poses a significant challenge to the goal of CO₂ emissions reduction and unfortunately no long-term sustainable alternative appears feasible so far. Further in catching up with the modern economic trends, Kosovo needs to have access to the latest 5G network technologies. Although it has one of the highest accesses to broadband internet in the whole European

¹⁸ Haxha, Uran. "Green deal, e kemi nje problem - K2.0" Kosovo 2.0, 27 November 2024. <https://kosovotwopointzero.com/green-deal-e-kemi-nje-problem/>

¹⁹ Ibid. 17



continent, the installment of 5G networks and accompanying cyber security measures have been lagging behind.²⁰

Private Sector Development and Business Environment

The economic underdevelopment of Kosova has been one of the main problems for its decision-makers for a long time. The Growth Plan was initiated to ameliorate exactly the gap between the living standards of the Western Balkans and the EU citizens.²¹ To this end 23 measures are foreseen for the Improvement of the Business Environment – by far the largest sub-area in the RA by both the number of measures and the total allocation of €181.5 million. The second sub-area of Access to Finance has three policy actions valued at €25 million. These policies entail the regulation of state aid, increase of foreign direct investment, support for small & medium businesses, rejuvenation of publicly owned enterprises and improvement of transportation system. The second sub-area aims an easier access to commercial loans by businesses and further regulation of the credit guarantee system. Given the high number of steps, this policy area has the most actors involved which include the OPM, MIET, MFLT, MESPI and MIA.

Kosovar economy has recorded a rapid growth in the post war period but has not been performing outstandingly well in the most recent years. In the current trend, it will take decades for the living standards of the country to catch up with those of the EU.²² Therefore investments dedicated to attract foreign capital and the improvement of the business environment and access to finances are certainly most welcome. However, most of the Foreign Direct Investments (FDI) have so far concentrated in the construction sector. Although this has created a channel for the diaspora to contribute to local economy and created employment opportunities, the policy focus in the upcoming period should be on the attraction of capital in the industrial production area that creates more sustainable jobs.²³ Also higher access to finances for businesses should go hand-in-hand with better education for businesses to avoid a potential increase in unhealthy loans.

²⁰ Gelvanovska-Garcia, N. "How Kosovo made high-speed internet access a reality for everyone." World Economic Forum, 30 June 2023.

<https://www.weforum.org/stories/2023/06/kosovo-high-speed-internet/>.

²¹ Ibid. 2

²² World Bank . "Western Balkans Regular Economic Report." World Bank, 17 October 2024. <https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>.

²³ Krasniqi, Alban. "Investimet si faktor i zhvillimit ekonomik në Kosovë." 21 August 2024. Sbunker. <https://sbunker.org/en/analize/investimet-si-faktor-i-zhvillimit-ekonomik-ne-kosove/>



Human Capital Development and Retention

Developing the national economy would be almost impossible without an improvement in the education field and accompanying improvement in labor force skills. This policy area addresses these issues and is made off two sub-areas: Education with eleven reform steps and Labor Market with eight steps. The first area is allocated €103.3 million while the latter has €68.9 million for the portfolio. Its overall goals include the digitalization of the educational system, increased participation in early education and better curriculums & training programs. Labor policies include increased participation in the workforce of the marginalized groups like women and youth the increase of employment agency. Having the least number of policy actions, this policy area has also the least actors involved which are limited to the OPM and Ministry of Education, Science, Technology and Innovation (MESTI).

For decades Kosovar education system has been underperforming based on the now-standard measure of PISA test scores.²⁴ Consequently, it is imperative that governmental action is directed in the education area. Some measures, such as aiming 8% of the children aged 0-2 to be registered into pre-primary education by the end of 2025 is somewhat ambitious, considering the overall number of these institutions is already low.²⁵ Providing earlier access to education and digitalizing the learning process are likely to contribute in this direction. In tandem with underperforming education, Kosova has a high rate of unengaged youth & women in the workforce. This has resulted in our country having the lowest rate of women participation in the labor force.²⁶ Earlier measures to increase the marginalized groups' participation in the labor force have shown some success and they should be linked to educational policies to have a healthy link between education and labor market.

Fundamentals / Rule of Law

Due to its sensitive nature, this policy area has many sub-areas listed as: Judiciary and Fight Against Corruption with five steps, Fundamental Rights four, and Fight Against Organized Crime, Democracy, Visa Policy each three policy steps.

²⁴ Ramadani, F. *"Pisa 2022": Kosova, Pothuajse në fund për lexim e shkencë.* Dukagjini. 5 December 2023. <https://www.dukagjini.com/pisa-2022-kosova-pothuajse-ne-fund-per-lexim-e-shkence/>

²⁵ Ahmeti, Nadije. *"Pak çerdhe, pak punë për gra."* Radio Free Europe. 22 December 2024. <https://www.evropaelire.org/a/pak-cerdhe-pak-pune-per-gra-/33247372.html>

²⁶ GAP. *"Profilet e bizneseve: Ndërmarrësia e grave dhe pakicave etnike në Kosovë."* GAP Institute. August 2023. [https://www.institutigap.org/documents/89068_Ndermarresia%20e%20grave%20dhe%20pakicave%20\(f\).pdf](https://www.institutigap.org/documents/89068_Ndermarresia%20e%20grave%20dhe%20pakicave%20(f).pdf)



Collectively they are allocated €180 million. Some of the key policies are improved functioning of the judicial system, adoption of the Civil Code, adoption and implementation of anti-corruption and anti-organized crime strategy, improvements in the Office for Community Affairs and fight against domestic violence. Parliament will improve the voting system and adopt a program and the visa policy will be harmonized with that of the EU. The policy stakeholders included are the OPM, Ministry of Justice (Moj), Parliament, Judicial and Prosecutorial Councils and the Agency for the Prevention of Corruption.

Some of the measures planned will be easy to implement such as the adoption of strategies for anti-corruption and for fighting the organized crime. Some of the issues addressed, like the high rate of domestic violence, have been a plaguing problem for years. However, the lack of consultations with the legislative will have serious consequences in this part. Measures like the adoption of the Civil Code have been proven highly controversial in the Assembly. Additionally, the introduction of the electronic voting system and the adoption of the program of the working sessions will require the close cooperation of the Assembly.

Reform Agenda in National Context

The Reform Agenda foresees over 100 measures in 5 different policy areas. Therefore, it would be inconceivable that a single institution like the Office of Prime Minister (OPM) could undertake such wide-ranging reforms. The whole Agenda will include the work of 11 national institutions including the OPM, several line ministries, the Judicial and Prosecution Councils and the Parliament.

The Deputy Prime Minister in charge of the European Union affairs is appointed as the National Coordinator for the Reform Agenda.²⁷ In many ways this will complement his role as also the Chief Negotiator for the accession talks as it will centralize all integration issues in a single decision-making body. The pre-existing Ministerial Council for European Integration (MCEI) will adopt the role of the Reform Agenda Steering Board. The MCEI is the highest governing body of the European integration in the country and it holds periodical meetings to determine the strategic steps to be taken towards the acceleration of the accession. All the ministries and independent bodies that will execute the Reform Agenda are already a part of the MCEI, with the exception of the Assembly that belongs to the legislative branch. Hence, the incorporation of the Steering Committee into MCEI is likely to enhance the implementation of the Reform Agenda. Further, the Working Committee for European Integration (WCEI) is enhanced with the role of overseeing the implementation of the Reform Agenda at policy level, but will mostly focus on critical interventions.

²⁷ Ibid. 7



A quick synopsis of the implementation bodies for the RA reveals that the government has made good use of the pre-existing mechanisms for EU integration. This has largely avoided creating new phantom institutions that have overlapping competencies at implementing reforms. It has, nonetheless, created the new institution of the Reform Agenda Implementation Committee (RAIC), to be attended by the highest bureaucratic heads of institutions, the EU Integration offices of the OPM and the corresponding Department of the EU Integration of various ministries & agencies. It will serve the role of a technical-level group that will deal with the practical aspects of implementing reforms and prepare policy recommendations for the political level. All of these already-existing and new mechanisms will cooperate to implement, monitor and report the RA. The OPM will issue semi-annual and annual reports on the state of implementation. These reports will serve as guidelines for improvement of the implementation in future quarters.

An implementation cycle is supposed to start with a line institution that implements a reform and informs the Department of the European Integration (DEI). DEI's will submit the information to the OPM's offices on European Integration which will compile reports every 6 and 12 months to have an overall picture. RAIC will review semi-annual reports and propose policies to enhance the rate of implementation. The Steering Board will provide a political impetus to the proposals that are endorsed by RAIC. After the reports are also adopted in government's sessions, the payment will be requested the National Coordinator.

Conclusions

The so-called "performance-based-funding" model is a relatively new tool of the European Commission, first employed in the Recovery and Resilience Facility, designed to help EU member states overcome the financial effects of the COVID-19 pandemic.²⁸ Three years after its adoption, the Commission is rather satisfied with the model and intends to use it in the future for all cohesion funds.²⁹ Therefore there are good reasons to believe that the model used for Growth Plan will be used more intensively to fund the Western Balkans' integration reforms in the future. However, this method has its limitations. According to Huguenot-Noël, an expert writing a report to the EU Commission on the prospects of using 'cash-for-reforms' model for future cohesion funds, 85% percent of the recommendations of the

²⁸ Carter, Bryan. "What Is the EU's Recovery and Resilience Facility?" Euronews, April 5, 2023. <https://www.euronews.com/business/2023/04/05/crash-course-what-is-the-eus-recovery-and-resilience-facility>.

²⁹ Sorgi, Gregorio. "EU Floats Radical Change to How It Funds Poorer Members." POLITICO, March 28, 2024. <https://www.politico.eu/article/european-commission-propose-change-eu-budget-money-cash/>.



national plans had ‘limited progress’ while only 1% were fully had been fully implemented.³⁰ This does not provide an optimistic outlook to Western Balkans governments that have far fewer resources and human capital than their EU member states colleagues to achieve the targets set on Reform Agendas.

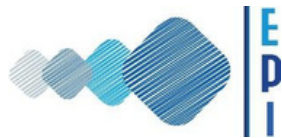
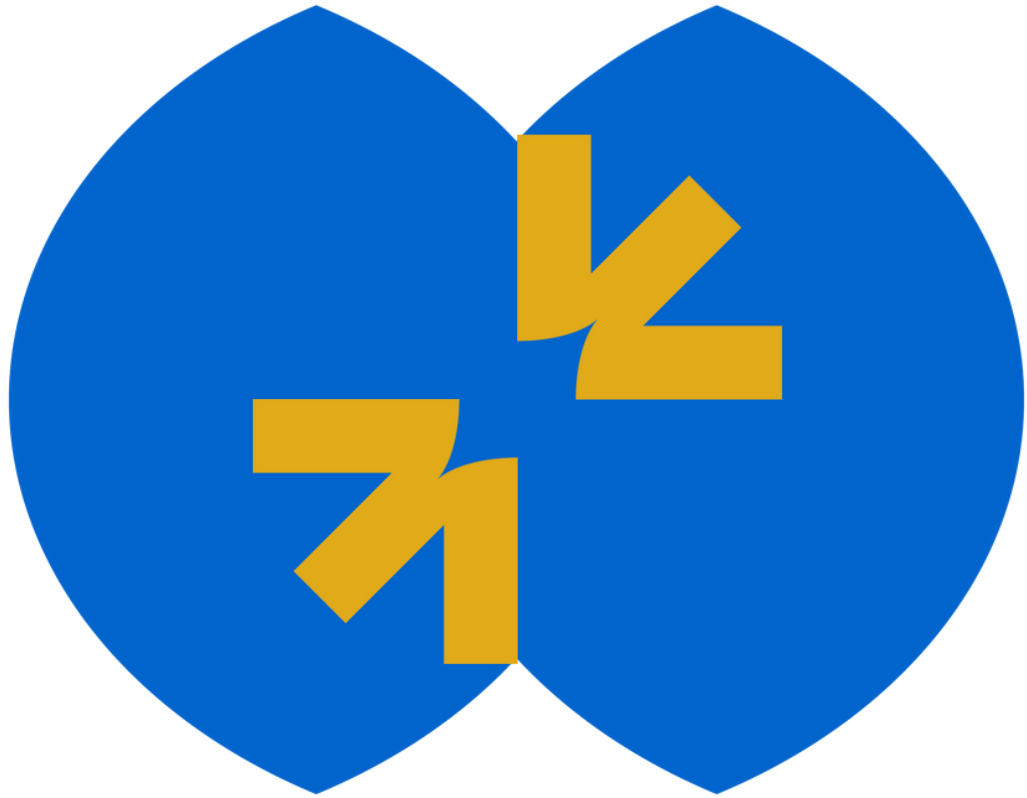
Further, the influential Bruegel think tank has argued that the focus of the planning on inputs and outputs instead of long-term benefits has rendered the national plans rather transactional and focused on short term goals.³¹ Therefore the government should take appropriate measures to fulfill as much of obligations undertaken as possible. The experience gained through this process may in all likelihood be used in the future to apply for cohesion funds. Kosovar government has a unique opportunity to kill two birds with one stone; undertake necessary reforms and get funded to implement them. Further, one of the key preconditions for both Kosova and Serbia are the implementation of the previous agreements.³² Tackling the question of the Association of the Serb Majority Municipalities (ASMM) may later acquire a financial character as well if it hinders Kosova’s access to RA funds. Therefore, this plan should serve as a further incentive to resolve the open issues with Serbia once and for all.

³⁰ Huguenot-Noël, Robin. “Cash for Reforms’ in the EU after the RRF: Can Cohesion Benefit?” European Commission, August 2023.

https://ec.europa.eu/regional_policy/sources/policy/how/future-cohesion-policy/Expertpaper_Huguenot.pdf.

³¹ Darvas, Zsolt. “The EU Recovery and Resilience Facility Falls Short Against Performance-Based Funding Standards.” Bruegel, April 6, 2023. <https://www.bruegel.org/analysis/eu-recovery-and-resilience-facility-falls-short-against-performance-based-funding>.

³² Ibid. 5



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