Kosovo’s economic freedom score is 67.0, making its economy the 51st freest in the 2019 Index. Its overall score has increased by 0.4 point, with improvements for property rights, labor freedom, and fiscal health exceeding declines in judicial effectiveness and monetary freedom. Kosovo is ranked 26th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Kosovo is Europe’s youngest country and one of its poorest. Although growth has been positive, it has not significantly reduced high unemployment; provided formal jobs, particularly for women and youth; or reversed large-scale outmigration. The economy is characterized by extremely limited regional or global economic integration, political instability, corruption, unreliable energy supply, a large informal economy, and a tenuous rule of law, including a lack of contract enforcement. Resolution of residential, agricultural, and commercial property claims remains a serious and contentious issue.

**ECONOMIC FREEDOM SCORE**

**KOSOVO**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>61.4</td>
<td>66.6</td>
<td>67.0</td>
</tr>
</tbody>
</table>

**REGIONAL AVERAGE**

**WORLD AVERAGE**

**67.0**

(▲ UP 0.4 POINT)

**RELATIVE STRENGTHS:**

Fiscal Health and Tax Burden

**HISTORICAL INDEX SCORE CHANGE (SINCE 2016):**

+5.6

**CONCERNS:**

Financial Freedom and Government Integrity

**BACKGROUND:** Kosovo gained independence from Serbia in 2008, and its sovereignty has been recognized by most members of the European Union, although NATO continues to maintain a peacekeeping force in the country. Hashim Thaci was elected president in 2016. Ramush Haradinaj, a former guerrilla fighter, began a second nonconsecutive term as prime minister in September 2017 after his center-right Alliance for the Future of Kosovo formed a coalition government following inconclusive snap parliamentary elections. Kosovo ratified a border demarcation agreement with Montenegro in March 2018. Kosovo’s economy has shown some progress in transitioning to a market-based system and maintaining macroeconomic stability but is still highly dependent on remittances and financial and technical assistance from Western donors and the diaspora.

**FREE MARKET INDEX:**

- Property rights
- Labor freedom
- Fiscal health
- Judicial effectiveness
- Monetary freedom

**QUICK FACTS**

- **POPULATION:** 1.9 million (2017 estimated)
- **GDP (PPP):** $19.6 billion
  - 4.1% growth in 2017
  - 5-year compound annual growth 3.4%
  - $10,515 per capita
- **UNEMPLOYMENT:** n/a
- **INFLATION (CPI):** 1.5%
- **FDI INFLOW:** $3.59 billion
- **PUBLIC DEBT:** 20.9% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018.
### Rule of Law

<table>
<thead>
<tr>
<th>Freedom</th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Rights</td>
<td>57.2</td>
<td>(+4.9)</td>
</tr>
<tr>
<td>Judicial Effectiveness</td>
<td>53.5</td>
<td>(-5.5)</td>
</tr>
<tr>
<td>Government Integrity</td>
<td>44.7</td>
<td>(-0.7)</td>
</tr>
</tbody>
</table>

There are numerous property disputes between Kosovar Albanians and the Serb minority. The constitution provides for an independent judiciary but does not always ensure due process. The administration of justice is slow, and there is insufficient accountability for judicial officials, who are prone to political interference. The efficiency of case resolution has improved, but a backlog remains. Weak rule of law fails to constrain endemic corruption.

### Government Size

<table>
<thead>
<tr>
<th>Freedom</th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Burden</td>
<td>92.5</td>
<td>(-0.7)</td>
</tr>
<tr>
<td>Government Spending</td>
<td>77.7</td>
<td>(-0.2)</td>
</tr>
<tr>
<td>Fiscal Health</td>
<td>96.0</td>
<td>(+3.2)</td>
</tr>
</tbody>
</table>

The top personal income and corporate tax rates are 10 percent. Other taxes include value-added and property taxes. The overall tax burden equals 23.5 percent of total domestic income. Over the past three years, government spending has amounted to 27.2 percent of the country’s output (GDP), and budget deficits have averaged 1.4 percent of GDP. Public debt is equivalent to 20.9 percent of GDP.

### Regulatory Efficiency

<table>
<thead>
<tr>
<th>Freedom</th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Freedom</td>
<td>73.8</td>
<td>(+1.2)</td>
</tr>
<tr>
<td>Labor Freedom</td>
<td>64.9</td>
<td>(+6.6)</td>
</tr>
<tr>
<td>Monetary Freedom</td>
<td>78.3</td>
<td>(-2.9)</td>
</tr>
</tbody>
</table>

Launching a business no longer requires minimum capital, and the government has introduced a streamlined legal framework for corporate insolventcy. The formal labor market is not fully developed, and informal labor activity remains substantial. Large agricultural and energy-related subsidies provided by the government and international donors amount to more than one-third of Kosovo’s GDP.

### Open Markets

<table>
<thead>
<tr>
<th>Freedom</th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Freedom</td>
<td>70.8</td>
<td>(No change)</td>
</tr>
<tr>
<td>Investment Freedom</td>
<td>65.0</td>
<td>(No change)</td>
</tr>
<tr>
<td>Financial Freedom</td>
<td>30.0</td>
<td>(No change)</td>
</tr>
</tbody>
</table>

The combined value of exports and imports is equal to 79.9 percent of GDP. The average applied tariff rate is 7.1 percent. Efforts to dismantle lingering nontariff barriers continue. In general, foreign and domestic investors are treated equally under the law. State-owned enterprises distort the economy. The financial system continues to evolve. About 59 percent of adult Kosovans have access to an account with a formal banking institution.