

Competitiveness in South East Europe 2021

A Policy Outlook

Kosovo*



Kosovo has improved its performance since the 2018 Competitiveness Outlook report in 9 of the 15 policy areas scored in this assessment. Although this clearly indicates progress in the setting up of policies to enhance its competitiveness – at least in about two-thirds of the areas covered in this assessment – if they are to have a lasting impact then their effective and continuous implementation, monitoring and upgrading should remain a key priority.

Key facts (2020)



GDP growth:

-3.9%



Unemployment (2019):

25.7%
of total labour force



Exports of goods and services:

21.6%
of GDP



Net FDI:

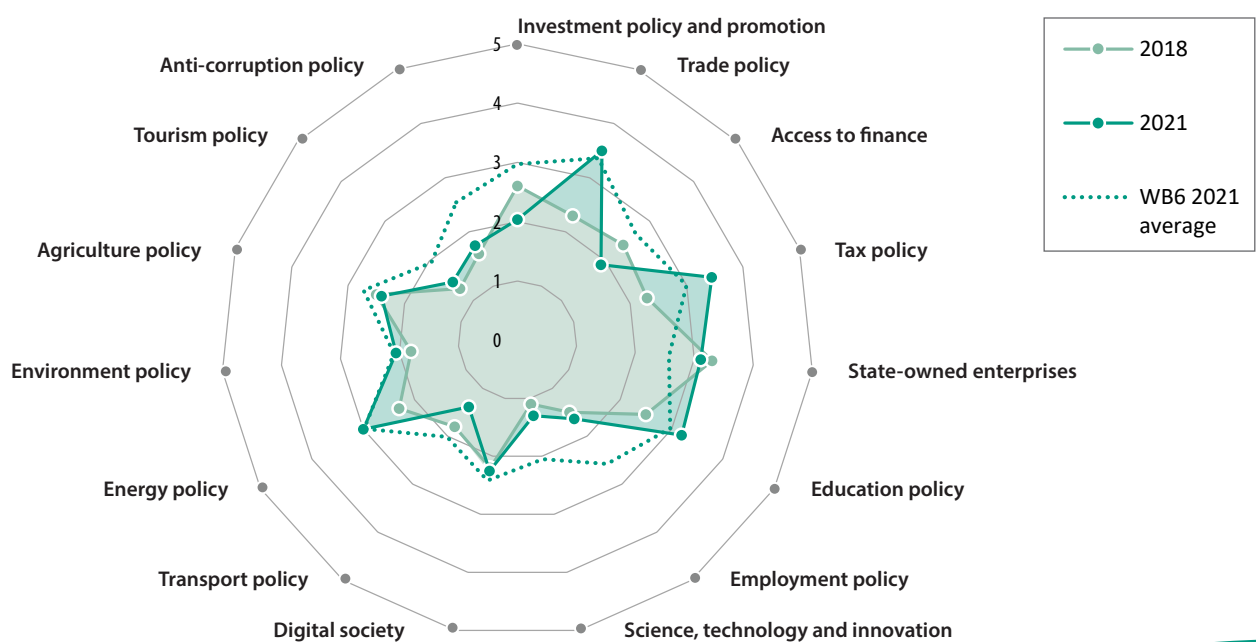
4.2%
of GDP



Personal remittances received:

18.9%
of GDP

Kosovo's Competitiveness Outlook performance (2018 and 2021)



* 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.

Main achievements



Of all assessed economies by the OECD FDI Regulatory Restrictiveness Index, Kosovo is one of the least restrictive economies to FDI.



The OECD Services Trade Restrictiveness Index (STRI) analysis shows that Kosovo is the least restrictive economy in the WB6 for trade in services and one of the most attractive economies for foreign service providers, also among all economies assessed by the OECD STRI project.



The Tax Administration of Kosovo (TAK) unifies tax collection and all core tax administration functions. It also oversees tax compliance assessment and risk management using a risk-based analysis providing the TAK a full operational autonomy within the Ministry of Finance.



As result of specific work plans and targeted support to schools and municipalities, the early school-leaving rate declined from 18.4% in 2013 to 9.6% in 2018, achieving the EU's 2020 target of less than 10%.



The 2018 Law on Prevention of Conflict of Interest in Discharge of a Public Function and the updated Law on the Protection of Whistle-blowers, broadened the scope of Kosovo's anti-corruption legislative framework.

Main priorities



Youth unemployment is very high (49.5% in 2019) indicating severe problems with the school-to-work transition. Youth unemployment and skills mismatches need to be reduced, e.g. by introducing employment support policies.



Although required by law to allocate at least 0.7% of its annual budget, government spending to support scientific research activities amounted to only 0.1% of GDP in 2019, limiting public research funding and the development of the innovation capacity.



Only 17.3% of arable lands are irrigated, while water network losses and lack of water storage facilities persist. Increasing investment in maintaining the existing irrigation network while bringing new areas under irrigation would improve the agriculture sector's productivity.



With an annual mean exposure to particulate matter (PM_{2.5}) of 27 micrograms per cubic metre (µg/m³) the air pollution is almost three times higher (10 µg/m³) the World Health Organization recommendation. Reducing the energy dependence on fossil fuels, improving household heating systems and reducing emissions from transport would help to improve the air quality.

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The third edition of *Competitiveness in South East Europe: A Policy Outlook* comprehensively assesses policy reforms in the WB6 economies across 16 policy dimensions crucial to their competitiveness. It leverages a highly participatory assessment process, which brought together the views of OECD experts, WB6 policy makers and local non-governmental stakeholders to create a balanced and realistic depiction of their performance. The report seeks to provide WB6 policy makers with a multi-dimensional benchmarking tool, enabling them to compare performance against regional peers as well as OECD good practices, and to design future policies based on rich evidence and actionable policy recommendations. Economy-specific profiles complement the regional assessment and provide each WB6 economy with an in-depth analysis of their competitive potential as well as policy recommendations tailored to their specific challenges to inform their structural economic reforms and sustainable development agenda.

