

# Multidimensional poverty analysis Kosovo 2017

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## Table of Contents

1.	Introduction.....	3
1.1.	Brief introduction to the analysis .....	3
1.2.	Brief introduction to Kosovo.....	3
2.	Analytical conclusions.....	5
2.1.	Key deprivations .....	5
2.2.	Vulnerable groups .....	7
2.3.	Structural and underlying factors.....	10
2.4.	Future prospects, challenges and opportunities .....	12
2.5.	Summary of findings in all poverty dimensions and the development context .....	14
3.	Purpose, model and approach.....	18
3.1.	Purpose.....	18
3.2.	Model .....	18
3.3.	Approach and limitations.....	20
4.	Literature review.....	21
4.1.	Resources.....	21
4.2.	Power and voice .....	23
4.3.	Opportunities and choice .....	25
4.4.	Human security .....	29
4.5.	Political and institutional context.....	31
4.6.	Economic and social context.....	34
4.7.	Environmental context.....	38
4.8.	Conflict and peace.....	41
5.	References .....	44

## 1. Introduction

### 1.1. Brief introduction to the analysis

The aim of performing this multidimensional poverty analysis of the situation in Kosovo is to strengthen the poverty perspective in the development cooperation between Sweden and Kosovo. Swedish international development agency (Sida) is in a process of further developing its model for multidimensional poverty analysis, and this report has applied the updated model as a pilot case. The analysis is intended to provide a broad overview of the situation, and is not suitable as a basis for specific programmatic design, which would require a more in-depth approach.

The report is divided into four parts; this short introduction; the analytical conclusions; a full description of the model and approach; and the literature review. The section with the analytical conclusions aims to highlight the most pressing issues and does therefore not provide a full account of all poverty dimensions or aspects of the development context. A detailed account of each poverty dimension and the structural aspects is found in the literature review.

The analysis is based on a literature review and is thus limited by the availability of data and statistics. Several of the global poverty indexes do not include data on Kosovo due to the issue of non-recognition. Primary data related to demographics are from the population census conducted in 2011. Since the census was incomplete for the Serb and Roma communities, the sizes of the different communities are disputed. The figures on minorities used in this report should be recognised as rough estimates.<sup>1</sup> Although the ambition has been to use as recent data as possible, the lack of updated information in some sectors entails that in a few exceptions data as old as from 2007 has been included in the report.

### 1.2. Brief introduction to Kosovo

The Republic of Kosovo is a lower-middle-income country that despite positive growth since the end of the war in 1999 remains one of the poorest countries in Europe, with a per-capita gross domestic product (GDP) of about €2,700.<sup>2</sup> The country has a population of around 1.8 million inhabitants, consisting of a majority of Kosovo Albanians (87 %) and several minority groups: Kosovo Serbs (8 %), Kosovo Bosniaks, (1.5%) Kosovo Turks (1 %), Ashkali (0.8 %), Roma (0.8 %), Egyptians (0.6 %) Gorani (0.6%), Croats, (0.01%), and Montenegrins (0.01%). Although the Roma, Ashkali and Egyptians identify themselves as distinct communities, and are recognised as such by Kosovo legislation, they are treated under the heading of “RAE communities” in this report, since available statistics generally aggregates data related to the three communities.

Albanian and Serbian are official languages, with the addition of Turkish in the municipality of Prizren. Other minority languages are recognised at the municipal level if the minority makes up at least 5 % of the municipal population.<sup>3</sup> In terms of demographic dividend Kosovo has one of the youngest populations in Europe, with 38 % being below the age of 25.<sup>4</sup>

<sup>1</sup> ECMI 2013

<sup>2</sup> World bank country overview Kosovo

<sup>3</sup> UNMIK 2006

<sup>4</sup> KAS 2012

Kosovo unilaterally declared its independence from Serbia in 2008, after nine years under the United Nations Interim Administration Mission (UNMIK). Serbia strongly opposes Kosovo's independence, claiming that it breaches international law, despite the fact that the International Court of Justice concluded otherwise in 2010. Discussions between Kosovo and Serbia have been facilitated in several phases since the end of the war in 1999. In 2007 the Ahtisaari plan was approved by Pristina, but since it was rejected by Serbia and opposed by Russia it was never formally adopted. The Kosovo Assembly nevertheless bound itself to follow its provisions when independence was declared. Since 2013 Kosovo and Serbia have established diplomatic relations and are engaged in an EU-facilitated dialogue to normalize relations. Kosovo has so far been recognized by 112 countries, including 23 out of the 28 EU member states. The issue of non-recognition entails that Kosovo is not a member of any UN organisation and that the country faces difficulties gaining admission into other international organisations. In 2015 a Stabilisation and Association Agreement (SAA) was signed, providing a comprehensive framework for closer political dialogue and economic relations between Kosovo and the EU.

Kosovo has in total 38 municipalities, out of which 10 are Serb majority municipalities established in line with the Ahtisaari plan in 2009. These municipalities have both Kosovo- and Serbian administrative structures, and four of the Serb majority municipalities in northern Kosovo are yet to fully integrate Kosovo structures. Serbia continues to provide financial delegations for the Serb majority municipalities, with salaries, pensions and social assistance that are higher than those provided by Kosovo. The dismantlement of the parallel Serbian structures in these municipalities is a cumbersome process.<sup>5</sup>

Poverty & inequality overview	2009	2011	2013
<b>Poverty headcount ratio at national</b>	34,5 %	29,7 %	-
<b>Poverty headcount ratio at international poverty line at \$1.90<sup>7</sup></b>	2,76 %	1,41 %	0,78 %
<b>Poverty headcount ratio at international poverty line at \$3.10<sup>8</sup></b>	11,77 %	8,58 %	3,52 %
<b>HDI (value)</b>	0,713 <sup>9</sup> (2011)	0,786 <sup>10</sup> (2013)	0,739 <sup>11</sup> (2015)
- Life expectancy at birth	- 70,0	- 76,8	- 71,1
- Mean years of schooling	- 11,2	- 10,71	- 10,7
- Expected years of schooling	- 11,3	- 14,22	- 14,2
- GNI/capita PPP US\$	- 7 410	- 9 446	- 9 796
<b>Gini coefficient</b>	31,78	27,83	26,71

<sup>5</sup> OSCE, 2010

<sup>6</sup> WB data (<http://data.worldbank.org/topic/poverty?locations=XK>)

<sup>7</sup> WB data (<http://data.worldbank.org/topic/poverty?locations=XK>)

<sup>8</sup> WB data (<http://data.worldbank.org/indicator/SI.POV.2DAY?locations=XK>)

<sup>9</sup> Human development report Kosovo 2011

<sup>10</sup> Human development report Kosovo 2013

<sup>11</sup> Human development report Kosovo 2015

## 2. Analytical conclusions

This section presents the conclusions drawn from the literature review in terms of multidimensional poverty in Kosovo. It aims to highlight key deprivations, vulnerable groups and the main structural and underlying factors. The last part of this section provides an overview of the findings per poverty dimension and per aspect of the development context.

### 2.1. Key deprivations

- *Access to employment stand out as a key deprivation: the unemployment rate is at 33%, rising to 58 % amongst youth. In addition the low labour force participation entails that the employment rate is as low as 25 %, sinking to 12 % amongst women.*
- *There is a high degree of economic vulnerability. 30 % of households have a consumption level of less than €1.72 per adult per day, excluding durable items and rent. The vulnerability is aggravated by a weak social security system and the high out of pocket expenses for health care.*
- *Kosovo has an undeveloped democratic culture and a widespread distrust in public institutions. Access to power and voice is asymmetric and based on undemocratic party structures and family ties. While the legal framework is free of discriminatory provisions, de facto discrimination is prevalent.*

When analysing multi-dimensional poverty in Kosovo some key deprivations stand out. Firstly, one of the core problems is the limited access to formal employment – a deprivation that has wide-ranging and severe consequences both on the individual and the structural level. Secondly, Kosovo has an undeveloped democratic culture with distrust in public institutions. The access to power and voice is asymmetric and based on opaque party structures and family ties. As a consequence ethnic minorities, individuals in the LGBT-community and women suffer from structural discrimination.

Available data shows that between 95-98 % of households have access to electricity as well as to water and sanitation.<sup>12</sup> Internet penetration is estimated at between 75-80% of the population, which is comparable to that of developed countries. Kosovo also has a basic infrastructure providing education and health, but there are severe deficiencies related to quality. In the PISA 2016 Kosovo scored third from the bottom amongst the 74 participating states. The health sector is perceived as corrupt and the out of pocket expenses for health services are high, which limits the access to health care for vulnerable groups. Kosovo faces serious environmental degradation, estimated to cost about 7.8 % of GDP. Air pollution remains one of the highest health risk factors, contributing to cardiopulmonary and lung cancer mortality.

Looking in more detail at the key deprivations, Kosovo's employment rate<sup>13</sup> is strikingly low at 25 %. Youth aged 15-24, women and minorities stand out as particularly disadvantaged. The employment rate is 12 % for women, and 38% for men,<sup>14</sup> 7 % in the Roma, Ashkali and Egyptian

<sup>12</sup> KAS 2015, World bank data <http://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?locations=XK>

<sup>13</sup> Proportion of the population in working age (15-64) who during the reference week performed some work for wage or salary, or profit or family gain, in cash or in kind or were temporarily absent from their jobs.

<sup>14</sup> KAS 2016c

(RAE) communities and 20 % in the Serbian community.<sup>15</sup> The additional barrier for youth to secure employment is visible in the unemployment figures which are twice as high as in the population at large (58 % c.f. 33% overall). That 38 % of youth is neither in education, employment or training has worrying implications in terms of future employability. The poor access to employment also seems to have a reinforcing effect, discouraging workers to seek employment – 14 % of the working age population and 68 % of the inactive proportion report that they do not seek employment since they believe that there are no available jobs.<sup>16</sup>

Although the definition used for employment in the statistics presented above includes some elements of informality, the numbers are unlikely to capture the entire informal sector. The informal sector is estimated to make up between 30 - 40 % of the total economy and survey data indicates that a similar proportion of the labour force holds informal employment.<sup>17</sup> The degree of informality is higher amongst youth, women and those with lower levels of education.<sup>18</sup> While employment in the informal sector usually entails access to some income, the informally employed person has no job-or income security, no protection of workers' rights, and limited access to justice.

The most direct effect of the low employment rate is the low level of income and consumption. Almost 30 % of households have a consumption level of less than €1.72 per adult per day, excluding durable items and rent, i.e. live below the national poverty line. The unemployed, retired, people with disabilities and individuals in the RAE communities are over-represented in this group.<sup>19</sup> The widespread economic vulnerability is confirmed by surveys reporting that about 40 % of households consider it very possible that there will be periods during the coming year when they are unable to cover their basic needs, that 70 % of households cannot afford to save or invest any incomes,<sup>20</sup> and that 50 % of households are unable to heat their dwelling adequately during winter.<sup>21</sup> The economic vulnerability is aggravated by a weak social security system, limited both in scope and level. There is no unemployment insurance or family benefit for children. Financial assistance is available for the most vulnerable households, but requirements are restrictive and include e.g. that at least one member of the household is unable to work due to disability. The assistance is paid at on average €1.35 per adult per day,<sup>22</sup> which is insufficient to lift a household above the national poverty line. The economic vulnerability is exasperated by the high out of pocket expenses for healthcare and health expenditures have been identified to increase the poverty headcount with 15 %.<sup>23</sup>

Migration has long represented a viable alternative for Kosovans unable to find opportunities within the country. However as the security situation in Kosovo improved after the war in 1999, the chance to get asylum decreased and the immigration policies of other European countries have become restrictive for people from Kosovo. Today the opportunities for legal migration are limited

<sup>15</sup> UNDP 2013

<sup>16</sup> KAS 2016

<sup>17</sup> UNDP 2016a, Reinvest 2013

<sup>18</sup> KRASNIQI and TOPXHIU, 2012, UNDP 2016a,

<sup>19</sup> KAS 2011

<sup>20</sup> IKS 2016a

<sup>21</sup> KAS 2015a

<sup>22</sup> IMF 2016

<sup>23</sup> Bredenkamp, Mendola and Gragnolati 2010

and consist mainly of family reunification or temporary migration through study or work arrangements for highly skilled and educated individuals. Still, unskilled and undereducated youth engage in irregular migration.<sup>24</sup>

## 2.2. Vulnerable groups

- *Individuals in the Roma, Ashkali and Egyptian (RAE) communities are discriminated across the board and extensively deprived in all poverty dimensions. Average income is estimated at USD 2.1 per adult per day, the employment rate at 7 %, enrolment in basic education at 39 % and literacy at 80 %.*
- *The Serbian minority are deprived in terms of limited access to power and voice, opportunities and human security. A majority feel unsafe in their communities and are dissatisfied with the institutions in charge of providing security.*
- *Women are especially deprived in terms of access to employment, resources, and power and voice. The employment rate is at 12 %, only 8 % of property owners are women and 6 % of the positions with decision making authority in the public sector are held by women.*
- *The LGBT-group is discriminated both in the public and the private sphere, with consequences in terms of human security and power and voice. Estimates show that 50 % of LGBT persons live in fear of widespread homophobia and abuse, 40% have been verbally harassed and 10% physically harassed in public.*
- *Persons with disabilities are especially vulnerable – a majority rely on their family for both financial support and assistance with daily activities, and as many as 33 % of women and 23 % of men with disabilities have never been enrolled in school.*

While Kosovo has a legal framework free of discriminatory provisions, de facto discrimination is prevalent. Strategies to ensure non-discrimination are generally underfunded and institutional mandates to safe-guard human rights are unclear and overlapping. Some groups clearly stand out in terms of discrimination: the RAE communities, the Serbian minority, the LGBT community, people living with disabilities, and women. The discrimination of these groups reinforces their poverty in terms of access to resources, choices and opportunities in different ways.

*The RAE communities* are discriminated in every segment of society and especially deprived in all poverty dimensions. While there has been some progress in terms of the legal framework, including the adoption of strategies to protect and promote the rights of RAE communities, the implementation has so far been very slow. Estimations from 2009 indicate that the average family income in these communities is about €120/month, i.e. around €2, or USD 2.1, per adult per day.<sup>25</sup>

In terms of political representation the RAE communities have four reserved parliamentary seats, but the communities are politically unorganised and poorly represented in the municipal assemblies. The communities are also under-represented in the civil service and publicly owned

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<sup>24</sup> UNDP 2014

<sup>25</sup> ECMI 2013

enterprises.<sup>26</sup> The group is particularly deprived of opportunities and choices, including access to employment, education and health. Survey data estimates that 20% of RAE children lack a birth certificate, which directly affects the opportunity to access several public services such as health, education, employment, and social protection.<sup>27</sup> Estimates suggests that about 53% of children in these communities are enrolled in basic education, 39% to have completed primary education, 20 % secondary education,<sup>28</sup> and that only 1.4 % of girls participate in secondary and tertiary education.<sup>29</sup> The literacy level is significantly lower than in the population at large, at 87% for men and 73% for women.<sup>30</sup> The access to health care is limited both by the lack of official registration and by the high level of out-of-pocket expenses.

While the RAE communities are not especially deprived in terms of physical safety or limitations in the freedom of movement,<sup>31</sup> the environmental degradation has a particularly adverse effect on these communities' access to human security. Many make a living by illegally collecting recyclable waste in landfills, which entails exposure to toxins.<sup>32</sup> In addition there are several RAE settlements positioned next to hazardous areas, such as the main power plant in Obiliq and the tailing dams in Mitrovica. These communities have suffered severe health consequences, including lead poisoning, especially amongst children.<sup>33</sup> The general health status in the RAE communities is also negatively affected by harsh living conditions and inadequate housing arrangements.<sup>34</sup>

The case of the *Serbian minority* is perhaps more accurately described in terms of a mutually driven segregation, but the discriminatory effects are nevertheless evident in terms of a limited access to power and voice, opportunities and human security. Kosovo Serbs are to a large extent concentrated in the ten Serb majority municipalities. Access to public services in Albanian majority municipalities is limited by language barriers and perceived discrimination, while this is not reported as a problem in the Serb majority municipalities.<sup>35</sup> Serbian language schools operate outside of the Kosovo education system, and are run according to the Serbian curriculum and financed largely by Serbia. Degrees from Serbian educational institutions, including the University of Pristina in Mitrovica, are still not fully recognised in Kosovo, although mutual recognition of diplomas was agreed between Kosovo and Serbia as early as 2011.<sup>36</sup>

In terms of political representation 10 out of the 120 seats in parliament are reserved for Kosovo Serb representatives. The Serb community is also relatively well represented within the administration making up 5.5% of the total number of civil servants,<sup>37</sup> but remain largely non-represented in decision making positions in central institutions. Survey data indicates that Kosovo Serbs are experiencing a sense of isolation, being trapped in their own communities, and powerless

<sup>26</sup> ECMI 2013

<sup>27</sup> OSCE 2012

<sup>28</sup>World bank 2014, Tacso 2015

<sup>29</sup> Matache, Bhabha and Bronsther, 2014

<sup>30</sup> Government of Kosovo, 2016a

<sup>31</sup> ECMI 2013

<sup>32</sup> Kosovo Ministry of Environment and Spatial Planning 2015

<sup>33</sup> UNMIK, The Human Rights Advisory Panel, 2016

<sup>34</sup> ECMI 2013

<sup>35</sup> ECMI 2013

<sup>36</sup> BIRN 2015

<sup>37</sup> Kosovo Office of Prime Minister 2013

in terms of influencing the policies that affect their lives.<sup>38</sup> Kosovo Serbs are particularly deprived in terms of access to human security. Although the survey data is due for an update, figures from 2007 indicate that while more than two-thirds of Kosovans feel safe in their communities, the corresponding figure is 4.5 % amongst Kosovo Serbs. While 12 % of respondents overall perceived poor inter-ethnic relations as the gravest security threat, as many as 57 % of the Kosovo Serbs considered this as their major security issue.<sup>39</sup> Kosovo Serbs are also more dissatisfied with the institutions in charge of providing security, i.e. the Kosovo police, EULEX and KFOR; only 16 % are satisfied with the performance of these institutions, compared to 62 % amongst Kosovo Albanians.<sup>40</sup>

*Women* are subject to discrimination as a result of patriarchal customs and tradition, and the gender inequality is perpetuated by the weak rule of law.<sup>41</sup> The discriminatory effects are particularly visible in terms of access to employment, access to power and voice and access to resources. At 12 % the employment rate amongst women is three times lower than amongst men. Data suggests that only 15 % of managerial positions are held by women, and in the public sector only 6 % of positions with decision making authority are held by women. Care taking and family obligations are the two main reasons for women not to enter the labour force. More than 90 % of women who are not employed stated that they do not have access to, or cannot afford, suitable child care services.<sup>42</sup>

In terms of political representation the assembly has a 30 % quota for women representatives.<sup>43</sup> However the women parliamentary caucus describe the undemocratic party structures as one of the main obstacles to influence the decision making, both within their parties and in their positions as assembly members.<sup>44</sup> Although women and men have the same legal right to property, women's property ownership is estimated at 8 %<sup>45</sup> and land ownership at 5%, while 58 % of the individuals working on the land are women. Only 3% of commercial bank loans go to women.<sup>46</sup> Women are also particularly vulnerable to domestic, honour-motivated and sexual violence. However due to stigma and unawareness that sexual violence can occur between spouses, reported figures are most likely underestimates.<sup>47</sup> Women in the RAE communities are subject to intersectional discrimination both within and outside of their communities.

*The LGBT-community* is discriminated in both the public and the private sphere due to homophobia. The consequences are most visible in the poverty dimensions of human security and power and voice. According to survey data 50 % of LGBT persons live in fear of widespread homophobia and abuse, irrespective of whether they are openly gay or not. The same survey reports that more than 40% of the LGBT persons have been verbally harassed and that around 10% have been physically

<sup>38</sup> Pax 2014

<sup>39</sup> Saferworld 2007

<sup>40</sup> ECMI 2013

<sup>41</sup> Orgut 2014

<sup>42</sup> UNDP 2016

<sup>43</sup> Orgut 2014

<sup>44</sup> Stated during embassy hosted round tables with women caucus at Kosovo Parliament 2016-04-12

<sup>45</sup> Orgut 2014

<sup>46</sup> Orgut 2014

<sup>47</sup> Orgut 2014

harassed in public.<sup>48</sup> Given these figures it is particularly worrying that 67 % of prosecutors interviewed in a survey did not believe that violence against LGBT persons exists. Although the discrimination law prohibits discrimination based on sexual orientation there is no track record of the law being used in court.<sup>49</sup>

According to survey data there are about 150 000 *persons with disabilities*<sup>50</sup> (PWDs) in Kosovo. The group is particularly vulnerable in terms of access to resources and opportunities – a majority rely on their family for both financial support and assistance with daily activities. Women, men, girls and boys with disabilities face limited employment opportunities and poor access to education: As many as 33 % of women and 23 % of men with disabilities have never been enrolled in school. Difficulties to access the physical environment, information and communication constitute additional barriers to the use of public facilities, transport, and healthcare.<sup>51</sup> There is a lack of information on the living conditions for people with disabilities, which in and of itself is an indication of the extensive marginalisation of women, men, girls and boys with disabilities.

### 2.3. Structural and underlying factors

- *The stalled transformation process, the dysfunctional labour market and the poor growth in the private sector are key contributing factors to the low level of employment.*
- *Deficiencies in the rule of law and widespread corruption constitute root causes to the key development problems. The informal customary law with strong patriarchal values and clan-based relations continues to influence social norms and power structures.*
- *The democratic culture is undeveloped, with low trust in public institutions. The political environment is polarised and despite some improvements, consultations with the citizens remain limited.*
- *The state building process is negatively impacted by the unresolved conflict with Serbia and Kosovo's internationally contested statehood. Five EU countries are yet to recognise Kosovo as an independent state.*

The most direct explanations to the low level of employment can be found in the stalled structural transformation process, the dysfunctional labour market, and the poor growth in the private sector. The labour market has several dysfunctional features, including the non-merit based employment practices. Perception data shows that a large majority of Kosovans believe that connections or bribery is needed to secure a job. Only 12 % believe that it is possible to obtain employment through merit only.<sup>52</sup> Another issue is the public sector's large share of the labour market, accounting for 45 % of all jobs. In addition, the public sector pays higher wages and offers better working conditions than the private sector.<sup>53</sup> This is likely to contribute to the mismatch between

<sup>48</sup> Orgut 2014

<sup>49</sup> Orgut 2014

<sup>50</sup> People with disabilities include those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others,

<sup>51</sup> Government of Kosovo, 2012

<sup>52</sup> UNDP 2016a

<sup>53</sup>Government of Kosovo 2016, UNDP 2016a, The World Bank group in Kosovo 2015

skills needed in the private sector and the competences available in the labour force. Nearly 25 % of the companies report that the inadequately educated workforce constitutes a “major constraint” to their business.<sup>54</sup>

The limited private sector growth is also linked to unfair competition, which in turn is caused by severe deficiencies in the judicial sector. The business climate in Kosovo has been assessed to be under undue influence by the executive branch<sup>55</sup> and 62 % of Kosovo businesses do not trust the judiciary at all. The non-functionality of the competition authority, the inability to handle cases relating to intellectual property rights, and the high level of corruption hampers both domestic and foreign investments.<sup>56</sup> All of these factors also contribute to the high level of tax evasion and informality in the economy, which further exasperates the unfair competition.

The weak rule of law and the widespread corruption constitute root causes to the key development problems in Kosovo. Power relations based on family ties and undemocratic party structures formed during the liberation struggle, play a decisive role in societal development. The three main political parties PDK, LDK and AAK all have strong informal power structures, with linkages from the regional to the central level. There have been several high-level corruption cases, the latest one in summer 2016 when leaked wiretapped phone conversations from 2011 revealed that central members of the PDK used their power for personal gain and exercised undue influence in the appointment of key positions in publicly owned enterprises.<sup>57</sup> Still, there have been very few convictions and corruption investigations continue to be hampered by political influence.<sup>58</sup> Political policies such as the war pension scheme serve interest groups formed during the armed resistance in the 1990s. Consequences of the skew power relations are aggravated by de facto limitations of the press freedom. The public broadcaster is perceived as politicized, and both direct and indirect political interference remain a concern. According to Freedom House journalists are intimidated and threatened by government officials, business interest and media owners. Newspapers that oppose the government have been subject to tax investigations, barred from accessing information and discriminated in terms of being awarded public advertisements. There are reports of both threats of violence and physical attacks on journalists.<sup>59</sup> As a result, there is a lack of independent and reliable reporting on politically sensitive issues.

In addition, the democratic culture is undeveloped and the trust in public institutions is low. Kosovans are sceptical of voting practices – according to survey data almost half of respondents (42%) believe that their vote will not improve the current political situation and an additional 20% are unsure of their vote’s impact.<sup>60</sup> During the last few years the political environment has been marked by polarization between the government and the opposition, centred around a border demarcation agreement with Montenegro and an agreement on an Association of Serb majority municipalities, reached as part of the dialogue on normalisation of relations between Kosovo and Serbia. During 2016 assembly sessions were regularly disrupted by means ranging from

<sup>54</sup> The World Bank group in Kosovo 2015

<sup>55</sup> Bureau of Economic and Business Affairs 2016

<sup>56</sup> World Bank 2013b

<sup>57</sup>Kosovo 2.0 2016 <http://kosovotwopointzero.com/en/view-kosovo-politics-2016/>

<sup>58</sup> World Bank 2013b

<sup>59</sup> Freedom House 2016

<sup>60</sup> UNDP 2016b

whistleblowing, egg throwing and the release of teargas. The polarisation has slowed down the reform pace and has had a negative impact on the democratic legislative procedures.<sup>61</sup> Public protests have been mobilised several times, and have on a few occasions included violent elements such as the throwing of stones and Molotov-cocktails at the government building. The limited mechanisms for consultations with, and involvement of, citizens in decision-making further exasperate the democratic deficit.<sup>62</sup> Although minimum standards of public consultations have been adopted the implementation remains a challenge. The civil society sector has been strengthened over the past decade, however organisations are still largely dependent on donor financing and tend to have a “professional” set-up rather than being based on membership and/or volunteerism.

The current distance between Kosovo citizens and the state has historical roots dating from the Ottoman Empire and the Yugoslav era, when the state was not serving the interest of the citizens, resulting in distrust towards the state and absence of state accountability.<sup>63</sup> Instead parallel systems based on the Albanian customary law the Code of Lekë Dukagjini were developed. Many of the norms influencing society today can be traced back to the code, which prescribes strong patriarchal values, for example excluding women from inheritance. Clan-based relations also played an important role in traditional Kosovo society, and continue to influence social norms and power structures today.

Finally, the state-building process is negatively impacted by the unresolved conflict with Serbia and by Kosovo's internationally contested statehood. Kosovo is blocked from international institutions, and border crossing requirements continue to isolate the country and undermine economic development. The fact that five EU countries<sup>64</sup> remain non-recognizers casts doubt regarding the realistic prospect of an EU membership for Kosovo within the not too distant future. The lack of reconciliation is also evident in the high degree of segregation between Kosovo Albanians and Kosovo Serbs. According to survey data, a majority of Serbs and Albanians do not want to live in the same street as the other group.<sup>65</sup> The lack of reliable information and objective media reporting in both Serbian and Albanian languages reinforces the division and distrust between the communities.

#### 2.4. Future prospects, challenges and opportunities

- *The economic growth is vulnerable to changes in inflows of remittances and ODA and changes in the base metal prices. Implementation of the SAA will require a shift in the tax base.*
- *The widespread economic vulnerability, lack of opportunities and dissatisfaction with the political development and endemic corruption, create stress factors that pose a concern for peaceful development in Kosovo.*
- *Around 300 Kosovo citizens have become foreign fighters in Syria and Iraq. The issue of radicalisation has received much attention during the past two years and risks having a negative impact on Kosovo's EU approximation process.*

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<sup>61</sup> European Commission 2016

<sup>62</sup>Orgut 2014

<sup>63</sup> Briscoe and Price 2011

<sup>64</sup> Greece, Cyprus, Spain, Romania, Slovakia

<sup>65</sup> OSCE 2010

- *The unused potential of women and youth constitute an opportunity for economic growth and development, if barriers including e.g. labour skills mismatch and child-care facilities are addressed.*
- *The ICT sector, SMEs engaged in wood- and food processing, renewable energy products, fabricated metal products and apparel production are showing growth prospects and could contribute to sustainable economic growth.*

Kosovo's economic growth is driven by remittances and ODA. The proportion of ODA made out on average 17.3 % and remittances 10.5 % of GDP between 2009 and 2012. The productive base is narrow, with a focus on mining raw materials and minerals products. This, in combination with a low competitiveness in producing import substitutes, entails that Kosovo has a large negative trade balance.<sup>66</sup> In 2015, 73 % of Kosovo's tax revenues came from customs and taxation collected at the border,<sup>67</sup> entailing that the national revenues are dependent on the high import levels. The economic growth is vulnerable to changes in the inflows of remittances and ODA, as well as to changes in base metal prices. The implementation of the Stabilisation and Association Agreement (SAA) will require a shift of the tax base in order to retain the national revenues.

The current situation in which a large proportion of the population struggle to make ends meet, lack opportunities to change their situation, and are dissatisfied with the political development and endemic corruption, create stress factors that pose a concern for peaceful development in Kosovo. Together with the political polarisation, the lack of trust in democratic and financial institutions, and the dysfunctional justice sector, there is an enduring risk of social unrest and stalled socio-economic development. While Kosovo has reached a level of stability in which widespread violent conflict does not pose an immediate security threat, the underlying stress factors and the high degree of ethnic tension make Kosovo vulnerable to provocations from Serbia and there is a certain risk for outbursts of inter-ethnic violence. Tensions between Kosovo and Serbia have tended to rise during election periods in the two countries, negatively affecting the dialogue of normalisation of relations. In addition, as part of the Western Balkans, Kosovo is sensitive to conflict diffusion; for example, developments in Republica Srpska in Bosnia may well have an effect on the development in northern Kosovo.

Religious radicalisation is another issue that deserves lifting, given the current situation in Kosovo. After the war Kosovo was subject to an extensive foreign presence that exposed citizens to new ideas and rapid societal change. While this entailed a shift towards liberal values in the central parts of the country, Middle Eastern charity organisations established a presence in rural areas, introducing a more conservative and rigid interpretation of Islam<sup>68</sup>. The shortcomings of the state to provide physical, material and psychological welfare contributes to making segments of the youth vulnerable to radicalisation. Faced with a lack of progress, already marginalised groups may experience an increasing distrust in democracy as a mean for socio-economic development, and

<sup>66</sup> Government of Kosovo 2016b

<sup>67</sup> As included under the heading of customs in the national accounts, including: external excise at border, internal excise, customs duty on imports, value added tax at the border, revenues from fines, sales of goods, other customs duties , customs offense and fines, damage comp. a by insurance comp, banderols, external customs control , fast-customs

<sup>68</sup> Kosovar Center for Security Studies 2015

turn to religion instead. Around 300 Kosovo citizens have become foreign fighters in Syria and Iraq,<sup>69</sup> entailing that Kosovo has the largest number of foreign fighters per capita in Europe. Although, if measured per Muslim inhabitants, Kosovo ranks 14<sup>th</sup> in Europe after countries like Finland, Ireland, Belgium, Norway and others.<sup>70</sup> The issue of radicalisation in Kosovo has received much attention during the past two years, and has been met by a worry amongst EU countries, fuelled by reports in international media pointing out Kosovo as a breeding ground for terrorism.<sup>71</sup> Whether the worries are warranted or exaggerated is not clear, but in either case the issue of radicalisation risks having a negative impact on Kosovo's EU approximation process.

Kosovo has the youngest population in Europe and 55 % are below the age of 30.<sup>72</sup> This type of demographic dividend provides good opportunities for growth performance, but in order for the full potential to be seized the labour skills mismatch and issues causing the structural unemployment need to be addressed. Women also constitute an unused potential that could spark both societal change and economic growth. Although much remains to be done, gender equality has improved over the last decade and if key concerns such as political empowerment, care facilities and property rights are addressed a substantial positive development is possible.

The ITC sector is seen as a potential growth sector for Kosovo, given the regionally competitive wages, the adequate IT infrastructure, a potential for increased outsourcing demand and the high number of young people entering the labour force each year. The opportunity for growth could be facilitated by addressing the tertiary education mismatch.<sup>73</sup> Small and medium size enterprises (SMEs) engaged in goods producing sectors such as wood- and food processing, renewable energy products, fabricated metal products and apparel production are showing growth prospects. Access to finance, increased market connections and workforce skills development could further spur the SME-growth. Kosovo is also assessed to have a competitive potential in the some agricultural sectors, if investment in new technologies and rural infrastructure are made.<sup>74</sup>

## 2.5. Summary of findings in all poverty dimensions and the development context

### Poverty dimensions

#### *Resources*

- The level of absolute poverty in terms of income below US\$1.90 is very low at below 1 %, but high at about 30 % based on national poverty levels.
- While the level of education is relatively high, the quality of education is low and there is a skills mismatch on the labour market.
- The distribution of resources is unequal, with women and individuals belonging to minority communities being especially deprived.

<sup>69</sup> Government of Kosovo 2015

<sup>70</sup> Kosovar Center for Security Studies 2015

<sup>71</sup> E.g. New York Times 2016-05-21, Al Jazeera, 2015-02-11,

<sup>72</sup> KAS 2012

<sup>73</sup> Kosovo Ministry of Economic Development 2016

<sup>74</sup> The World Bank group in Kosovo 2015

### *Power and voice*

- Kosovo's legal framework is free of discriminatory provisions, but de facto discrimination is prevalent, especially against women, minority groups and members of the LGBT community.
- Kosovo has a low level of social capital and an undeveloped democratic culture, with low levels of trust in public institutions and a democratic deficit.
- The access to power and voice is asymmetric and based on opaque and undemocratic party structures and family ties
- Women's access to power and voice is limited in all spheres of society, including the workplace, public debate, political life and within the family.

### *Opportunities and choice*

- Access to employment stands out as the main deprivation, with an employment rate of 25% sinking to about 12 % for women, 7 % in the RAE communities and 20 % in the Serbian community. The additional barrier for youth to secure employment is visible in the unemployment at 58 % compared to 33 % overall.
- The opportunities to find formal employment are based on relations rather than skills and merits. Women, youth and individuals from the RAE communities face additional barriers to entering the labour market.
- Access to infrastructure, including electricity, internet and water and sanitation is in general good. The access to credit is limited and the proportion of mortgaged private dwellings is low at 3 %.
- The health sector is perceived as highly corrupt and the high out of pocket expenses limit the access to health care for vulnerable groups. Health expenditures have been identified to increase the poverty headcount with 15 %.

### *Human security*

- The underlying inter-ethnic tension between the Serbian and Albanian communities remains strong. The communities are largely segregated living in different municipalities and attending different schools with different curricula. The lack of reliable information in both languages reinforces the division and distrust between the groups.
- The level of crime is relatively low, but the perceived level of safety differs remarkably between Albanian and Serbian groups. While a large majority of Albanians feel safe in their communities, the reverse is true in the Serbian group.
- The level of economic security is poor; many households are struggling to make ends meet, which entails a high level of vulnerability to external shocks, including health issues, given the high out-of-pocket costs for health services. The vulnerability is aggravated by the weak social security system.

## **Institutional, structural and development context**

### *Political and institutional context*

- Corruption is considered as one of the three most important problems in Kosovo, and large scale corruption is perceived as prevalent in many institutions. There have been very few convictions in high-level corruption cases and the widespread nepotism has a negative impact on the institutional capacity.

- The rule of law is poor and suffers from undue political influence. Formalistic and cumbersome provisions coupled with a low competence level and limited financial resources have resulted in a huge backlog of cases and a pervasive distrust in the judicial system.
- The democratic culture is undeveloped, the political environment is polarised and despite some improvements consultations with the citizens remain limited.
- The Albanian customary law with strong patriarchal values continue to influence society today. The informal power structures are based mainly on family ties and undemocratic party structures formed during the liberation struggle and war times and play a decisive role in societal development.

#### *Social and Economic context*

- Kosovo's has had a long term positive growth at 3-5 %, but this has mainly been driven by consumption, public investments in infrastructure, inflows of remittances and ODA. While this indicates that the growth is unsustainable, it has on the positive side made Kosovo sturdy to withstand the global financial crises.
- The informal sector is perceived to be large, with business tax evasion estimated at 35-40 % and informal labour at 37 %. There is surprisingly little data on the size and the character of the informality, but the agricultural sector is assessed to display the largest degree of informality, followed by the manufacturing and processing sectors.
- The labour market is dominated by the public sector, which accounts for 45% of all formal jobs. The public sector offers both higher wages and greater job security than the private sector which hampers business expansions and entrepreneurship.
- The lack of Rule of Law is a major constraint for private sector growth. 62 % of Kosovo businesses do not trust the judiciary at all. The competition authority has been non-functional since 2013, there are no special courts to handle cases relating to intellectual property rights, and the courts lack the expertise to handle more complicated economic cases. This, together with the nepotism and large informal economy adds to the high level of unfair competition.

#### *Environmental context*

- Kosovo faces serious environmental degradation challenges related to air, water and soil pollution, threatened biodiversity and deforestation. Although environmental degradation is estimated to cost about 7.8% of the GDP Kosovo does not prioritise environmental protection.
- The energy sector is estimated to have the greatest impact on the environment. Lignite coal is constitutes the largest share of primary energy (63% of total use) while renewable energy sources represent only about 10%. Air pollution remains one of the highest health risk factors, contributing to the increase of cardiopulmonary and lung cancer mortality.
- Climate variability has already increased in the Western Balkans. In Kosovo the number of forest fires and instances of drought has increased in the last two decades and 80% of Kosovo municipalities have suffered from water shortages due to drought since 2004. In addition the quality of water resources is poor, with a majority of rivers being badly polluted by mines, tailing areas, municipal dumps and sewers from the bigger cities. Only 8% of the urban waste water is connected to sewers and treated in compliance with standards. Rural waste water treatment does not exist.

*Conflict and peaceful development*

- Kosovo's key national security interest is to gain full recognition of its independence, sovereignty and territorial integrity. In general there is no perception of direct threats to the national sovereignty, but the slow progress in the normalization of relations between Kosovo and Serbia is a concern.
- The inter-ethnic tensions in Kosovo have persisted since the end of the recent war, indicating a lack of reconciliation. Unaddressed war crimes, missing persons and property disputes continue to affect the inter-ethnic relations. Large scale inter-ethnic violence most recently occurred in 2004 causing 19 deaths and destruction of Orthodox cultural sites.
- There are several underlying stress factors that pose a concern for peaceful development in Kosovo. The shortcomings of the state in a variety of areas undermine the physical, material and psychological well-being of citizens. Main issues include the high level of unemployment and inactivity and the economic hardship that follows.
- Threats to human security in Kosovo are also linked to the endemic corruption and transnational organized crime. Together with the high degree of political polarisation, the lack of trust in democratic and financial institutions, and the dysfunctional justice sector there is a risk of social unrest, radicalisation and violent extremism.

### 3. Purpose, model and approach

#### 3.1. Purpose

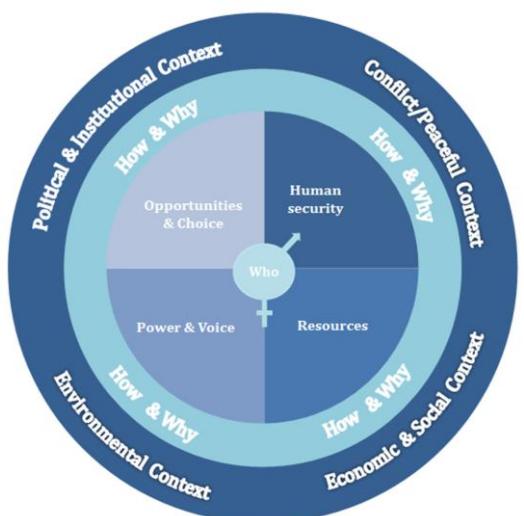
The Swedish development cooperation with Kosovo is guided by the Results strategy for Sweden's reform cooperation with Eastern Europe, the Western Balkans and Turkey 2014-2020. At the time when the strategy was developed the "Reform Cooperation in the Western Balkans and Eastern Europe" was considered as a separate Swedish policy area, with the aim of contributing to strengthened democracy, fair and sustainable development and approximation to the EU and its values. It was explicitly assumed that poverty alleviation in Kosovo and in the region was best addressed through the EU approximation agenda. However, an evaluation of the previous strategy period 2008-2012 noted that "The linkage to the poor is not so specifically clear, and indeed the focus on EU approximation makes it difficult to establish specific priorities related to poverty within the support."<sup>75</sup>

Since 2013 the objective of the reform cooperation is no longer considered a separate policy area, but falls under the overall policy objective to create opportunities for people living in poverty and under oppression to improve their living conditions. Due to this reason and the fact that Sida is strengthening its focus on multidimensional poverty analysis, the Embassy deems it relevant to conduct a multidimensional poverty analysis in Kosovo. The aim of the analysis is to strengthen the poor people's perspective in the on-going portfolio development. The analysis will further constitute a basis for the Mid Term Review of the strategy. It has been decided jointly between the Embassy and the Chief Economist Team (CET) at Sida Stockholm to conduct the analysis as a multidimensional poverty and development analysis using the draft analytical model developed by the working group for multidimensional poverty. The analysis carried out in Kosovo draws on the experiences from the pilot analysis conducted in Mali. Lessons from the Kosovo exercise will be used to further develop the structure for analysis and the model.

#### 3.2. Model

The analysis, and the structure of the report, applies Sida's multidimensional poverty model (see figure). The model illustrates the four dimensions of poverty, with a focus on identifying the main deprivations (how) and its effects on different groups of people in the dimensions (who). The outer circle illustrates a link to the institutional, structural and developmental causes to poverty (why).

To put "who" at the centre implies that the situation, needs, preconditions, and priorities of women, girls, men and boys, living in poverty should be the starting point. Doing so facilitates an understanding of how poverty and vulnerability impacts different groups of people in the four dimensions, while seeing the individuals as agents of change as opposed to victims.



<sup>75</sup> Indevelop, 2013, p.29

The development context is visualised in the model's outer circle. Analysing the development context is fundamental in understanding the causes of poverty in the different dimensions and the structural aspects of poverty. Adding an explanatory framework to the poverty analysis supports the identification of opportunities and constraints for an inclusive and sustainable development.

All of the dimensions in the inner circle and the development aspects in the outer circle are interlinked. Different social divides, such as gender, age, sexual identity, disability, cuts across all dimensions and should be taken into account in order to understand who is poor, how and why. Furthermore, risks related to the resilience of people and the development processes need to be taken into account to support an analysis of different groups' vulnerability to e.g. economic shocks, climate changes, tensions and conflict.

#### **The four dimensions of poverty:**

Being poor in terms of **resources** means not having access to or power over resources that can be used to sustain a decent living standard and improve one's life. Resources can be material or non-material – e.g. a decent income, capital, being educated, having professional skills, and being healthy.

Being poor in terms of **opportunities and choice** concerns the possibilities you have to develop and/or use your resources so as to move out of poverty. Access to e.g. social services, to infrastructure, to capital, to land, or to natural resources affects the opportunities and choices.

Being poor through lack of **power and voice** relates to the ability of people to articulate their concerns, needs and rights in an informed way, and to take part in decision-making that relate to these concerns. Power is a relational concept that allows us to better understand socio-cultural hierarchies such as gender, age, caste, class, religion, ethnicity and sexual identity.

Being poor in terms of **human security**, implies that violence and insecurity are constraints to different groups' and individuals' possibilities to exercise their human rights and to find paths out of poverty.

#### **The development context:**

The **political and institutional** context refers to formal and informal political institutions, norms, rule of law, and human rights. The roots of poverty can often be traced to unequal relations of power, recognising corruption as a manifestation of power inequality. Politics determines the available choices in the social and economic spheres of society and socio-cultural norms affect the relation between different social groups, defining their roles and position in society.

**Economic and social development** includes the size of the economy and growth rate, macro economy, fiscal policy, market development, labour market, structure of the economy, the education and health systems, and demographic developments. The economic development directly affects poverty in terms of e.g. employment opportunities, quality of social services and infrastructure. Macroeconomic instability affects the resources and opportunities through e.g. inflation.

The **Environmental context** includes understanding the use of and dependency on natural resources and ecosystem services for livelihoods and economic growth as well as climate change impacts (on-going and coming) and other environmental degradation and risks. People living in poverty are less resilient to climate change as they are more exposed to e.g. risks from droughts and floods and other health risks.

**Conflict and peaceful development** refers to on the one hand social cohesion, trust, mechanisms for conflict resolution, justice and arms control. And on the other hand to violence, tensions, grievances and conflicting interests. It is important to consider how the larger internal and external security situation affects the level of poverty, i.e. by reducing access to: education and health, the possibility to participate in decision making, and the access to markets.

### 3.3. Approach and limitations

This report is based on a literature review and thus limited by the availability of data and statistics. Several of the global poverty indexes, such as the Multidimensional Poverty Index, aggregated human development index reports etc. not include data on Kosovo due to the issue of non-recognition. Primary data related to demographics used in this report are mainly from the latest population census conducted in 2011. As in many other countries, population statistics is a contentious subject in Kosovo, especially in relation to minority communities. The four Serb majority municipalities in northern Kosovo did not participate in the 2011 census, and the census was partly boycotted by Serb and Roma communities in the south, which entails that the size of the different communities is disputed. The figures on minorities used in this report are based on data from the 2013 OSCE Municipal Profiles, as collated by the European Centre for Minority Issues (ECMI) and should be recognised as rough estimates.<sup>76</sup>

The national statistics often lack disaggregation on ethnicity and to some extent gender. Some sectors, including education, health and environment lack key indicators. While social statistics, labour force statistics and statistics related to national accounts are collected and reported regularly, information relating to other sectors is not as readily available and in some exceptions data from as far back as 2007 is included in the report.

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<sup>76</sup> ECMI 2013

## 4. Literature review

In this section the findings from the literature review is presented in line with Sida's multidimensional poverty model. It begins by accounting for the four poverty dimensions: resources; opportunities and choice; power and voice; and human security, with the aim of identifying main deprivations and how different groups of people are affected. Then the contextual aspects are presented with the aim of providing an explanatory framework for the causes of poverty.

### 4.1. Resources

*Resources include material and non-material such as income, capital, and other assets, as well as health status and education level.*

- *The level of absolute poverty in terms of income below US\$1.90 is very low at below 1 %, but high at about 30 % based on national poverty levels.*
- *While the level of education is relatively high, the quality of education is low and there is a skills mismatch on the labour market.*
- *The distribution of resources is unequal, with women and individuals belonging to minority communities being especially deprived.*

*Absolute poverty* in terms of income below US\$1.90 has declined from around 3 % in 2006 to below 1 % in 2013.<sup>77</sup> The national measure of poverty is based on consumption, calculated as the total value of a household's expenditure, excluding durable items and rent. The poverty and extreme poverty lines are drawn at consumption levels below €1.72 per adult per day and €1.20 per adult per day, respectively. According to data collected during the 2011 population and housing census, 29.7 % of households live in poverty and 10.2 % in extreme poverty.<sup>78</sup> In 2015 the average total consumption per day was € 20.5 per household and €3.9 per capita. The largest consumption category is food and non-alcoholic beverages which constitute 43 % of total consumption, followed by housing at 30 %, transport at 4.5 %, clothing & footwear and alcohol & tobacco at 4 % each.

Many households struggle to meet their financial obligations; 42% failed to pay their fees/bills in time at least twice during 2014.<sup>79</sup> This finding is confirmed by a survey showing that 44 % of respondents consider it very possible, and 29 % considered it somewhat possible, that they during the coming year will experience periods when their income is insufficient to cover the basic needs of their family.<sup>80</sup> Half of the surveyed households reported that they could not afford to heat their dwelling adequately during winter. The level of vulnerability to economic shocks is high, with more than half of the households stating that they could not afford an unexpected expense of €500 through their own resources.<sup>81</sup> The vulnerability is confirmed by a different survey in which 70 % of respondents reported not being able to save or invest any of their incomes.<sup>82</sup>

<sup>77</sup> WB data (<http://data.worldbank.org/topic/poverty?locations=XK>)

<sup>78</sup> KAS 2015a

<sup>79</sup> KAS 2015a

<sup>80</sup> IKS 2016a

<sup>81</sup> KAS 2015a

<sup>82</sup> IKS 2016a

Looking at *inequalities* Kosovo's Gini coefficient is low at 0.2671 (0 indicates perfect income equality and 1 absolute inequality).<sup>83</sup> Nevertheless the perceived level of inequality is substantial, which raises the question of how well reported incomes reflect actual income, e.g. due to illicit financial flows and criminal earnings. Disaggregating the poverty level reveals a difference in distribution of poor households between urban and rural areas, with about two-thirds of the poor residing in rural areas. There is also a significant difference in the occurrence of poverty between female and male headed households with a poverty rate of 39.8 % in the former and 29 % in the latter. The majority of individuals living in poverty have less than secondary education, and the highest poverty rates are found amongst unemployed, retired or disabled people.<sup>84</sup> The ethnic minority households, especially in the Roma Ashkali and Egyptian (RAE) community, are disproportionately represented in the group living in extreme poverty.<sup>85</sup>

Kosovo's average *monthly wage* is reported at between € 352 and € 464.<sup>86</sup> Looking at the different types of income, wages from the public and private sector constitute 26 % and 22 % respectively and day wages 6 %. Remittances make out 9 % of total income, other household businesses 11 % and pensions 13 %.<sup>87</sup> About 20 % of the population receive remittances, and 10 % of households reported remittances as the main source of income. Poorer households have significantly fewer migrants, and as a consequence the proportion of poor households receiving remittances is only 10%.<sup>88</sup> While data on remitted sums is unreliable due to informal flows, it is estimated that remittances make up between 9% and 13% of GDP. Evidence indicate that the majority of the remittances are used for consumption, primarily food and clothing, or durable goods such as TVs, refrigerators, cars, satellite dishes or mobile phones, rather than for investment purposes.<sup>89</sup>

In terms of *assets* the 2015 household budget survey reports that between 95-98 % of households have: a colour TV, a flushing toilet, indoor hot water bath or shower, and a washing machine. About 60 % of households own a vehicle, 99 % of households have at least one mobile phone and 70 % of households are reported having a computer and internet. 20 % reported having a landline telephone and just over 10% having central heating.<sup>90</sup> Data indicates that 64 % the Kosovar households live in houses that they own, 22 % live in houses owned by their parents, 9 % in apartments they own, and only 5 % live in rented dwellings.<sup>91</sup> Based on the data in the property tax register there are about 110 000 private property owners, and the average property is valued at about €40 000. Although women and men have the same legal right to property ownership, women's property ownership is estimated at 8%.<sup>92</sup> Agricultural holdings make up 41.8% of Kosovo's area (512 000 hectares of land) with an average holding size of 3.9 hectares. The vast majority of agricultural holdings are owned by households and individual businesses, only 2 % are

<sup>83</sup> World bank, 2016, World bank data (<http://data.worldbank.org/topic/poverty?locations=XK>)

<sup>84</sup> KAS 2011

<sup>85</sup> The World Bank group in Kosovo 2015

<sup>86</sup> KAS data [http://askdata.rks-gov.net/PXWeb/pxweb/en/askdata/askdata\\_Structural%20business%20statistics/asn05.px/?rxid=8ee8c42f-ace5-4fbc-9b5b-19884561d6b4](http://askdata.rks-gov.net/PXWeb/pxweb/en/askdata/askdata_Structural%20business%20statistics/asn05.px/?rxid=8ee8c42f-ace5-4fbc-9b5b-19884561d6b4)

<sup>87</sup> KAS 2015a

<sup>88</sup> Möllers and Meyer, 2014

<sup>89</sup> KAS 2013a, Möllers and Meyer 2014

<sup>90</sup> KAS 2015

<sup>91</sup> IKS 2016a

<sup>92</sup> Orgut 2014

legal entities. 95 % of the land holders are male, while 58 % of the individuals working on the land are women. Similarly only 10 % of land owners are below the age of 35, while making up 40 % of the individuals working on the land.<sup>93</sup>

In general the *education level* is relatively high with an average of 10.7 years of schooling and 14.2 years of expected schooling. 98 % of women and 97.6 % of men aged 15-24 are literate. Although the general level of education is high, the quality of education and the mismatch with labour market demands remains a serious challenge.<sup>94</sup> Kosovo participated in the PISA test for the first time in 2015, and the results confirmed the perception that the quality of education is poor. Amongst the 74 participating countries Kosovo scored third from the bottom in Science and Maths (before Algeria and the Dominican Republic), and second from the bottom in Reading (before Algeria). The literacy level amongst the RAE communities in the same age span is significantly lower at 86.5% for men and 72.8% for women.<sup>95</sup> Data suggests that only 1.4 % of RAE adolescent girls participate in secondary and tertiary education.<sup>96</sup>

Reliable data on the *health status* of the Kosovo population is scarce. The average life expectancy is at 71.1, years which is about 10 years lower than the EU average, and the lowest in the Western Balkan region, but above the average for lower-middle income countries, which is at 67.2. One of the reported challenges is maternal and child health. Infant mortality rate is estimated at between 35-49/1000 births and under 5 mortality rate at 69/1000 births. Child malnourishment is reported at 5%, and 10% of children under the age of 5 are reported to suffer from chronic malnutrition<sup>97</sup>. Problems with the respiratory system is the most common encountered disease,<sup>98</sup> something that has been linked to long level exposure to high levels of particle matter, which increases lung cancer and cardiopulmonary mortality, chronic bronchitis and respiratory diseases.<sup>99</sup>

#### 4.2. Power and voice

*Power and voice relates to the ability of people to articulate their concerns, needs and rights in an informed way, and to take part in decision-making that relate to these concerns.*

- *Kosovo's legal framework is free of discriminatory provisions, but de facto discrimination is prevalent, specifically against women, minority groups and members of the LGBT community.*
- *Kosovo has a low level of social capital and an undeveloped democratic culture, with low levels of trust in public institutions and a democratic deficit.*
- *The access to power and voice is asymmetric and based on undemocratic party structures and family ties.*
- *Women's access to power and voice is limited in all spheres of society, including the workplace, public debate, political life and within the family.*

<sup>93</sup> KAS 2015c

<sup>94</sup> UNDP 2016

<sup>95</sup> Government of Kosovo, 2016a

<sup>96</sup> Matache, Bhabha and Bronsther, 2014

<sup>97</sup> Unicef data <http://www.unicef.org/kosovoprogramme/children.html>

<sup>98</sup> ILO 2010

<sup>99</sup> The World Bank group in Kosovo, 2015

Looking at the *political representation* the Law on General Elections provide quotas for minorities and women (specific information about the system is provided in the section on political and institutional context).<sup>100</sup> While these provisions ensure quantitative representation, the quotas have been criticized for having skew effects in terms of proportionality, for example in cases when minority representatives receive very few votes (as was the case in 2004 when the Kosovo Serbs boycotted the election) and in terms of regional representation, since some regions have a larger proportion of minorities than others.<sup>101</sup>

The level of *trust in public institutions* is very low and Kosovans are sceptical of voting practices – according to survey data almost half of respondents (42%) believe that their vote will not improve the current political situation and 20% are unsure if their vote will have an impact.<sup>102</sup> The limited mechanisms for consultations with, and involvement of, citizens in decision-making further exasperate the democratic deficit.<sup>103</sup> A current example relates to the upcoming reform on social protection, including pensions and health insurance, which is currently discussed in the government. Although these reforms will have a direct and significant effect on people's lives, citizens are not aware of how the current social welfare system works or what the effects of the proposed changes are.<sup>104</sup>

Despite improvements, *women's access to power* and voice remains limited. Within the workforce the proportion of men holding senior positions with staff responsibility is across the board 50 % higher than corresponding figures for women. According to ILO data from 2012 only 14.8 % of all managerial positions are held by women. While the legislation promotes non-discriminatory employment practices, the fact that only 41.2% of businesses are aware of the new labour law is likely to undermine the implementation.<sup>105</sup> The gender imbalance is also visible in national statistics on employment in the public sector (see table below). The women parliamentary caucus describe the undemocratic and non-transparent party structures as one of the main obstacles to influence decision making, both within the party and in their positions as assembly members.<sup>106</sup>

	<b>Public sector women employees</b>	<b>With decision making authority</b>	<b>With staff responsibility</b>
<b>National</b>	42 %	7 %	27 %
<b>Municipal</b>	27%	4 %	19 %

Looking at *human rights and discrimination* Kosovo has a solid legal framework free of discriminatory provisions. However reality shows a serious lack in implementation. While there are many strategies that specify the institutions' legal obligations, they seldom receive sufficient funding for implementation. Action plans are generally not cross-checked with other action plans, contributing to overlaps and unclear mandates.

<sup>100</sup> Orgut 2014

<sup>101</sup> IKS 2011

<sup>102</sup> UNDP 2016b

<sup>103</sup>Orgut 2014

<sup>104</sup> IKS 2016b

<sup>105</sup> Orgut 2014

<sup>106</sup> Stated during embassy hosted round tables with women caucus at Kosovo Parliament2016-04-12

The Law on Gender Equality, the Criminal Code, the Labour Law, and the Law on Civil Service contain provisions against sexual harassment. Several private and public employers have policies against sexual harassment, including reporting procedures. In practice however very few cases have been reported. The de facto discrimination against women continues in spite of de jure equality for men and women. Women tend to have less access to justice, realisation of legal remedies guaranteed by law, and compensation for crimes suffered. The effective enjoyment of women's rights is affected by patriarchal customs and tradition, and perpetuated by the weak rule of law.<sup>107</sup>

Considering the stigma associated with sexual violence and the lack of knowledge that sexual violence between spouses is prohibited, the extent of sexual violence is likely much higher than the reported cases. In 2015 seven cases of rape and 30 charges of sexual abuse led to convictions in court.<sup>108</sup> A survey from 2010 found that 16.6% of civil servants had experienced sexual harassment at least once. Uneven power relations between abusers and abused, coupled with the cultural taboos surrounding the topic, prevent people from reporting it.<sup>109</sup> In addition scarce employment opportunities prevent in particular women and girls from speaking out against discrimination at the workplace. In terms of domestic violence Kosovo Police reports include instances honour based violence.<sup>110</sup> Persons with mental and physical disabilities are at greater risk of domestic violence, due to their social isolation. These cases are seldom reported or publicized.

The RAE communities are the most vulnerable to discrimination in all segments of society, with limited opportunities to access power and voice their concerns. There is a government Strategy and Action Plan for the Integration of Roma, Ashkali, and Egyptian Communities, but it remains to be implemented. In terms of intersectionality Roma, Ashkali, and Egyptian women face "triple discrimination" from their families, communities, and national institutions. While there is not a significant difference in the level of gender discrimination between these three ethnic groups, there are differences depending on whether the women live in rural or urban areas, their family's level of education, and the customary traditions, such as early marriages, that are upheld in their "mahalla" (neighbourhoods).<sup>111</sup>

LGBT groups remain silent and excluded from the mainstream society due to homophobia both the public and the private sphere. Survey data estimates that more than 40% LGBT persons have been verbally harassed in public and approximately 10% have been beaten, stabbed, spat at, or threatened. Half of the respondents stated that they lived in fear of widespread homophobia and abuse, irrespective of whether they were openly gay or not.<sup>112</sup>

#### 4.3. Opportunities and choice

*Being poor in terms of opportunities and choice concerns what possibility you have to develop and/or use your resources so as to move out of poverty. Access to for instance social services, to infrastructure, to capital, to land, or to natural resources affects the opportunities and choices.*

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<sup>107</sup> Orgut 2014

<sup>108</sup> Kosovo Police 2016

<sup>109</sup> Orgut 2014

<sup>110</sup> Orgut 2014

<sup>111</sup> Orgut 2014

<sup>112</sup> Orgut 2014

- *Access to employment stands out as the main deprivation, with an employment rate of 25, 2%, sinking to about 12 % for women, 7 % in the RAE communities and 20 % in the Serbian community.*
- *The opportunity to find formal employment is very limited and based on relations rather than skills and merits. Women, youth and individuals from the RAE communities face additional barriers to entering the labour market.*
- *Access to infrastructure, including electricity, internet and water and sanitation is in general good.*
- *The health sector is perceived as highly corrupt and the high out of pocket expenses limit the access to health care for vulnerable groups. Health expenditures have been identified to increase the poverty headcount with 15 %.*

In terms of opportunities and choices the limited *access to productive employment* stands out as the most pressing issue. Kosovo's level of unemployment is estimated at 33 % rising to 58 % amongst youth. Given the low labour force participation, the employment rate, i.e. the proportion of individuals in the age group 15-64 is only at around 25%. Youth aged 15-24, women and minorities stand out as particularly disadvantaged. The employment rate for women is the lowest in the whole of Europe at only 12%.<sup>113</sup> Regional data suggests an employment rate of 7% in the RAE communities and 20% amongst Serbs<sup>114</sup> with minority women being particularly deprived. The difficult situation in the labour market was the main reason for the large number of people from the RAE communities to emigrate during the last wave of emigration that reached its peak in the end of 2014 and beginning of 2015.<sup>115</sup> The employment statistics fail to fully capture in the informal sector which is estimated to make up between 30 - 40 % of the total economy, with a corresponding proportion of the labour force holding informal employment.<sup>116</sup> Data suggests that the degree of informality is higher amongst youth, at about 50 %, and amongst those with lower level of education.<sup>117</sup>

Survey data indicates that a large majority of Kosovans believe that one needs connections in order to secure a job. About 18 % of the respondents were of the opinion that public sector jobs were awarded based on the payment of bribe (8.3% in the private sector). Only about 12 % thought that competency is enough to obtain employment.<sup>118</sup> Reflecting this perception, the Labour Force Survey in 2014 showed that 95.6 % of Kosovans seek employment through family, friends, relatives etc. In comparison only a quarter used official sources of information and less than 10% used private employment agencies.<sup>119</sup>

Women and youth stand out as particularly vulnerable groups, facing additional barriers to entering the labour market. Amongst those employed the proportion of women possessing tertiary

<sup>113</sup> KAS 2016

<sup>114</sup> UNDP 2013

<sup>115</sup> Strategy for inclusion of Roma, Ashkali, and Egyptian communities in the Kosovo society

<sup>116</sup> UNDP 2016

<sup>117</sup> KRASNIQI and TOPXHIU, 2012

<sup>118</sup> IKS 2016c

<sup>119</sup> UNDP 2016a

education is considerably higher than that of men, indicating that women's labour capacity and education has a lower value on the labour market. The lack of child care facilities and women's greater responsibility for unpaid domestic work make out additional hurdles in women's access to employment. Care taking and family obligations are the two main reasons for women not to enter the labour force. More than 90% of women who are not in possession of a formal job stated that they do not have access to, or cannot afford, suitable child care services. In addition the receipt of remittances is found to have a negative effect on women's participation in the labour force.<sup>120</sup> A large majority of the unemployed youth (87%) have been seeking a job for more than two years, and are thus considered long term unemployed. Survey data points to that about 10 % of the inactive youth did not search for work, since they believed that there were no available jobs.<sup>121</sup>

*Migration* has long represented a viable alternative for Kosovans unable to find opportunities within the country and Kosovo has a diaspora estimated at about 700 000 individuals.<sup>122</sup> However, as the security situation has improved after the war in 1999 the immigration policies in other European countries have become very restrictive for Kosovans. Today the opportunities for legal migration are limited and consist mainly of family reunification or temporary migration through study or work arrangements for highly skilled and educated individuals. Still, unskilled and undereducated youth engage in irregular migration. Estimates from 2014 suggest that between 12 000 – 13 000 individuals emigrate from Kosovo annually.<sup>123</sup> However the underlying emigration pressure is much higher – in the early months of 2015 there was a surge of about 50 000 individuals attempting to emigrate; a wave elbly caused by rumours of changed migration policies in Germany, and changes in the border rules enabling Kosovans to cross the Serbian border with Kosovo ID cards. Amongst households that harbour emigration plans 86 % reported that the will to move was motivated by economic reasons. There are also indications that dissatisfaction with the political development in the country constitutes a reason for emigration; according to opinion polls half of those very unsatisfied with the political situation had emigration plans.<sup>124</sup>

In general the *access to education in Kosovo* is good and fairly equitable. Overall primary school attendance is at 97.8 %, lower secondary school attendance at 96.4 % and upper secondary at 83.4 %. On these levels the gender gap is at about 4 % in attendance rates.<sup>125</sup> The Serbian community attend schools run and financed by Serbia, according to the Serbian curriculum. Two groups stand out as particularly deprived in terms of accessing education: children with disabilities and children in the minority communities. According to survey data only 10 % of disabled children and 53.4 % of children in the RAE community are enrolled in basic education.<sup>126</sup> Around 39% of RAE children are estimated to have completed primary education, and 20 % secondary education.<sup>127</sup> The RAE children in Kosovo attend either Serbian or Kosovar schools, depending on a variety of factors such as where they live, their home language, their educational level, and the family history during the war. Some families have reported that since they do not speak Albanian their only option was to put

<sup>120</sup> UNDP 2016

<sup>121</sup> UNDP 2016

<sup>122</sup> UNDP 2014

<sup>123</sup> UNDP 2014

<sup>124</sup> UNDP 2014

<sup>125</sup> Ministry of Education 2016

<sup>126</sup> World bank 2014

<sup>127</sup> Tacso 2015

their children into Serbian speaking schools, although they realise that this will reduce their children's future competitiveness in the labour market.<sup>128</sup> According to reports RAE children are discriminated by being placed at the back of class, suffer from low expectations by parents and teachers, and tend to perform poorly in school.<sup>129</sup> Most RAE parents lack the capacity to support their children in terms of homework or demanding their rights towards the educational institutions. RAE children are more often directed to retake school years, irrespective of whether their performance justifies this or not.<sup>130</sup>

In terms of *access to health care*, the health sector is perceived as one of the most corrupt areas of society.<sup>131</sup> Informal payments to avoid waiting for treatment and to obtain referrals are considered common practices. In addition patients often have to purchase medicines from private pharmacies, increasing the private financial burden. Households' out-of-pocket spending on health makes up about 40 % of total health expenditure. According to data from 2010 health expenditure accounted for 13 % of total income in the poorest household quintile. Out of the private health expenditure 17 % was spent on transport, indicating that the distance to suitable hospitals limit the access to health care for poor families. Health expenditures have been found to cause an increase of 15% in the poverty headcount.<sup>132</sup> According to the household budget survey 2015, health services made out about 3.5% of total household consumption.<sup>133</sup> Other survey data found that 71% of respondents considered it very or somewhat possible that they would not get the medical services they needed if they would fall ill during the next 12 months.<sup>134</sup> The RAE communities' access to health care is severely affected by the high level of out-of-pocket expenses. In addition the lack of official registration poses a significant problem for these communities' access to health services (as well as education, employment, social protection and housing).<sup>135</sup> Survey data estimates that 20% of RAE children lack a birth certificate.<sup>136</sup> There are several reasons behind the non-registration, including home births, a lack of knowledge about the rights and benefits linked to registration and about how the registration procedures work.<sup>137</sup> Vulnerable members of the RAE communities including young children, women and girls needing reproductive health, elderly and disabled members of the community, are at particular risk.

Access to *water and sanitation* is high at 95-98% According to Kosovo's water strategy 2015-2034 the connection rate for drinking water was 76 % in 2013. However only 8 % of the urban waste is treated in compliance with standards and rural waste water treatment does not exist.<sup>138</sup> As a result between 74-90 % of wells and springs in small cities and rural areas have wastewater and faecal contamination.<sup>139</sup>

<sup>128</sup> Matache, Bhabha and Bronsther 2014

<sup>129</sup> Ibid

<sup>130</sup> Ibid

<sup>131</sup> UNDP 2016b

<sup>132</sup> Bredenkamp, Mendola and Gragnolati 2010

<sup>133</sup> ILO 2010

<sup>134</sup> IKS 2016a

<sup>135</sup> OSCE 2012

<sup>136</sup> KAS 2013b

<sup>137</sup> Kosovo Office of the Prime Minister 2008, KAS 2013b

<sup>138</sup> Government of Kosovo 2015a

<sup>139</sup> World Bank 2013a

Kosovo's road *infrastructure* provides a basic transport system across the country and the quality is in general adequate, although lacking in maintenance. Available data indicates that basically all households have access to electricity,<sup>140</sup> with an average consumption of 2917kWh per capita.<sup>141</sup> The electricity supply stability has improved, entailing that power cuts are now infrequent, although they still constitute a disruptive element for businesses and private households.<sup>142</sup> Internet penetration is estimated at between 75-80% of the population, which is comparable to that of developed countries. Internet is mostly used for social networking and internet voice communication services.<sup>143</sup>

The *access to credit* is limited; only 3 % of the private dwellings are mortgaged.<sup>144</sup> While Kosovo's banking sector is well capitalised, liquid, profitable its' risk adversity and conservative lending decisions entail that the credit market is not used productively. The credit interest rate is currently at an average of 7.6<sup>145%</sup>, which is high, given the current inflation of -0.165 and a lending rate of 0.9%.<sup>146</sup> Only 3% of commercial bank loans go to women, partly a consequence of the unequal property ownership.<sup>147</sup>

#### 4.4. Human security

*Human security entails a broader interpretation of the security concept which includes not only issues of physical security but also psychological and socio-economic safety such as job security, access to food, health and social security. Security challenges are often experienced differently by different groups and it is therefore important to take different perspectives into account.*

- *The underlying inter-ethnic tension between the Serbian and Albanian communities remains strong. The communities are largely segregated living in different municipalities and attending different schools with different curricula.*
- *The level of crime is relatively low, but the perceived level of safety differs remarkably between Albanian and Serbian groups. While a large majority of Albanians feel safe in their communities, the reverse is true in the Serbian group.*
- *The level of economic security is poor; many households are struggling to make ends meet, which entails a high level of vulnerability to external shocks, including health issues.*

The *inter-ethnic tension between Serbian and Albanian communities* is the central theme of human security considerations in Kosovo. Even though broader groups such as youth, women and disabled people are sometimes mentioned as particularly vulnerable, there is limited availability to data that presents their perspectives and situation.

Kosovo remains divided both physically and psychologically; a division that is reinforced by internal structures as well as external challenges in the relation with Serbia. To a large extent Serbs

<sup>140</sup> World bank data <http://data.worldbank.org/indicator/EG.ELC.ACCTS.ZS?locations=XK>

<sup>141</sup> World bank data <http://data.worldbank.org/indicator/EG.USE.ELEC.KH.PC?locations=XK&view=chart>

<sup>142</sup> European Commission 2016

<sup>143</sup> STIKK 2013

<sup>144</sup> KAS 2015a

<sup>145</sup> Kosovo Banking Association 2016

<sup>146</sup> World bank data <http://data.worldbank.org/topic/economy-and-growth?locations=XK>

<sup>147</sup> Orgut 2014

and Albanians are segregated, living in different municipalities and attending different schools, with different curricula. According to survey data a majority of Serbs and Albanians do not want to live in the same street as the other group.<sup>148</sup> The level of mistrust between the ethnical groups is high, and many people feel uncomfortable spending time in areas where “the other” group is in majority. The lack of reliable information and objective media reporting in both Serbian and Albanian languages reinforces the division and distrust between the communities. Minority groups - both Serbs in Albanian majority municipalities and Albanians in Serbian majority municipalities - feel disadvantaged in terms of service provision, justice and law enforcement. Survey data indicates that Kosovo Serbs are experiencing a sense of isolation, being trapped in their own communities, and powerless in terms of influencing the policies that affect their lives. Most are not seeing any benefits from the steps that have been taken to integrate the Serbian enclaves into Kosovo structures. This isolation has led to residents failing to see any viable future, which in turn risks turning into frustration and social instability, as well as stagnation in all aspects of socio-economic development such as lack of employment, weak rule of law, and poor education and health care options.<sup>149</sup>

In terms of *feeling safe*, perception data from 2007 indicate that in general more than two-thirds of Kosovans felt safe in their communities and 6 % felt unsafe or very unsafe. However disaggregating the data on Serb communities show that 48 % of Kosovo Serbs considered their neighbourhood unsafe or very unsafe and only 4.5 % felt safe or very safe. The same trend is seen in terms of being afraid of falling victim of a crime, where a majority of Kosovans reported feeling safe while within the group of Kosovo Serbs 70 % reported feeling very afraid of crime. The type of crime most feared was robbery/theft followed by assault/beatings and threats. Overall 20 % of respondents perceived traffic problems as the most serious safety issue facing the community, followed by interethnic relations at 12 % and health at 10.8 %. Again, disaggregating data shows that 57 % of Serbs perceived poor inter-ethnic relations as the gravest security threat.<sup>150</sup>

Looking at actual *crime levels* Kosovo is relatively safe, 25 murders and 281 robbery cases were reported in 2015 which entails that the level of murder and robberies are comparable to or lower than Sweden's, as a proportion of the population.<sup>151</sup> Given that the number of households in Kosovo is about 300 000, the number of firearms, estimated at 350 000, is very high. A large proportion of the weapons is expected to be situated in abandoned military depots and vacated residential houses.<sup>152</sup> The reported cases of sexual abuse and harassment is very low, but as described in the section on power and voice there is most likely an underreporting of cases.

Kosovans are *vulnerable* in terms of economic and health insecurity. The level of trust in financial institutions is low, which contributes to the lack of economic security. As evident in the sections on resources and opportunities and choice, many households are struggling to make ends meet, which entails a high level of vulnerability to external shocks, including health issues, given the high out-of-pocket costs for health services. The vulnerability is aggravated by the weak social security system.

<sup>149</sup> Pax 2014

<sup>150</sup> Saferworld 2007

<sup>151</sup> Kosovo Police 2016, BRÅ data <https://www.bra.se/bra/brott-och-statistik.html>

<sup>152</sup> Kosovo Police 2016

The most vulnerable groups are those unemployed, as well as persons employed in the informal sector.

#### 4.5. Political and institutional context

*The political and institutional context includes formal institutions, rule of law, and human rights but also social norms and informal institutions and power structures.*

- *The Albanian customary law with strong patriarchal values continue to influence society today. The informal power structures are based mainly on family ties and undemocratic party structures formed during the liberation struggle and war. These informal power structures play a decisive role in societal development, and largely determine access to power and opportunities.*
- *Corruption is considered as one of the three most important problems in Kosovo, and large scale corruption is perceived as prevalent in many institutions. There have been few convictions in high-level corruption cases and the widespread nepotism has a negative impact on the institutional capacity.*
- *The rule of law is poor and suffers from undue political influence. Formalistic and cumbersome provisions coupled with a low competence level and limited financial resources have resulted in a huge back log of cases and a pervasive distrust in the judicial system.*

#### Overview of the political and institutional development

Kosovo is a parliamentary representative democracy, with a multi-party system and a presidential head of state. The final remnant of the international governance structure was dismantled in 2012 with the dissolution of the International Civilian Representative in Kosovo. Assembly elections are held every fourth year and the 120 seats of parliament are distributed proportionally based on votes in one single electoral district. Out of the 120 seats 10 are reserved for Serbian representatives and 10 for other non-Albanian communities: one seat to the Roma community, one for Ashkalis, one for Egyptians and a further one is awarded to either of the three, three seats for Bosniaks, two seats for Turks and one for Goranis.<sup>153</sup> The assembly also has a 30 % quota for women representatives.<sup>154</sup> The president is elected by the assembly for a five year term, while the prime minister is nominated by the president and approved by the assembly. The last elections held in 2014 were considered as relatively free and fair.<sup>155</sup>

Since after the war, Kosovo's political scene has been dominated by three political parties with roots in the resistance movements from the occupation and war time era: LDK, PDK, and AAK. The political parties have indistinguishable ideological differences and their power bases have strong regional ties. The western region is dominated by the AAK, the eastern region by LDK and the highlands by PDK.<sup>156</sup> Since the first local elections in 2000 the share of the votes for the three parties has decreased successively and a proliferation of smaller parties have come and gone in subsequent elections. Amongst the newer parties Vetëvendosje! (VV) "Self-determination!" founded

<sup>153</sup> IKS 2011

<sup>154</sup> Orgut 2014

<sup>155</sup> Freedom House 2016

<sup>156</sup> IKS 2011

in 2005 is considered to be the main opposition party. It sprung from a protest movement in response to the slow and opaque process towards independence and negotiations with Serbia. VV is opposed to all international interference and supports unification with Albania.<sup>157</sup> The traditional political adversaries PDK and LDK have governed in a coalition, together with Serbian List since 2014. Many voters consider the government an unholy coalition, since LDK campaigned in opposition to PDK and clearly declared that they would not join forces.

Kosovo's institutional set-up and legislative framework is in many respects adequate and in line with international standards, however the institutional functioning and the implementation of policies are lacking severely in most areas. The institutional environment is politicised and the selection of candidates for boards and independent agencies are subject to political influence and based on political affiliation rather than professional merit. The increasing political polarisation has had a negative impact on the governance in many aspects. The functioning of the assembly has been limited since September 2015, with opposition parliamentarians engaging in disruptive measures ranging from whistle blowing, egg-throwing and the release of teargas inside the assembly chamber. As a result most of the laws that have been enacted since then are the product of irregular procedures, including fast track processes, breaches of procedural rules, a lack of quorum and irregular and heavily burdened agendas.<sup>158</sup>

### **Rule of law, justice system, and mechanism for accountability and corruption issues**

Kosovo faces substantial challenges related to *Rule of Law* (RoL) in terms of making sure that "all public powers act within the constraints set out by law, in accordance with the values of democracy and fundamental rights, and under the control of independent and impartial courts."<sup>159</sup> According to the World Bank good governance indicators for rule of law, Kosovo is ranked in the 37th percentile amongst 180 countries (0 being the worst and 100 the best) which is the lowest in the region, but around average for lower middle income countries.

The RoL system in Kosovo rests on three interdependent institutions: The police, the public prosecutors and the courts. In the latest progress report the European Commission identified weaknesses mainly related to the Kosovo Judicial Council (KJC) and Kosovo Prosecutorial Council (KPC). Even though some progress has been made in resource allocation and transmission of power to appoint new members, the KPC and the KJC are still at risk of political influence from the executive power. The small size of Kosovo coupled with its social structures make the judiciary prone to outside influence, in spite of the measures that have been taken to improve the independence of judges and prosecutors, such as assuring their safety and requiring them to report their assets.<sup>160</sup>

The competence level of the judiciary, in particular among the prosecutors, is low. While there are attempts to address this, some members seem unwilling to increase their competence by further education. Kosovo has increased its clearance rate of cases to 99% but the judiciary is still facing a huge backlog. This can in part be explained by the formalistic and cumbersome provisions in the

<sup>157</sup> IKS 2011

<sup>158</sup> European Commission 2016

<sup>159</sup> European Commission 2014

<sup>160</sup> European Commission 2016

criminal procedure code, which coupled with limited financial resources and insufficient human resources makes the judiciary slow.<sup>161</sup>

According to a citizen survey, *corruption* is considered to be one of the three most important problems in Kosovo, together with poverty and unemployment. Large-scale corruption is perceived to be prevalent in many institutions, such as health care providers, the Kosovo Electric Corporation, courts, customs, the central administration/institutions and the Privatization Agency of Kosovo.<sup>162</sup> Public procurement is particularly vulnerable to corruption.<sup>163</sup> In 2015 Transparency International's scored Kosovo at 33 out of 100 (100 being very clean to 0 being highly corrupt)<sup>164</sup> and the level of corruption has worsened during the transition from violent conflict to the state building process.<sup>165</sup>

There are five key institutions that deal with corruption in Kosovo: the State Prosecutor's Office, the Special Prosecutor, the European Union Rule of Law Mission in Kosovo (EULEX), the Anti-corruption Agency (independent agency), and the Anti-corruption Council (a consultative body chaired by the President). The coordination between these bodies is weak and the division of tasks and responsibilities unclear, resulting in an ineffective approach to dealing with corruption. The proliferation of actors is seen as a reflection of the tendency to develop new initiatives as a way of avoiding the actual issues. In terms of wider accountability mechanisms, the Office of Auditor General conducts annual audits of the performance of public institutions, which are presented to the parliament and online to the general public. Civil society organisations do to some extent act as watchdogs, although such initiatives are mainly supported and strengthened by international donors.

While the government recognises corruption as a significant problem, there is no indication of a real political will to tackle the issue strategically and systematically.<sup>166</sup> To date there have been few convictions in high-level political corruption cases. Investigations continue to be hampered by political influence. Most of the political parties lack internal democracy and transparency, and reinforce a regional clientelistic system. The high degree of nepotism has a severe effect on the institutional capacity and the widespread corruption continues to have a negative effect on the private sector and business environment.<sup>167</sup>

### **Freedom of expression and association**

In terms of *press freedom* Kosovo is considered to be partly free according to Freedom House. The legal framework protecting press freedom is generally in line with EU standards, but inconsistently enforced. There are several media actors, but private outlets struggle to survive economically, this is especially the case for Serbian language media.<sup>168</sup> The public broadcaster and the broadcast regulator, the Independent Media Commission, are generally perceived as politicized. Direct and

<sup>161</sup> European Commission 2016

<sup>162</sup> UNDP 2016b

<sup>163</sup> Briscoe and Price 2011

<sup>164</sup> Transparency International 2015,

<sup>165</sup> Briscoe and Price 2011

<sup>166</sup> European Commission 2016

<sup>167</sup> World Bank 2013b, Reinvest 2013

<sup>168</sup> Freedom House 2016

indirect political interference remains a concern. Journalists are intimidated and threatened by government officials, business interest and media owners. Newspapers opposing the government have been subject to tax investigations, barred from accessing information and discriminated in terms of being awarded public advertisements. There are reports of both threats of violence and physical attacks on journalists.<sup>169</sup> As a result there is a lack of independent and reliable reporting on politically sensitive issues.

### **The role of informal institutions, power structures and norms**

The current distance between Kosovo citizens and the state has historical roots dating from the Ottoman Empire and the Yugoslav era, when the state was not serving the Kosovar citizens, resulting in citizen distrust towards the state and a lack of state accountability.<sup>170</sup> Instead parallel systems developed and the traditional source of social norms, mainly the Albanian customary law, the Code of Lekë Dukagjini, continues to influence society today. The Code prescribes strong patriarchal values, by for example excluding women from inheritance. The patriarchal structures are still perpetuated, evident in for example the low employment rate for women, the low proportion of women property owners, and the lack of women in decision making positions. Clan-based relations also played an important role in traditional society and its legacy is evident in the informal power structures and high level of nepotism. Individuals that are not connected to any of the main political parties, or the powerful families, experience greater difficulties in influencing society, or securing formal employment.

#### **4.6. Economic and social context**

*The economic and social context includes the size of the economy and growth rate, macro economy, fiscal policy, market development, labour market, structure of the economy, education system, health system, and demographic developments.*

- *Kosovo's has had a long term positive growth at 3-5 %, but this has mainly been driven by consumption, public investments in infrastructure, inflows of remittances and ODA.*
- *The informal sector is perceived to be large, with business tax evasion estimated at 35-40 % and informal labour at 37 %. The agricultural sector is assessed to display the largest degree of informality, followed by the manufacturing and processing sectors.*
- *The labour market is dominated by the public sector, which accounts for about 45% of all formal jobs. The public sector offers both higher wages and greater job security than the private sector which hampers business expansions and entrepreneurship.*
- *The lack of Rule of Law is a major constraint for private sector growth. 62 % of Kosovo businesses do not trust the judiciary at all. This, together with the nepotism and large informal economy, adds to the high level of unfair competition.*

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<sup>169</sup> Freedom House 2016

<sup>170</sup> Briscoe and Price 2011

## Overview of the economy

Kosovo has experienced positive GDP growth at between 3 and 4 % over the past five years, which is above the Western Balkan average. However, the growth is driven mainly by consumption and public investments in infrastructure, inflows of remittances and ODA. The proportion of ODA made out 17.3 % and remittances 10.5% of GDP between 2009 and 2012. The productive base is narrow, with a focus on mining raw materials and minerals products. This, in combination with a low competitiveness in producing import substitutes entails that Kosovo has a large negative trade balance.<sup>171</sup> This is only partly offset by the inflow of remittances and ODA. Base metals make out a majority of Kosovo's export (52 %), followed by mineral products (14 %), agricultural produce (13%), light manufacturing (9%), chemicals (6%) and machinery (4%). Due to the relatively small share of value added sectors in the export basket Kosovo is vulnerable to changes in global metal prices.<sup>172</sup>

Looking at the fiscal policies Kosovo had a budget deficit of 2.1%, in 2015, a number that has improved since 2013 when a new fiscal anchor allowing a maximum of 2 % deficit was adopted. Improvements can be traced both to higher revenues (due to better tax performance) and lower expenditures (mainly due to a stricter monitoring of budgetary execution and control over costs of public sector employment). Kosovo's tax base is largely dependent on border taxation, which made up 73 % of total tax revenues in 2015.<sup>173</sup> While fiscal discipline has been largely adequate over the past few years, there has been worrying indicators relating to an escalation of expenditure on subsidies and transfers. Following protests from the war veteran interest group, a new certification process was issued during 2016, resulting in the number of veterans more than tripling (from some 13 000 to over 40 000). Following requirements from the IMF the government agreed to redo the certification process.

Turning to the financial sector, the unilateral adoption of the euro as the de facto currency entails that the central bank lacks an independent monetary policy instrument. Instead the central bank has focused on maintaining stability in the banking sector. The banking sector is indeed resilient, well capitalised, liquid and profitable, with the downside of ineffectiveness in capital utilisation and poor access to credit (see section on opportunities and choice).

The informal sector is generally perceived to be large; however there is surprisingly little data on the size and character of the informal sector. According to survey data from 2013 and from 2011 business tax evasion is estimated at between 35-40%, based on a perception proxy, asking business owners about their opinion on the proportion of sales not reported within their industry. Based on a similar proxy 37 % of the employees in registered businesses were not legally declared. This is corroborated by reports that on average 44% of salaries and benefits are being paid in cash. The agricultural sector is assessed to have the largest degree of informality, followed by manufacturing and processing.<sup>174</sup>

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<sup>171</sup> Government of Kosovo 2016b

<sup>172</sup> Government of Kosovo 2016b

<sup>173</sup> Government of Kosovo 2016c

<sup>174</sup> Reinvest 2013

## **Opportunities for productive employment and labour market functioning**

As mentioned in the sections on resources and opportunities and choice, the employment rate in Kosovo is very low at around 25 %. This can be traced back to the structure of the economy described above. The private sector has experienced limited growth, and the current growth is mainly related to the provision of services including transportation, IT and housing.

According to the 2014 Labour Force Survey (LFS) almost half of the employed worked in one of the following sectors: manufacturing, trade, education, and construction, all accounting for about 11-14 % of the total employment rate. About 40 % of employed women work in social sectors such as education and health care, while a majority of male employees work in the sectors of manufacturing, trade or construction.<sup>175</sup> The average wage in the public sector is estimated at €530 in the public sector and €406 in the private sector.<sup>176</sup> That the public sector offers both higher wages and greater job security contributes to higher reservation wages and a large appeal for public sector employment, which in turn limits business expansions and entrepreneurship. The lack of quality education and a mismatch between labour market demands and labour force skills often described as the key challenges for productive employment.<sup>177</sup> Kosovo's relatively low salaries and high level of basic education provide a potential to develop labour intensive manufacturing, however such development has been hindered by the unreliable energy supply, the high cost of finance and a shortage of skilled labour.<sup>178</sup>

The labour market law introduced in 2010 improved workers' rights. The law defines full time work as 40 hours per week, including at least 30 minutes break and guarantees at least 4 weeks of annual leave, 20 days of annual paid sick leave, 5 days of paid absence due to marriage and death and 1 day for voluntary blood donation. It also provides for a minimum salary of €170 and 12 months maternity leave with 70 % compensation for the first six months, 50 % for the following three months and three months unpaid. Paternity leave is only granted at 2 days in connection with the birth and an additional 2 weeks until the child reaches the age of three. The father may assume the rights of the mother only if the mother falls ill, abandons the child or dies.<sup>179</sup> Despite the labour market law, employer's survey data reveals that about 41 % of businesses are unaware of the labour law and its requirements. When asked what they would like to change in the labour regulations, 37 % would like to change the payment method and 24 % the amount of paid absence.<sup>180</sup>

## **Key challenges for private sector development**

The Kosovo enterprise survey from 2013 identifies informal sector practices, access to finance, and corruption as the top three obstacles for doing business. Infrastructure limitations such as power outages and water shortages also constitute constraints. Firms report losing on average 7% of sales due to power outages, with an average of 11 outages in a typical month. Kosovo enterprises also reported costs due to delays in getting access to services such as electricity water and telephone

<sup>175</sup> KAS 2015d

<sup>176</sup> Government of Kosovo 2016

<sup>177</sup> UNDP 2016a, The World Bank group in Kosovo 2015

<sup>178</sup> Government of Kosovo 2016b

<sup>179</sup> IKS 2014

<sup>180</sup> Reinvest 2013

connections. Red tape also provides additional obstacles; senior management is reported to spend 14 % of their time dealing with government regulation requirements and meeting with tax officials 2.5 times a year. The weak legal institutions also constitute a substantial impediment for the development of the private sector, affecting both domestic and foreign investors.<sup>181</sup> Finally it is reported that nearly a quarter of firms state that an inadequately educated workforce is a “major constraint” to their business.<sup>182</sup>

The lack of Rule of Law, including the non-functioning court system, constitutes a root cause to the tax evasion, informality, corruption, organised crime. 62 % of Kosovo businesses do not trust the judiciary at all. The business climate in Kosovo has been assessed to be under undue influence by the executive branch.<sup>183</sup> There are no special courts to handle cases relating to intellectual property rights and the courts lack the expertise to handle more complicated economic cases. The competition authority has been non-functional since 2013 due to the expiration of the old members’ mandates. New members are yet to be appointed. This, together with the nepotism and large informal economy adds to the high level of unfair competition.<sup>184</sup> All of this combined makes for a situation where risks might outweigh possible gains, hindering investment in Kosovo.

The ITC sector is seen as a potential growth sector for Kosovo, given the regionally competitive wages, the adequate IT infrastructure, a potential for increased outsourcing demand and the high number of young people entering the labour force each year. Again the tertiary education mismatch is seen as a limiting factor, together with deficiencies in public sector IT-procurement and a lack of scale due to the SME-domination in the sector.<sup>185</sup> Small and medium size enterprises (SMEs) engaged in goods producing sectors such as wood- and food processing, renewable energy products, fabricated metal products and apparel production are showing growth prospects. Access to finance, increased market connections and workforce skills development could further spur the SME-growth. Kosovo is also assessed to have a competitive potential in the some agricultural sectors, but the development is hindered by unfavourable farm structures and management, outdated technologies, suboptimal use of inputs, weak rural infrastructure, and the limited access to credit and investment capital. In addition the sector is harmed by agricultural subsidies amongst Kosovo’s trading partners.<sup>186</sup>

### **Overview of education and health systems**

According to the law on primary and secondary education, education in grade 1-9 is mandatory and free of charge, including school books. Public spending on education was 4.1 % of GDP in 2012, which is less than the average both in the region and in upper middle income countries.<sup>187</sup> According to data from 2010 the school facilities covered only 60 % of the need, resulting in most schools teaching in two or three shifts. Kosovo has two public universities, one in Pristina according to Kosovo’s educational system and one in Mitrovica according to Serbia’s educational

<sup>181</sup> World Bank 2013b

<sup>182</sup> The World Bank group in Kosovo 2015

<sup>183</sup> Bureau of Economic and Business Affairs 2016

<sup>184</sup> The World Bank Group in Kosovo 2015

<sup>185</sup> Kosovo Ministry of Economic Development 2016

<sup>186</sup> The World Bank group in Kosovo 2015

<sup>187</sup> The World Bank group in Kosovo 2015

system.<sup>188</sup> While the access to education is good, the quality and labour market matching in higher education, remains a serious challenge.

The law on health defines the health care system. Primary health care is provided by the municipalities and health care centres have been set up in all municipalities. Smaller settlements have family medicine centres and stations. Urban and regional hospitals provide specialized and hospitalization services. Health services are provided free of charge for vulnerable groups, while others pay between €2 and €10 for a medical check-up, and € 50 for diagnostic tests.<sup>189</sup> Healthcare expenditure made up 2.9 % of GDP<sup>190</sup> and households' out-of-pocket spending on health makes up about 40 % of total spending on health. The health sector is perceived as one of the most corrupt areas of society.<sup>191</sup>

### **Demography: key trends**

The latest population and housing census in 2011 found that Kosovo has about 1 700 000 inhabitants, out of which 38 % live in urban and 62 % in rural areas. Kosovo has the youngest population in Europe and 55 % are below the age of 30.<sup>192</sup> While this type of demographic dividend theoretically provides good opportunities for growth performance, productive growth is hampered by structural unemployment, the large informal sector, and the labour skills mismatch. While a large proportion of youth attend tertiary education, opportunities for productive employment are nevertheless limited.<sup>193</sup>

## 4.7. Environmental context

*The environmental context includes climate change impacts (on-going and coming), use of natural resources, water, waste management.*

- Kosovo faces serious environmental degradation challenges related to air, water and soil pollution, threatened biodiversity and deforestation. Although environmental degradation is estimated to cost about 7.8% of the GDP Kosovo does not prioritise environmental protection.
- The energy sector is estimated to have the greatest impact on the environment. Lignite coal is constitutes the largest share of primary energy and air pollution remains one of the highest health risk factors, contributing to the increase of cardiopulmonary and lung cancer mortality.
- Climate variability has already increased in the Western Balkans. In Kosovo the number of forest fires and instances of drought has increased in the last two decades and 80% of Kosovo municipalities have suffered from water shortages due to drought since 2004.
- The quality of water resources is poor, with a majority of rivers being badly polluted by mines, tailing areas, municipal dumps and sewers from the bigger cities. Only 8% of the urban waste water is connected to sewers and treated in compliance with standards. Rural waste water treatment does not exist.

<sup>188</sup> ILO 2010

<sup>189</sup> ILO 2010

<sup>190</sup> Government of Kosovo 2016b

<sup>191</sup> UNDP 2016b

<sup>192</sup> KAS 2012

<sup>193</sup> PAX 2011

## Overview of the state of environment

Kosovo faces serious environmental degradation challenges related to air, water and soil pollution, threatened biodiversity and deforestation. A number of problems are inherited from the socialist industrial mining era, when environmental protection was not a consideration. Environmental protection, including natural resource management and protection, remains a low priority. Issues related to the high unemployment and demand for economic development overshadows policies relating to environment sustainability and climate-change resilience. Since Kosovo is not a member of the UN it does not partake in international initiatives on climate and environment protection.

Country reporting on international agreements remains ad hoc. Still, international environment and climate change agreements, including EU Environmental Legislation, form an integral part of Kosovo's legal framework. The legal framework for protecting the environment is adequate but implementation is lagging behind due to a lack of institutional capacity and political priority. The EU Progress report for 2016 concludes that while some progress has been achieved in terms of environmental infrastructure projects, significant efforts are still needed in order to implement and enforce the environmental- and climate change legislation.<sup>194</sup>

## Environmental degradation and resources

Kosovo lacks proper *waste management* for virtually all solid waste types, including household-, industrial-, medical-, and hazardous waste. Collection, classification, recycling, and treatment systems are missing. A high number of landfills are operated non-sustainably and without any criteria or standards. Many poor people, mainly from RAE communities live off the landfills by illegally collecting recyclable waste. As such they are exposed to waste hazards such as toluene, phenols, benzene, ammonia, dioxins, polychlorinated biphenyls (PCBs), chlorinated pesticides, and heavy metals.<sup>195</sup>

The *energy sector* is estimated to have the greatest impact on the environment.<sup>196</sup> Lignite coal is constitutes the largest share of primary energy (63% of total use) while renewable energy sources represent about 10%. Increased energy efficiency and use of renewable energy sources, including wood biomass, are considered important elements of the government strategy.<sup>197</sup> Still, analyses by the Kosovo Protection Agency observe that coal usage continues to have a rising trend, while the renewable energy sources remain at a low level.

*Industrial activities*, mainly related to the exploitation of minerals, lignite, and the production of building materials, constitute another major source of air, water and soil degradation. Discharges of untreated industrial water into river streams and the occupation of land areas for disposal of industrial waste pose direct pressures on the environment and the local ecosystems.<sup>198</sup> However due to a lack of data from industrial operators it is not possible to measure the extent of the impact on the environment.

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<sup>194</sup> European Commission 2016

<sup>195</sup> Kosovo Ministry of Environment and Spatial Planning 2015

<sup>196</sup> Kosovo Ministry of Economic Development 2013

<sup>197</sup> Kosovo Ministry of Environment and Spatial Planning 2015

<sup>198</sup> Kosovo Ministry of Environment and Spatial Planning 2015

The *cost of environmental degradation* was estimated at 7.8% of GDP in 2010 (€ 233 million), due to unsustainable water management and agronomic practices, deforestation, destruction of slopes by mining activities etc.<sup>199</sup> This entails that Kosovo faces serious social and economic impacts from poorly managed polluting activities. The air pollution remains one of the highest health risk factors, contributing to the increase of cardiopulmonary and lung cancer mortality. The expected impact of climate change is expected to be amplified due to a high degree of vulnerability. This is the result of a variety of factors, including construction and uncontrolled urbanization from 1999 until now.<sup>200</sup> Illegal construction in hazardous zones, combined with a failure to adhere to building codes, increases the population's vulnerability to landslides and floods.

Due to the small size of the country and the high population density most of the population is affected by the environmental degradation. However the RAE community living nearby the main power plant in Obiliq municipality is gravely affected by the emissions and coal ash. In addition the Roma population living besides tailing dams (residues of the processed lead and zinc minerals smelters) in Mitrovica municipality have been severely affected by lead poisoning, especially amongst children.<sup>201</sup>

Kosovo has rich natural *forest resources* and a large proportion of the population is dependent on the forest resources as an economic foundation. The overcutting (illegal logging) and unsustainable forest management have degraded forests resources to a high extent, lowering the capacity for sustainable wood supply. Unclear central and local institutional responsibilities, together with complex rules and regulations have resulted in increasing illegal logging and resource extraction, often with low or no benefit to the local people. As a consequence of these negative developments, the quantity of the timber has decreased and price of firewood have increased. This is affecting the most vulnerable poor population, forcing them to seek for alternative sources of energy for heating like lignite, which contributes to increased carbon emissions and air pollution. The economic, social and ecological functions of forests are not utilised to improve the quality of life in rural and mountain areas.<sup>202</sup> The government strategy recognises the potential of forests as a contributor to environmental protection, biodiversity, and reducing the risks for natural catastrophes, but has not managed to implemented measures in this respect.<sup>203</sup>

### **Climate change**

*Climate variability* has already increased in the Western Balkans. There has been a rising intensity and frequency of both precipitation extremes and severe drought since the 1980s. Flash floods are becoming more common in mountainous areas, while river floods occur more often in plains and lowland. Higher temperatures are expected to increase the probability of heat waves and forest fires, and the number of forest fires in Kosovo has already increased since 2000. Kosovo has been struck by drought several times in the last two decades (1993, 2000, 2007, and 2008). Increased temperatures, more uncertain rainfall, and reduced runoff combined with greater water consumption will further heighten the risk for drought.

<sup>199</sup> World Bank 2013

<sup>200</sup> Kosovo Ministry of Environment and Spatial Planning 2014

<sup>201</sup> UNMIK, The Human Rights Advisory Panel, 2016

<sup>202</sup> Kosovo Ministry of Agriculture, Forestry and Rural Development 2009

<sup>203</sup> Kosovo Ministry of Agriculture, Forestry and Rural Development 2009

Since 2004, 80% of Kosovo municipalities have suffered from *water shortages* due to drought and the misuse of drinking water resources e.g. for irrigation due to non-functional irrigation systems. As a consequence scheduled water supply restrictions are being imposed regularly for the Pristina region where around 1/3 of the country's population is located. During the extended droughts periods water supply restrictions are imposed in almost all municipalities. Kosovo is currently facing problems of both inadequate quality and quantity of its water resources. The main causes of water scarcity include increased consumption, leakages in badly maintained water pipes, and extended irrigation. Chemical and bacteriological monitoring shows that the majority of rivers in Kosovo are badly polluted. Major sources of pollution are mines, tailing areas, municipal dumps and sewers from the bigger cities<sup>204</sup>.

#### 4.8. Conflict and peace

*Looking at the context from a perspective of conflict and peace includes considering social tensions, fragility, crime and violence, the internal and external security situation linked to conflicts but also to economic developments as well as justice.*

- *Kosovo's key national security interest is to gain full recognition of its independence, sovereignty and territorial integrity. In general there is no perception of direct threats to the national sovereignty, but the slow progress in the normalization of relations between Kosovo and Serbia is a concern.*
- *The inter-ethnic tensions in Kosovo have persisted since the end of the recent war, indicating a lack of reconciliation. Unaddressed war crimes, missing persons and property disputes continue to affect the inter-ethnic relations. Large scale inter-ethnic violence most recently occurred in 2004 causing 19 deaths and destruction of Orthodox cultural sites.*
- *There are several underlying stress factors that pose a concern for peaceful development in Kosovo. The shortcomings of the state in a variety of areas undermine the physical, material and psychological well-being of citizens. Main issues include the high level of unemployment and the inactivity and the economic hardship that follows.*
- *Threats to human security in Kosovo are also linked to the endemic corruption and transnational organized crime. Together with the high degree of political polarisation, the lack of trust in democratic and financial institutions, and the dysfunctional justice sector there is a risk of social unrest, radicalisation and violent extremism.*

Kosovo's key national security interest is to gain full recognition of its independence, sovereignty and territorial integrity.<sup>205</sup> In general there is no perception of direct threats to the national sovereignty, but the slow progress in the normalization of relations between Kosovo and Serbia is a concern. Ten out of the 38 municipalities in Kosovo have a Serb majority, and four of these in the northern region have not yet integrated into Kosovo structures. They have kept the Serbian administrative structures and receive financial delegations from Belgrade. Citizens in the North tend to resent the developments relating to the dialogue between Kosovo and Serbia, fearing that

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<sup>204</sup> University of Gothenburg 2008

<sup>205</sup> Government of Kosovo 2014

that it will lead to the region's eventual integration into Kosovo's institutional system, and out of the auspices of Serbian protection.<sup>206</sup> In August 2015 the dialogue led to an agreement on the establishment of an Association of Serb majority municipalities in line with the Ahtisaari plan. The agreement gave rise to several public protests in Kosovo and whether or not the association is in line with the constitution has been contested since then; a sign of the high degree of tension remaining between the two main ethnical groups in Kosovo.

The *inter-ethnic tensions* in Kosovo have persisted since the end of the recent war, indicating a lack of reconciliation. Unaddressed war crimes, missing persons and property disputes continue to affect the inter-ethnic relations.<sup>207</sup> Many of the persons who were displaced during the war have not returned to their past dwellings. The grievances between the two groups have deep historical roots, and atrocities have been committed by both sides over the past centuries.<sup>208</sup> Large scale inter-ethnic violence most recently occurred in 2004 when a two-day rampage caused 19 deaths, the destructions of homes and Orthodox cultural sites, and 4000 Serbs fleeing their homes.<sup>209</sup>

Kosovo has since 1999 *moved from peace-building to state-building* and reached a level of stability where widespread violent conflict no longer constitutes an immediate security threat. However, Kosovo's internationally contested statehood negatively impacts the state-building process. Neighbouring countries, mainly Serbia, are blocking Kosovo from being integrated into international institutions, which makes Kosovo more isolated and which undermines economic development. Since independence in 2008 Kosovo's path to a peaceful and prosperous future has been closely linked to the EU approximation agenda. The fact that five EU countries<sup>210</sup> remain non-recognizers casts doubt regarding the realistic prospect of a future within the EU for Kosovo. UN Kosovo security forces (KFOR) are still present in Kosovo based on the mandate as specified in UN Security Council Resolution 1244. Their mission is to contribute to a safe and secure environment, including the development of a stable democratic, multi-ethnic and peaceful Kosovo. There are about 4600 persons from 31 countries posted in Kosovo.<sup>211</sup>

There are several *underlying stress factors* that pose a concern for peaceful development in Kosovo. The shortcomings of the state in a variety of areas undermine the physical, material and psychological well-being of citizens. Main issues include the high level of unemployment with the inactivity and the economic hardship that follows.<sup>212</sup> Threats to human security in Kosovo are also linked to the endemic corruption and transnational organized crime. Linked with the high degree of political polarisation, the lack of trust in democratic and financial institutions, and the dysfunctional justice sector there is a risk of social unrest.

*Preventing radicalization and violent extremism*, has received an increased focus in Kosovo during the last two years, particularly related to Kosovans being recruited as foreign fighters in Syria. The approach to countering violent extremism has often failed to address how the lack of economic

<sup>206</sup> PAX 2014a

<sup>207</sup> PAX 2011

<sup>208</sup> Briscoe and Price 2011

<sup>209</sup> Briscoe and Price 2011

<sup>210</sup> Greece, Cyprus, Spain, Romania, Slovakia

<sup>211</sup> KFOR official webpage: <http://jfcnaples.nato.int/kfor/about-us/welcome-to-kfor/natos-role-in-kosovo>

<sup>212</sup> PAX 2011

opportunities influences the processes of radicalization and violent extremism. Faced with a lack of progress, already marginalised groups may experience an increasing distrust in democracy as a mean for socio-economic development, which in turn makes a breeding ground for recruitment of foreign fighters, violent extremism and terrorism.

Kosovo does not have a full range of *social security* schemes. There is no unemployment insurance and no family benefit for children. The most comprehensive scheme is the universal pension scheme, introduced in 2008. Other types of social protection consists of financial assistance for low income families; direct social care and counselling for vulnerable children, elderly and disabled individuals; a rehabilitation scheme for persons with limited working capacity; and a war invalid pension scheme. By law there should also be a public health insurance scheme, but this has not yet been implemented.<sup>213</sup>

The *financial assistance* is restrictive and payable to low income families on an array of requirements. These include that at least one of the family members is incapable of work due to disability and that maximum one family member is able-bodied, but unemployed. In addition the family needs to have at least one child under five or an orphan under 15, own less than 0.5 hectares of land and no vehicle. In 2015 around 26 000 families (107 000 individuals) received social assistance with the average size of € 81.2 per month.<sup>214</sup> Due to the restrictive criteria the assistance leaves more than two thirds of the poor population<sup>215</sup> uncovered, and the low levels of in average €1.35 per adult per day, is not enough to bring the household above the national poverty line.

The universal *pension scheme* covers all permanent citizens above the age of 65, and disabled residents between the age of 18 and 65. The pension scheme includes a basic pension at €74 per month which is financed through general revenues and a contribution based pension financed through a mandatory saving programme for all employed persons.<sup>216</sup> There is a strong gender bias in the distribution of different pension levels, where 95 % of women pensioners receiving only the basic pension, while the corresponding figure for men is 65 %.<sup>217</sup> Special pensions are also granted for Trepca mine workers at €105 and war veterans who served in Kosovo Liberation Army (KLA) at €170 per month. The political party that introduced the war veteran scheme, PDK, has its roots in the KLA.

The *informal safety nets* are largely based on family relations and community patronage relations. While inflows of remittances from the diaspora are often perceived to provide a financial safety net, research indicates that the poorest families do not have family members abroad and are thus not remittance recipients.<sup>218</sup>

<sup>213</sup> ILO 2010

<sup>214</sup> IMF 2016

<sup>215</sup> As defined by the national poverty line: with a consumption of less than €1.72 a day, excluding durable items and rent

<sup>216</sup> Law No. 04/L-131 on pension schemes financed by the state

<http://www.kuvendikosoves.org/common/docs/ligjet/04-L-131%20a.pdf>

<sup>217</sup> IMF 2016

<sup>218</sup> Möllers and Meyer 2014

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