

# Western Balkans Competitiveness Outlook 2024

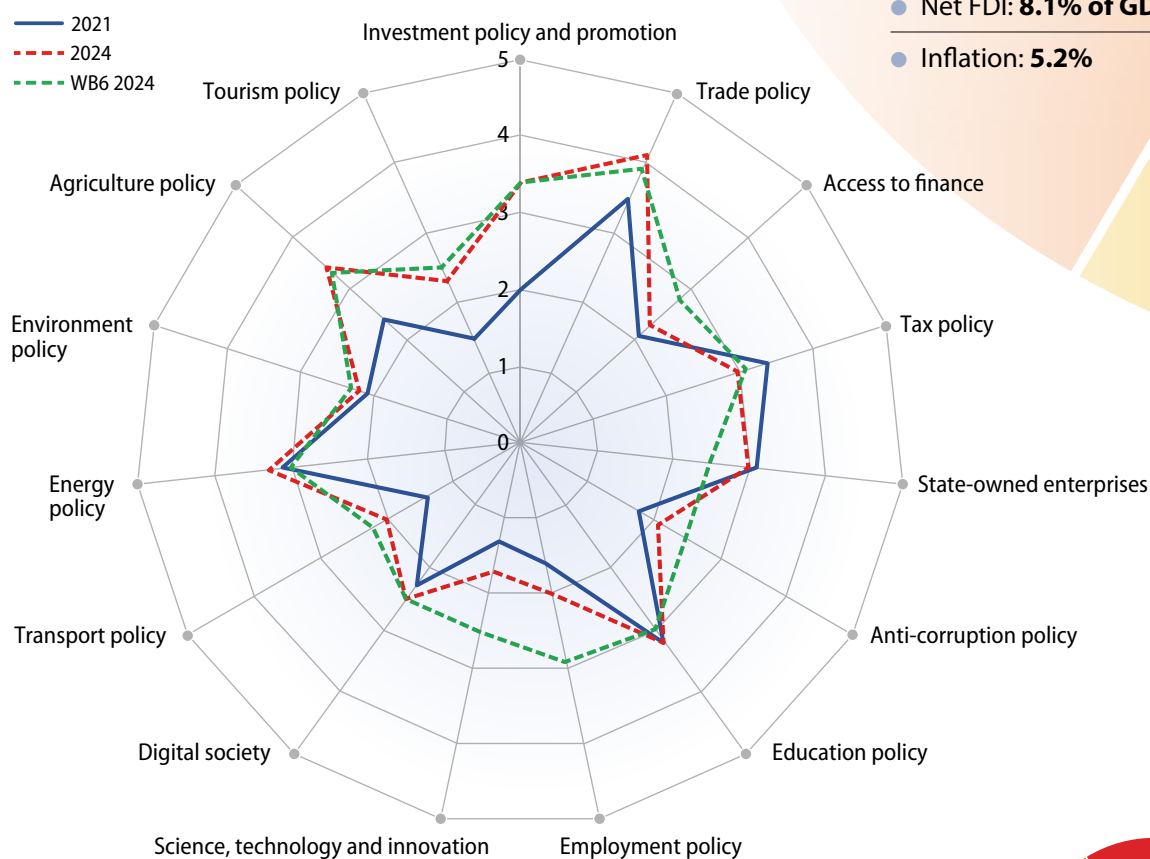
OECD SOUTH EAST EUROPE REGIONAL PROGRAMME

## Kosovo\*

Since the *Competitiveness Outlook (CO) 2021*, Kosovo has made notable progress, advancing in 12 of 15 policy dimensions, with the strongest improvements observed in investment, agriculture, and tourism policies. While positioning itself as a regional leader in state-owned enterprises (SOEs) and trade, Kosovo lags behind in STI, employment, anti-corruption, and access to finance policies, necessitating substantial improvements for EU convergence. For additional insights into Kosovo's performance across various dimensions, trends over time or comparisons with other economies, please refer to the Western Balkans Competitiveness Data Hub at: [westernbalkans-competitiveness.oecd.org](https://westernbalkans-competitiveness.oecd.org).

### Kosovo's Competitiveness Outlook performance

(2021 and 2024)



**Note:** Dimensions are scored on a scale of 0 to 5. See the reader's guide and the Data Hub at [westernbalkans-competitiveness.oecd.org](https://westernbalkans-competitiveness.oecd.org) for information on the assessment methodology and the individual score assigned to indicators.

\* This designation is without prejudice to positions on status and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

1. Source: OECD (2024), *Western Balkans Competitiveness Outlook 2024: Kosovo*, Competitiveness and Private Sector Development, OECD Publishing, Paris, <https://doi.org/10.1787/ff74ae0e-en>. Data concerning exports of goods and services and net FDI is based on figures available for 2022.



### Key facts<sup>1</sup>

(2023 estimate)

- GDP growth: **3.3%**
- Unemployment rate: **12.6%**
- Exports of goods and services: **38.5% of GDP**
- Net FDI: **8.1% of GDP**
- Inflation: **5.2%**



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## Main achievements

- An improved policy framework has led to foreign direct **investment** (FDI) tripling to EUR 845 million between 2019 and 2022 in Kosovo, ranking second highest in the Western Balkans relative to gross domestic product (GDP). However, FDI remains concentrated in construction and real estate, comprising 80% of the stock due to diaspora influence. A new law on sustainable investment aims to attract FDI in high-value added sectors, supported by recent judicial system enhancements.
- A revised policy framework seeks to boost Kosovo's goods **trade**, currently at 10% of GDP, the lowest in the Western Balkans. New initiatives, including enhanced coordination and financial support for firms, aim to strengthen the industrial base and diversify export markets to counter import dominance.
- Increased investment and revised support measures have boosted Kosovo's **agriculture** sector, resulting in a 54% output growth from 2013 to 2022, reaching EUR 658 million. Enhanced infrastructure and government backing, including a record EUR 56.1 million budgetary support in 2022, have bolstered productivity. A significant portion of this funding is allocated to expanding support to farmers, with several updates implemented in relation to producer support instruments to expand the potential beneficiaries and scope of assistance. Additional funding through the EU's IPARD III (instrument for pre-accession assistance for rural development) is further poised to accelerate the sector's development and modernisation.
- Kosovo's **tourism** sector has seen significant growth, with foreign tourist numbers nearly doubling from 2019 to 2023, reaching almost 387,000 visitors. A new strategic framework outlines policy priorities, while vocational education tailored to tourism and regional partnerships address skills gaps for sustained growth.

## Main priorities

- While Kosovo's perceived level of corruption has shown slight improvements, the absence of a cohesive **anti-corruption** strategy since 2017 remains a concern. Despite legal enhancements, implementation is hindered by limited resources. Strengthening anti-corruption measures with increased political commitments will be essential to boost competitiveness.
- Kosovo's labour market grapples with low activity and high unemployment, including a high share of young people not in **employment**, education, or training (NEET) of around 33% and women's participation at just 20%, the lowest in the Western Balkans. Kosovo's PISA 2022 performance was the lowest in the region, underscoring the need to address deficiencies in childcare, elder care services, and Employment Agency capacity to foster inclusivity.
- Kosovo's **science, technology, and innovation** (STI) framework grapples with structural challenges, like inadequate budgetary support for public research – falling below Kosovo's legal requirements and EU averages – and data constraints. Increasing funding is paramount to developing research infrastructure and enhancing outcomes, critical for effective policymaking in Kosovo.
- To enhance **transport** policies, Kosovo should prioritise improving planning and developing road and rail infrastructure, addressing challenges such as outdated project selection, insufficient impact assessments, and limited connectivity. Implementing the Multimodal Transport Strategy 2023-30 is crucial for advancing combined transport and efficient logistical networks.

## Western Balkans Competitiveness Outlook 2024

Inclusive and sustainable economic growth in the six Western Balkan (WB6) economies requires enhanced economic competitiveness. Although the gap is closing gradually, the standards of living in WB6 are well below those of the OECD and EU. Accelerating the rate of socio-economic convergence will require a holistic, growth-oriented approach to policy making.

This report is the fourth study of the region, and it comprehensively assesses policy reforms in the WB6 economies across 15 policy areas key to strengthening their competitiveness. It enables WB6 economies to compare performance against regional peers, as well as EU-OECD good practices and standards, and to design future-

oriented policies based on rich evidence and actionable policy recommendations.

Economy-specific profiles offer each WB6 economy an in-depth analysis of their policies supporting competitiveness. In addition to tracking the implementation of the previous 2021 study's recommendations, these profiles provide additional recommendations tailored to the economies' evolving challenges. These recommendations aim to inform structural economic reforms and facilitate the region's socio-economic convergence towards the standards of the EU and OECD.

