

# EPIK STUDY

MAY 2019

EUROPEAN REFORM AGENDA (ERA)



# EXECUTIVE SUMMARY



In November 2016, the European Reform Agenda (ERA) was launched by the Prime Minister of Kosovo and the Commissioner for European Neighbourhood Policy and Enlargement Negotiations.

ERA objective is to prioritize and focus on key SAA priorities in order to advance the European perspective of Kosovo and improve everyday lives of citizens.

In November 2016, the Government and Commission agreed on a 22 priorities that should be met by the end of 2017. Priorities were organized along 3 pillars: (1) rule of law and good governance (2) competitiveness and investment climate, and (3) education and employment.

Two and a half years after the ERA launch, and a delay of over a year and a half, it is our assessment that institutions have failed to implement the overwhelming majority of ERA priorities.

**Out of 22 priorities, only 5  
have been met**

# EXECUTIVE SUMMARY



Our findings conclude that out of a total of 22 priorities, only 5 priorities have been met. By the same token, we have noticed progress across 17 remaining priorities; however none of them have been met.

Five priorities that have been met are: (1) adoption of the Law on Prevention of Conflict of Interest; (2) adoption of three basic laws on public administration reform; (3) Launch of electronic procurement; (4) Implementation of the Strategy and Action Plan for Combating Informal Economy; and (5) Improved production of official statistics by the Kosovo Agency of Statistics.

On the other hand, significant backsliding has been noted in building up professional and merit-based public service. With regard to fight against corruption and organized crime, despite an increased number of prosecutors in the Special Prosecution and number of targeted cases, institutions have failed to successfully deliver on any high-profile corruption case.

**Significant backsliding has been noted in building up professional and merit-based public service**

# EXECUTIVE SUMMARY

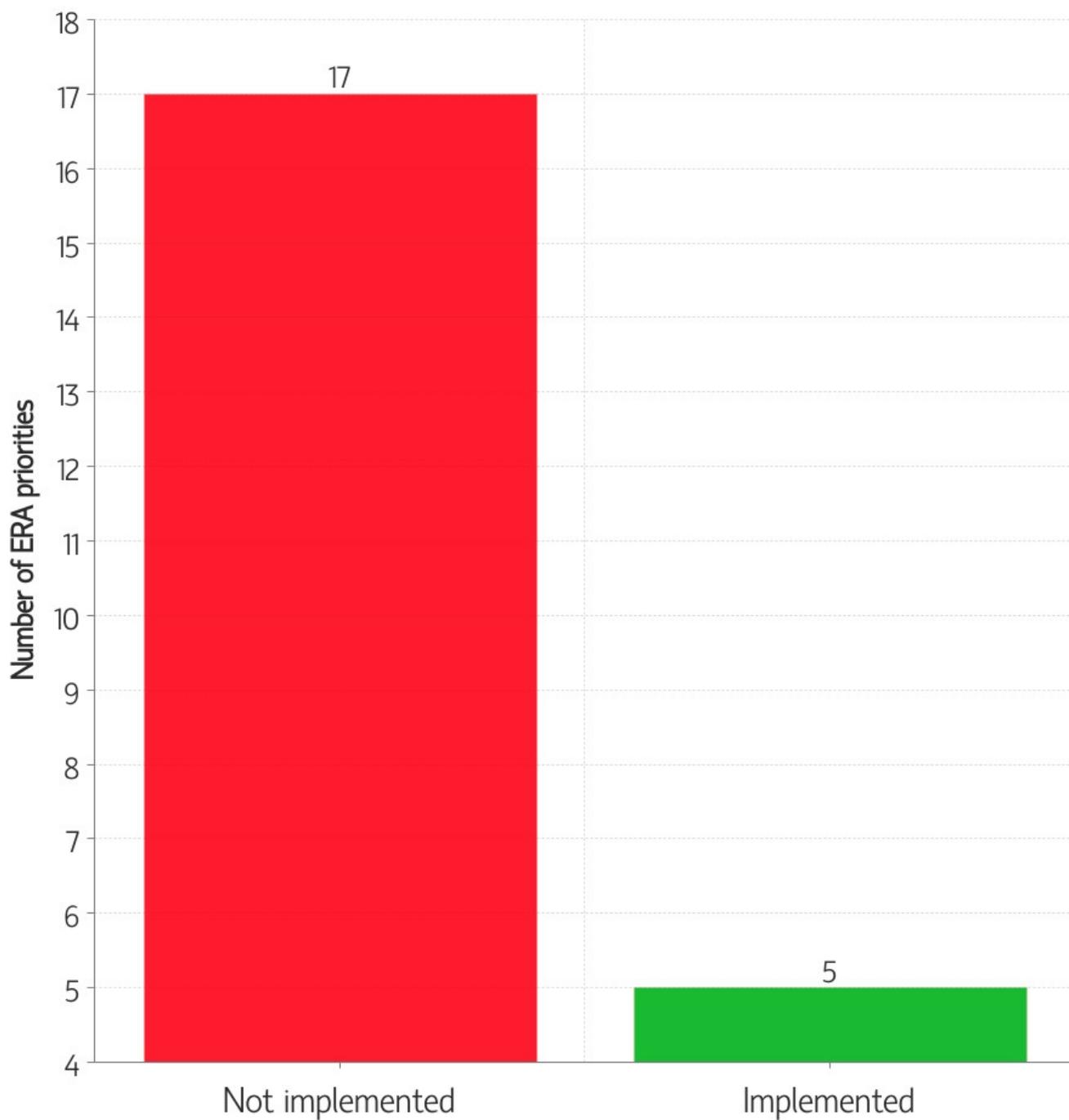


On economic front, economic growth was not translated into job creation. In 2018, Kosovo experienced greatest price increase in the Western Balkans countries. Inflation was driven by an increase in food prices that picked up in July and reached peak of 5.5% in December 2018 (World Bank).

FDI dropped from 2.9% in 2016 to 2.8% in 2018 (World Bank). Overall unemployment increased by 2.1%, from 27.5% in 2016 to 29.6% in 2018. Youth unemployment increased by 3% from 52.4% in 2016 to 55.4% in 2018. While women's unemployment increased by 1.6%, from 31.8% in 2016 to 33.4% in 2018 (KSA).

**Foreign Direct Investments  
declined, whilst  
unemployment increased**

# STATE OF PLAY



# PILLAR I: RULE OF LAW AND GOOD GOVERNANCE

Despite the adoption of the Criminal Code, institutions failed to adopt the Criminal Procedure Code to ensure the suspension/removal of public officials accused/convicted of corruption. Institutions made marginal efforts to ensure the transparency of political parties' funding, without undertaking substantive reform of finances of political parties. Rampant politization continued in the senior appointments in public institutions, including independent institutions, board of public enterprises, and regulatory agencies. Institutions have shown no willingness to undertake a meaningful public administration reform with regard to the proliferation of independent agencies and bodies.

With regard to the increase in the number of judges in the Administrative Department and the Economic Department of the Basic Court in Pristina, in order to reduce the amount of cases accumulated in administrative and economic matters, during 2017, the Basic Court in Pristina has solved fewer cases than it had received.

In pillar I, institutions have met following three priorities:

- (1) adoption of the Law on Prevention of Conflict of Interest
- (2) adoption of three basic laws on public administration reform
- (3) launch of electronic procurement

# PILLAR I: RULE OF LAW AND GOOD GOVERNANCE



In comparison with 2016, the Administrative and Economic Department marked a negative trend in the successful resolution of cases. In 2016, 2,850 cases were received, and 3,025 were solved. In 2017, 3,021 cases were received and 2,957 were solved. During 2018, additional judges were recruited to the Administrative Department and the Economic Department. The effect of increasing the number of judges remains to be assessed in 2019 (Kosovo Justice Institute).

With regard to fight against corruption and organized crime, despite an increased number of prosecutors in the Special Prosecution and number of targeted cases, institutions have failed to successfully deliver on any high-profile corruption case.

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# PILLAR I: RULE OF LAW AND GOOD GOVERNANCE



NUMBER OF CORRUPTION HIGH PROFILE CASES WITH A  
FINAL COURT VERDICT

2016

0

2019

0

## PILLAR II: COMPETITIVENESS AND INVESTMENT CLIMATE

According to the latest World Bank Western Balkans Regular Economic Report, growth in 2018 remained solid at 4.2%. Public and private investment contributed 5.7% to growth, up from 1.5% in 2017.

Private investment continued to increase, through higher investment lending and partly by a recovery of FDI in the second half of the year. Public investment also accelerated, financed by privatization proceeds.

Consumption contributed 2%, drawing on higher public wages, remittances, and consumer lending.

Net exports subtracted 3.5% from real GDP growth; imports were higher to meet the demand for capital goods.

Higher growth did not translate into job creation. The recovery in the number of employed during the second half of 2018 could not compensate for the job losses in the first half.

In pillar II, institutions have met following two priorities:

- (1) Implementation of the Strategy and Action Plan for Combating Informal Economy
- (2) Improved production of official statistics by the Kosovo Agency of Statistics

## PILLAR II: COMPETITIVENESS AND INVESTMENT CLIMATE



Employment rate declined by 1% in 2018 and employment at 28.8% remains low. Kosovo experienced the highest inflation in the region in 2018, driven by a rise in food price inflation which rose steadily since July and reached 5.5% in December.

FDI decreased from 2.9% in 2016, to 2.8% in 2018. Whereas, according to the WB doing business report Kosovo fell in ranking from 40 to 44 position.

According to the data of the Kosovo Agency for Statistics consumer price inflation increased from 0.3% in 2016, to 1.1% in 2018.

**Higher growth did not  
translate into job creation**

**FDI decreased from 2.9% in  
2016, to 2.8% in 2018**

# PILLAR III: EDUCATION AND EMPLOYMENT



Despite the adoption of the employment strategy, youth action plan and Law on Employment Agency, Kosovo has backslide on almost all economic indicators.

Overall unemployment increased by 2.1%, from 27.5% in 2016 to 29.6% in 2018. Youth unemployment increased by 3%, from 52.4% in 2016 to 55.4% in 2018. Whilst women unemployment increased by 1.6%, from 31.8% in 2016, to 33.4% in 2018 (KSA).

None of the education priorities were met.

In pillar III, the institutions have taken a number of measures; however none of them contributed to the fulfillment of the ERA objectives – in fact quite the opposite

Overall unemployment increased by 2.1%, from 27.5% in 2016 to 29.6% in 2018

# UNE MPL OYM ENT

29.6%

2018

27.5%

2016

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