Kosovo Gap Analysis  
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January 2012

**Highlights.** Kosovo’s development profile reveals that the country continues to score considerably below Central and Eastern Europe (CEE) average across multiple dimensions and is more in line with the Eurasian average. Whereas the most significant gaps occur in human capital, notable challenges remain in economic, democratic, and peace and security aspects of development as well.

**Economic Reforms.** Kosovo has made steady and significant progress in both first- and second-stage macroeconomic reforms from 1998 to 2009 (latest year of available data), albeit from a low “base.” As of 2009, Kosovo had made good progress in most of the first-stage reforms (particularly in trade and price liberalization), but no progress in large-scale privatization and little progress in virtually all of the second-stage reforms (with the possible exception of bank reforms).

**Democratic Reforms.** Kosovo scores the lowest of the Southern Tier CEE countries in all areas of democratic reform and below the Eurasian countries of Ukraine, Georgia, and Moldova. Nevertheless, Kosovo has made notable progress in democratic reforms since 1998, although it still has far to go to achieve the levels of democratic reforms in the rest of the Southern Tier CEE countries.

**Macroeconomic performance.** Kosovo’s economic performance profile is skewed, with significant gaps and challenges in three dimensions (labor market, export sector, and energy sector), and relatively favorable performance in some key economic structural indicators, such as a large private sector, a large services sector, and relatively low income inequality. Kosovo’s economy has been much less adversely affected by the global economic recession in 2008-2009 than most other countries in E&E due in part to poor integration into the world economy. Given Kosovo’s unemployment rate (with estimates ranging anywhere from 35-48%), and its extremely low labor force participation rate (in 2008, only 43% of the working age population in Kosovo was in the labor force), it is hardly surprising that many citizens of Kosovo go outside the country for income and employment. The UNDP estimates that 20% of Kosovo households are recipients of remittances, which appear to play a significant role in mitigating hardship. The majority of the unemployed in Kosovo have been unemployed for more than one year (i.e., long-term unemployed). The female unemployment rate is much higher than the male unemployment rate. The youth unemployment rate is over 70% in Kosovo, this in the context of Kosovo having the youngest population of Europe. Approximately 50% of the population in Kosovo is under 25 years of age.

**Human capital.** Of the five MCP indices, Kosovo scores the lowest in human capital, at a level well below even Eurasian standards and comparable to that found in Uzbekistan and Tajikistan; of the 29 E&E countries, only Turkmenistan scores lower than Kosovo. The MCP human capital index shows significant gaps in income, health (except perhaps in the incidence of tuberculosis), and in education. The World Bank estimates that 34% of Kosovars live below the national poverty line. This average rate varies widely by Kosovo’s seven regions; two of the seven regions have poverty rates closer to 55%.

**Peace and Security.** Kosovo is ranked the lowest of the Southern Tier CEE countries in peace and security and among the lower tier of the Eurasian countries, specifically Azerbaijan, Turkmenistan, and Georgia. Significant peace and security gaps exist in combatting weapons of mass destruction, counter-terrorism, and conflict mitigation.
Introduction and Overview. This gap analysis of Kosovo utilizes the dataset and methodology developed by the E&E Bureau’s Strategic Planning and Analysis Division in developing the Monitoring Country Progress (MCP) system. The core of the MCP system consists of five indices: economic reforms, democratic reforms, macroeconomic performance, human capital, and peace and security. Public, well-established data sources are used, and the metrics are standardized to a 1 to 5 scale, in which a 5 represents the most advanced standards worldwide. Primary data sources include E&E’s Monitoring Country Progress in Eastern Europe & Eurasia, No. 13 (October 2011), which in turn draws on multiple sources including the International Monetary Fund (IMF), World Economic Outlook (September 2011); the European Bank for Reconstruction and Development (EBRD), Transition Report (November 2010); Freedom House, Nations in Transit (June 2011); the World Bank, World Development Indicators (2011) and Doing Business (2011); as well as a number of United Nations and U.S. State Department annual reports. Kosovo-specific sources include the IMF, Kosovo Country Report (July 2011); the World Bank, Kosovo, Unlocking Growth Potential (April 2010) and Consumption Poverty in the Republic of Kosovo in 2009 (March 2011); Business Monitor International, Economic Analysis of Kosovo (October 2011); UNDP, Second Millennium Development Goals Report for Kosovo (2008) and Kosovo Human Development Report (2010); UNICEF, Unleashing Change: Voices of Kosovo’s Youth (2010); and the European Commission (EC), Progress Report Kosovo (October 2011).

Quantifying progress in Kosovo remains challenging and is generally more problematic than comparable efforts in most of the 29 countries which make up the E&E region. Accurate data sources are often not available for Kosovo. Three of the MCP indices for Kosovo lack components due to insufficient data: energy security and environmental sustainability indicators are not included in the economic performance index; gender inequality and environmental health are missing from the human capital index, and counter narcotics and stabilization operations and security sector reforms are not included in the peace and security index. Additionally, the EBRD macroeconomic reform indicators have been updated only to 2009. Estimates of progress sometimes vary according to different sources and are most prevalent in health measures (including life expectancy, under-five mortality rate, and the incidences of tuberculosis). It is in this context and with these caveats that the following analysis is best viewed.

Kosovo’s development profile (Figures 1-3) reveals that the country continues to score considerably below Central and Eastern Europe (CEE) average across multiple dimensions.1 Its progress and profile, in fact, is more in line with the Eurasian average. Whereas the most significant gaps occur in human capital, notable challenges remain in economic, democratic, and peace and security aspects of development. The scatterplot of economic and democratic reforms (Figure 4) underscores Kosovo’s outlier status among the CEE countries; it lags well behind all CEE countries in both economic and democratic reforms and behind a number of Eurasian countries as well. Figure 5 projects economic and democratic reform progress in Kosovo based on trends in the past five years. It suggests that for the

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1 In the MCP gap analysis, the CEE is divided into Northern Tier and Southern Tier countries. Northern Tier CEE consists of Estonia, Latvia, Lithuania, Poland, Slovakia, Czech Republic, Hungary, and Slovenia; Southern Tier CEE consists of Romania, Bulgaria, Croatia, Serbia, Bosnia and Herzegovina, Montenegro, FYR Macedonia, Albania, and Kosovo. Eurasia consists of twelve countries of the former Soviet Union less the Baltic states.
next five years Kosovo’s reform progress will not come near approaching the “phase-out” threshold of reform progress in Romania, Croatia, and Bulgaria in 2006.

Kosovo continues its struggle with conforming to EU standards and in resolving border issues and country recognition. The presence of NATO-led international forces (KFOR) remains a key part in the maintenance of stability in the country, particularly in the north. Political party divisions, infighting and election fraud have remained at center stage since declaring independence in 2008. Kosovo authorities in July 2011 attempted to embargo the importation of Serbian goods and seize control of the Serb-dominated northern areas, which caused further deterioration of relations with Serbia and an interruption of the dialogue led by the EU to resolve customs disputes. The IMF also suspended the country’s Stand-by-Arrangement in June 2011 and did not disburse the next tranche of macro-finance assistance. However, European integration through the EU remains a key goal of the Kosovo government, and the International Court of Justice ruled in July 2010 that the unilateral declaration of independence by Kosovo in 2008 did not violate international law. In addition to political instability, Kosovo faces a trio of challenges: poverty, unemployment, and a large youth population, which impact all aspects of development.

**Economic Reforms.** Macroeconomic reform progress is tracked by drawing on the EBRD’s economic reform indicators, which are categorized into two stages: first-stage reforms (price liberalization, trade and foreign exchange reforms, and small- and large-scale privatization) and second stage reforms (enterprise reform, competition policy, banking reform, infrastructure reform, and non-bank financial reform). By these measures, Kosovo has made steady and significant progress in both first- and second-stage economic reforms from 1998 to 2009 (latest year of available data), albeit from a low “base” (*Figures 6 and 7*). It has been closing the economic reform gap with many of its neighbors, although more progress needs to be sustained. *Figure 2* shows those gaps vis-à-vis USAID graduation countries. As of 2009, Kosovo had made good progress in most of the first-stage reforms (particularly in trade and price liberalization), but no progress in large-scale privatization and little progress in virtually all of the second-stage reforms (with the possible exception of bank reforms).

Kosovo also lags considerably in microeconomic reforms (or the business environment). The overall business environment in Kosovo has seen little marked progress over the past three years. According to the World Bank’s *Doing Business 2012* analysis, Kosovo ranks 117 out of 183 countries worldwide for ease of doing business in 2011 (*Figure 8*). Only four (of 28) E&E countries have a more adverse business environment than does Kosovo: Uzbekistan, Tajikistan, Bosnia-Herzegovina, and Russia. No data are available for Turkmenistan.

The *Doing Business* rankings are based on ten microeconomic reform aspects of the business environment influenced by government interventions ranging from rules and regulations needed to start a business, employ workers, register business property, access credit, pay taxes, and close a business. Kosovo had lower (less favorable) rankings in 2011 than in 2010 in all aspects except enforcing contracts and resolving insolvency. Kosovo ranks the lowest in protecting investors (with a rank of 174) and dealing with construction permits (171). Obtaining credit (24) and paying taxes (46) rank highest. Because the global sample size of the *Doing Business* rankings has increased over time, the percentile
rank has been calculated to compare trends over time (Figure 9). Since 2008 Kosovo has marginally improved but remains in the lower percentile range, the second lowest of the Southern Tier CEE group after Bosnia and Herzegovina.

The World Bank also recently released its subnational report, Doing Business in South East Europe 2011, which focuses on 22 cities in the Southern Tier CEE region, including Prizren and Priština/Prishtinë in Kosovo. Although the report states that all cities have improved in ease of doing business since the previous report in 2008, both Kosovo cities scored last in two out of four areas, ease of starting a business and ease of enforcing contracts. It takes at least 58 days to start a business in Priština/Prishtinë. On the positive side, municipal permit fees were cut in half in Prizren and Priština/Prishtinë since 2008. Additionally, the cost to register property equals approximately 0.5% of property values in Prizren, which is equivalent to a very favorable rank of 19th out of the 183 worldwide country ranking.

The Business Environment and Enterprise Survey (BEEPS), co-sponsored by the World Bank and the EBRD, has been carried out periodically (most recently in 2008) in the E&E region and surveys businesses on a range of issues impacting performance. Enterprises were surveyed on 14 possible business constraints and the extent to which they are perceived as problematic. Businesses in Kosovo ranked three constraints as most problematic in 2008: electricity (91% of businesses perceived it as problematic), corruption (89%), and crime, theft and disorder (83%). Least problematic were labor regulations (10%), business, licensing and permits (17%), and tax administration (21%).

**Democratic Reforms.** As highlighted in Figures 4 and 10, Kosovo scores the lowest of the Southern Tier CEE countries in all areas of democratic reform and below the Eurasian countries of Ukraine, Georgia, and Moldova. Figure 11 highlights that Kosovo, according to Freedom House data, has made notable progress in democratic reforms since 1998, although it still has far to go to achieve the levels of democratic reforms in the rest of the Southern Tier CEE countries.

The Freedom House data from its Nations in Transit provides an opportunity to examine trends over time since 2003 in six aspects of democratic reforms in Kosovo (Figure 12). Five of the six aspects advanced in Kosovo from 2003 to 2010; independent media regressed slightly. However, three of the six aspects regressed in 2010: independent media, the electoral process, and (national) democratic governance. According to Freedom House, election fraud and irregularities were rampant throughout elections in 2010. The government also did not implement constitutional provisions guaranteeing freedom of media and expression, and threats to journalists continued. In a positive development, Serb minorities in the south participated more in electoral voting, although Serbs in the north remained disaffected.

The EC has interpreted recent changes in democratic reforms in Kosovo somewhat differently than Freedom House. In its October 2011 Progress Report of Kosovo, the EC cited recent gains in judicial reform (or rule of law), and limited or mixed gains elsewhere in democratization. According to the EC, the gains in judicial reforms stemmed from improvements in judicial reform legislation, greater independence of judges, and improvements in fighting corruption within the judicial system.
As highlighted in Figure 12 as well as in Figure 2, civil society and the electoral process in Kosovo are considerably more advanced than the other democratic reform components; rule of law, anti-corruption, and independent media fall behind the most according to these data.

Figure 13 underscores that corruption is problematic in Kosovo both according to Freedom House’s anti-corruption measure and Transparency International’s perception of corruption indicator. Taken together, these measures suggest that corruption in Kosovo is comparable to that found in a number of Eurasian countries, including Armenia, Moldova, Ukraine, and Belarus.

Two additional empirical tools, the Media Sustainability Index (MSI) from IREX and the NGO Sustainability Index (NGOSI) from Management Systems International, provide a means to further disaggregate trends in two democratization areas and allow for an examination of a country’s profile in those sectors. The Media Sustainability Index assesses the progress of five aspects needed for a sustainable independent media sector. As shown in Figure 14, Kosovo conforms to a similar profile found in the Southern Tier CEE countries and to a lesser extent in Eurasia as well. More specifically, of the five components of a sustainable media sector, business management lags the most in Kosovo (as it does elsewhere), while the plurality of news sources is the most advanced in Kosovo (and in the Southern Tier CEE countries on average). It is also instructive to note that Kosovo is more advanced on all five of these dimensions as compared to the Southern Tier CEE average. This finding contrasts notably from the Freedom House analysis, which concludes that media in Kosovo falls behind the media sectors in all other Southern Tier CEE countries.

The NGO Sustainability Index assesses the progress of seven aspects needed for a sustainable NGO sector (Figure 15). As with the results in the media sector, Kosovo’s profile in the NGO sector conforms to a general pattern in the Southern Tier CEE as well as elsewhere. More specifically, financial viability is the greatest challenge in Kosovo and across most of the NGO sectors in E&E. The legal environment of the NGO sector in Kosovo is the most advanced.

Economic Performance. The economic performance web chart in Figure 2 and profile chart in Figure 16 give at least a first approximation of Kosovo’s economic performance profile. It is a skewed profile, with significant gaps and challenges in two dimensions in particular (the labor market and the export sector) on the one hand, and favorable performance (comparable to that found in USAID graduate countries) in some key economic structural indicators, such as a large private sector, a large services sector, and relatively low income inequality, on the other hand.

However, as noted in the June 2010 Gap Analysis of Kosovo, while a relatively large service sector is generally a reasonable proxy for an advanced economy, in this instance, it may be a reflection of an agricultural sector which has seen its share of GDP contract for the “wrong” reasons (i.e., prematurely), a very small and stagnant industrial production base, and a large demand for services due to a significant international in-country presence. Moreover, while a relatively large private sector is often a reasonable proxy for a more competitive and mature economy, this does not seem to be the case in Kosovo. Partly because of Kosovo’s uniqueness (and UNMIK’s presence), Kosovo’s public sector remains the smallest in the Balkans, which translates into a relatively large private sector as one consequence.
Kosovo’s economy has been much less adversely affected by the global economic recession in 2008-2009 than most all other countries in the E&E region. As shown in Figure 17, even in the depth of the crisis in 2009, Kosovo’s economy managed to grow by 3%. The reasons as to why Kosovo’s economy has weathered the global economic crisis quite well are less than encouraging. Kosovo’s economy is poorly integrated into the world economy and remains highly dependent on both remittances and foreign assistance to finance its huge current account and trade deficits and more recently sizable government budget deficits (Figures 18-20). All of these aspects have served to buffer adverse effects from external economic shocks.

The government’s budget balance has deteriorated in recent years in no small part due to an acceleration of government spending. Capital spending has been the main driver, much of this addressing much needed infrastructure challenges, including a four-year highway construction project linking Priština/Prishtinë with Albania. In addition, pension and war-related benefits and public sector wage increases have contributed to the budget deficit (and to the suspension of an IMF Stand-by Arrangement).

Energy sector needs are also significant. According to the World Bank (April 2010), 52% of the electricity generated in Kosovo in 2008-2009 was lost, down from 61% in 2007. Of this 52%, 17% was due to technical losses, while 35% was due to non-technical or “commercial” losses (most of that stemming from theft or non-payments).

Kosovo’s export sector is very small; estimates range from 5% of GDP (World Bank) to 18% of GDP (IMF). In either case, the proportion is small by E&E standards (Figure 21) and by global standards. Moreover, most of Kosovo’s exports have little valued-added. In 2007 and 2008, according to World Bank estimates (April 2010), more than 60% of Kosovo’s exports were metals, metal scraps, or mineral products.

Income from remittances is likely at least as high as export revenues in Kosovo; recent estimates range from 13-18% of GDP. This magnitude is high by E&E standards (Figure 22) as well as global standards (Kosovo is in the top 10 remittance-receiving countries worldwide). In essence, Kosovo’s most significant export is people, as evidenced by the large volume of remittances. Given Kosovo’s unemployment rate (with estimates ranging anywhere from 35-48%), and given its extremely low labor force participation rate (in 2008, only 43% of the working age population in Kosovo was in the labor force; i.e., either employed or looking for employment), it is hardly surprising that many citizens of Kosovo go outside the country for income and employment. Moreover, most of Kosovo’s migration has been long-term in nature: 70% of migrants have a foreign citizenship, many living in Germany and Switzerland (where employment and economic growth have held up relatively well).

The UNDP estimates that almost 20% of Kosovo households are recipients of remittances (Figure 23). However, the proportion of households which receive remittances varies widely across the seven regions in Kosovo, ranging from 8% to 30%. Remittance-receiving households tend to be ethnically Albanian, headed by women, and located in rural areas. In general, where remittances are higher, the poverty rate in Kosovo is lower (Figure 24), suggesting that remittances play a role in mitigating hardship. According to the UNDP, remittance-receiving household heads tend to be less educated, are
more likely to be unemployed, and are part of a larger family than non-remittance receiving household heads. Yet, remittance households spend 445 EUR per month compared to 377 EUR for non-remittance households, and remittance households spend 22% more on health care.²

Figures 25 and 26 provide some additional insights into the labor market challenges in Kosovo. Unemployment rates in the countries which once consisted of communist Yugoslavia are very high, and all have rates well into the double-digits with the exception of Slovenia (at 7% in 2010). The majority of the unemployed in Kosovo have been unemployed for more than one year (i.e., considered long-term unemployed, Figure 26). The female unemployment rate is much higher than the male unemployment rate. The youth unemployment rate is over 70% in Kosovo, this in the context of Kosovo having the youngest population of Europe. Approximately 50% of the population in Kosovo is under 25 years of age. According to the World Bank, it takes about ten years for young males in Kosovo to transition from school to work. In Macedonia, where the unemployment rate is almost as high as in Kosovo, it takes four to five years for young males to transition from school to work. In the developed countries, it takes 1.4 years on average.³

**Human Capital.** Figures 1 underscores Kosovo’s deficiencies in human capital, both relative to other development dimensions within Kosovo and relative to other countries in human capital. Of the five MCP indices, Kosovo scores the lowest in human capital, and at a level well below even Eurasian standards. In fact, as shown in Figure 27, human capital in Kosovo is comparable to that found in Uzbekistan and Tajikistan; of the 29 E&E countries, only Turkmenistan scores lower than Kosovo. Figures 3 and 28 illustrate Kosovo’s progress in human capital according to the components of the MCP human capital index. It shows significant gaps in income, under-five mortality, and in education.

Per capita income in Kosovo is much lower than elsewhere in Central and Eastern Europe, comparable to that found in Georgia, and higher only to income rates in Moldova, Uzbekistan, Kyrgyzstan, and Tajikistan (Figure 29). As shown in Figure 24, the World Bank estimates that 34% of Kosovans live below the national poverty line (EUR 1.55 per day); 12% live in extreme poverty (EUR 1.02 per day). This average rate varies widely by the seven regions in Kosovo; two of the seven regions have poverty rates closer to 55%.

Estimates of Kosovo’s under-five mortality rate in 2009 range from 37 to 49 deaths per 1,000 live births. This is much higher than CEE rates and higher than Eurasia rates as well (Figure 30). Earlier estimates cited in the previous gap analysis of Kosovo (June 2010) show a range from 40-55 deaths, suggesting under-five mortality rates are likely declining in Kosovo, as they are elsewhere in the E&E region, or that data collection and recording methods have improved.

Life expectancy has been increasing in Kosovo since 1998 to 70 years, but it is still four years lower than Southern Tier CEE average and only one year higher than Eurasian average (Figure 31). The life expectancy gender gap is four years in Kosovo, lower than all other Southern Tier CEE countries (Figure 32). Figure 33 illustrates that in general terms the higher the per capita income of an E&E country, the

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higher the life expectancy. Kosovo generally conforms to this trend, being among the poorer countries and with one of the lower life expectancies. Still, it is apparent from this chart that income does not “drive” life expectancy. Armenia, Kosovo, and Turkmenistan all have per capita incomes in the relatively low range of US$5,000-$7,000. Yet, life expectancy in these three countries ranges widely, from 65 years in Turkmenistan to 70 years in Kosovo to 74 years in Armenia.

Based on World Health Organization and UNDP estimates, new cases of tuberculosis have declined significantly in Kosovo as they have elsewhere in CEE (Figure 34). By these estimates, the incidence of TB in Kosovo is lower than Southern Tier CEE average, yet higher than Northern Tier CEE average. HIV prevalence rates remain below 0.1% of the population.

**Millennium Development Goals (MDGs).** The eight MDGs, comprised of twenty-one targets and sixty indicators, were developed in 2000 as a strategy to reduce worldwide poverty by one-half by 2015. The E&E region has modest goals to reach compared to the developing world, but Kosovo is still not expected to reach all goals. Although it was not a formal signatory in 2000, Kosovo still reports on the progress of the goals and has instituted a timeline to 2015. According to the second MDG report, Kosovo has the potential to reach the goals of halving poverty and achieving universal education, but there is insufficient data collection and inadequate collection standards in place for predicting the reduction in maternal and child mortality rates and environmental sustainability.4

Significant education gaps prevail in Kosovo. Analysis of the trends is made more challenging due to data that are missing and/or inconsistent across different sources. According to Kosovo’s Education Strategic Plan 2011-2016, primary gross enrollment rates are 104%, while the World Bank (April 2010) cites an earlier 2007 estimate to derive at a primary net enrollment rate of 88%. Kosovo’s Education Plan cites lower secondary gross enrollment rates at 115%, and higher secondary gross enrollment rates at 82%. The World Bank estimated in 2007 that overall secondary net enrollment rates are 81% for males and 66% for females. The UNDP reports tertiary enrollment rates of 27%; the World Bank, lower still: 20% for males and 15% for females. The World Bank states that over half of the working age population has not completed secondary school, and less than 10% of the population has a tertiary degree. Large discrepancies exist also among enrollment rates for Serb and Roma, Ashkali, and Egyptian (RAE) minorities and also returning refugees and internally displaced persons (IDPs).

Despite an increase in the quantity of students educated, quality of education remains a challenge. Many primary and secondary classes are still taught in shifts, a result largely stemming from the destruction of half of the schools in the 1999 war. Although education is one of the largest government programs, the EC noted that only about 42% of secondary school students and 25% of vocational school students passed the 2011 Matura final exam on the first try. According to the UNICEF youth report, curricula tend to be subject-based rather than skills-based and do not include working in teams or problem-solving. In one positive development, the Education Strategy Paper 2011-2016 has been finalized for improving the curricula and addresses minorities and students with disabilities.

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Kosovo’s environment remains largely unregulated and its government is at the “early stage” in adapting European standards, according to the EC Progress Report Kosovo (2011). Air quality monitoring has begun, but there are no waste management or water management laws or regulations geared toward nature protection and addressing climate change. Industrial pollution remains unregulated, and Kosovo is now dealing with years of environmental neglect. In one example, chronic lead intoxication remains a major problem in the Mitrovica/Mitrovicë region even though lead production ceased in 2000; 25% of the children have unsafe lead levels, and the percentage is higher in RAE IDP camps.5

**Peace and Security.** Figure 3 illustrates Kosovo’s peace and security profile in four of the six components of the MCP peace and security index. Insufficient data exist for two components: counter-narcotics and stabilization operations and security sector reform. Significant peace and security gaps exist in Kosovo, particularly in combatting weapons of mass destruction, counter-terrorism, and in conflict mitigation. Figure 35 shows how these gaps translate into a poor ranking for Kosovo in the E&E region on peace and security measures. Kosovo’s peace and security score has remained generally unchanged from the previous year, and it is ranked the lowest of the Southern Tier CEE countries and among the lower tier of the Eurasian countries, specifically Azerbaijan, Turkmenistan, and Georgia.

Kosovo continues to maintain a low peace and security score due in part to the government’s inability to control counter-terrorist activities as well as impose sufficient export controls regarding biological and chemical weapons. The effects of its recent conflict history continue to cause instability, and northern border tensions with Serbia remain at center-stage, especially in light of Serbia’s EU candidacy. Although Kosovo is not a member of UN or the Council of Europe and therefore not subject to their guidelines on human rights, they are written in the constitution. The EC report states that human rights protection remains a challenge, specifically in ill treatment of prisoners, the fight against impunity, and trafficking in persons. Legislation preventing money-laundering is in place but is still serious problem. Kosovo continues to be a drug-trafficking transit point from the East toward Europe.

*Figure 36 highlights that those countries which tend to scorer higher on the peace and security index also tend to be more advanced democratically. Kosovo’s profile generally conforms to this apparent relationship; it lags considerably on both dimensions.*

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Ratings are based on a 1 to 5 scale, with 5 representing the most advanced.
Economic Reforms, 2009

- Small-scale Privatization, 3.3
- Trade and Foreign Exchange, 4.0
- Price Liberalization, 4.0
- Large-scale Privatization, 1.0
- Enterprise Restructuring, 2.0
- Competition Policy, 1.7
- Banking Reform, 2.3
- Non-bank Financial Reform, 1.7
- Infrastructure Reform, 1.7

Democratic Reforms, 2010

- Electoral Process, 2.7
- Corruption, 1.8
- Rule of Law, 1.8
- Local Governance, 2.3
- National Governance, 1.8
- Civil Society, 3.2
- Independent Media, 1.8

Economic Performance, 2008-2010

- GDP Growth, 2.8
- Income Inequality, 4.0
- Macro Stability, 3.0
- Services as % GDP, 5.0
- Export Share & Composition, 1.2
- FDI, 2.9
- Unemployment, 1.0

USAID Country Graduates

Country graduates = Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.
Kosovo

Human Capital, 2008-2010

- Education Gaps, 1.5
- Public Exp. Education, 2.9
- Public Exp. Health, 2.2
- GNI per capita, 1.5
- Under-5 Mortality Rate, 2.0
- Life Expectancy, 2.2
- TB Incidence, 4.3

Peace and Security

- Counter-Terrorism, 2.8
- Conflicts Mitigation, 3.0
- Transnational Crime, 3.3
- WMD, 2.3

USAID Country Graduates

Country graduates = Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.
Economic and Democratic Reforms in 2010

Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Freedom House, Nations in Transit 2011 (June 2011); and EBRD, Transition Report 2010 (November 2010).
Kosovo

Economic and Democratic Reforms

The projections are extrapolations from the average annual trends from 2006-2010. The economic reform data are drawn from the EBRD's annual Transition Report, and the democratic reform data are drawn from Freedom House's annual Nations in Transit.
Figure 6

Economic Reforms in Eastern Europe and Eurasia

Drawn from the EBRD, *Transition Reports*. Scores are based on 1 to 5 scale, with 5 representing the most advanced. Data for Kosovo from *Kosovo—Transition indicators 2009*, EBRD supplement to USAID.
Economic Reform Stage 1 versus Stage 2

Data are drawn from the EBRD, *Transition Report* 2010. Stage 1 Reforms: Small Scale Privatization, Trade and Foreign Exchange, Price Liberalization, Large Scale Privatization. Stage 2 Reforms: Enterprise Reform, Competition Policy, Banking Reform, Competition Policy, Banking Reform, Non-Bank Financial Reform, Infrastructure. Ratings are based on a 1 to 5 scale, with 5 representing most advanced. Data for Kosovo from *Kosovo—Transition Indicators 2009*, EBRD supplement to USAID.
Business Environment in 2011

Figure 8

World Bank, Doing Business 2012 (October 2011). 183 countries are included in the analysis. The business environment is gauged based on 10 aspects: starting a business; dealing with construction; hiring and firing workers; registering a property; getting credit; protecting investors; paying taxes; trading across borders; enforcing contracts; and closing a business.
World Bank, *Doing Business* 2012 (October 2011). The analysis is based on 10 aspects: starting a business; dealing with construction; hiring and firing workers; registering a property; getting credit; protecting investors; paying taxes; trading across borders; enforcing contracts; and closing a business.
Democratic Reforms

Figure 10

Drawn from Freedom House, Nations in Transit (June 2011). Scores calibrated on MCP 1 to 5 scale, with 5 representing the most advanced.
Figure 11

Democratic Reforms in Southern Tier CEE, 1996-2010

Scores calibrated on MCP 1 to 5 scale. Source: Freedom House, Nations in Transit.
Figure 13

Corruption in Eastern Europe and Eurasia

IREX, *Media Sustainability Index 2011*. Scale of 0 to 4 where 4 is the most advanced.
USAID, 2010 NGO Sustainability Index for Central and Eastern Europe and Eurasia, 14th Edition (2011). Scale of 1 to 7, with 1 representing the most advanced.
Economic Performance Regional Comparison

See Appendix for data sources. Scores calibrated on MCP 1 to 5 scale, with 5 representing the most advanced.
Figure 17

Economic Growth and Contraction
(% change in GDP)

IMF, World Economic Outlook, September 2011.
Figure 18

Budget Balance in Kosovo

Percent of GDP

World Bank, Kosovo Partnership Program Snapshot, September 2011.
Figure 19

Current Account Balance & External Debt in 2010-2011

Figure 20

Goods and Services, Exports and Imports

Percentage of GDP

Exports of Goods and Services as a Percentage of GDP

Figure 21

Top Remittance Receiving Countries in Eastern Europe and Eurasia, 2011

Inflow remittances for Czech Republic, Belarus, Slovenia, Russia, and Kazakhstan are all below 1%. World Bank, Annual Remittances Data, 2011.
Remittance Recipients by Region in Kosovo

Country average 19.6%

UNDP, Kosovo Remittance Study 2010.
Figure 24

Remittances and Poverty in Kosovo’s Seven Regions

Unemployment Rates in Southern Tier CEE

Figure 25

Unemployment in Kosovo

Youth unemployment is defined as < 25 years old. Long-term unemployment is defined as being unemployed for more than one year. European Commission, Kosovo Progress Report (October 2011).
See Appendix for data sources and methodology. Scores calibrated on MCP 1 to 5 scale, with 5 representing the most advanced.
See Appendix for data sources and methodology. Scores calibrated on MCP 1 to 5 scale, with 5 representing the most advanced. Scores for Environmental Health and Gender Inequality not available for Kosovo.
GNI per Capita, PPP

Figure 29

Under-5 Mortality Rate in E&E

Figure 30

UNICEF, TransMONEE Database (May 2011); World Bank, World Development Indicators (2011).
Life Expectancy at Birth

Figure 31

World Bank, World Development Indicators (2011).
Life Expectancy, Southern Tier CEE

Figure 32

World Bank, World Development Indicators, 2011.
Life Expectancy and Income

Figure 33

Figure 34

Tuberculosis Incidence

![Graph showing Tuberculosis Incidence in different regions: Northern Tier CEE, Southern Tier CEE, Kosovo.](image)

Peace and Security in Europe and Eurasia, 2009/2010

Figure 35

See Appendix for elaboration of the methodology. Scores calibrated on MCP 1 to 5 scale, with 5 representing the most advanced.
Figure 36

Peace and Security versus Governing Justly and Democratically

Governing Justly and Democratically

Peace and Security

Countries included in the figure:
- US
- Germany
- Est
- Slv
- Pol
- Hun
- Lat
- Est
- Cz
- Slk
- Lith
- Cro
- Bul
- Rom
- S. Afr.
- Turkey
- Algeria
- Argentina
- Brazil
- Canada
- China
- Colombia
- Japan
- Mexico
- Nigeria
- Pakistan
- Portugal
- Russia
- South Africa
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States

Peace and Security values:
- 1.5
- 2
- 2.5
- 3
- 3.5
- 4
- 4.5
- 5