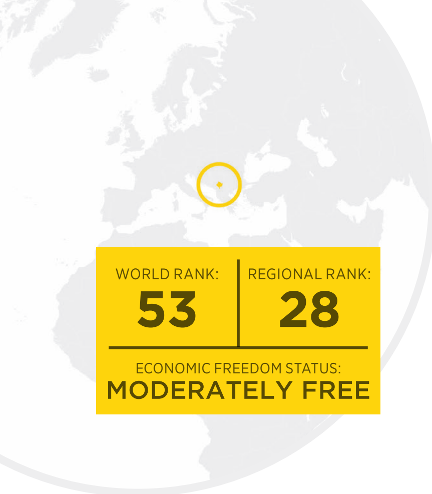
KOSOVO



WORLD RANK: **53**

REGIONAL RANK: **28**

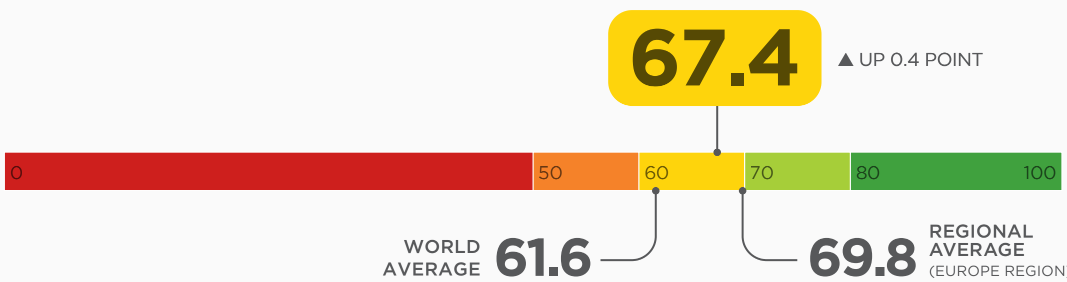
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Kosovo's economic freedom score is 67.4, making its economy the 53rd freest in the 2020 *Index*. Its overall score has increased by 0.4 point due to an improvement in the score for **property rights**. Kosovo is ranked 28th among 45 countries in the Europe region, and its overall score is slightly below the regional average and well above the world average.

Kosovo's economy has been climbing in the ranks of the moderately free since the beginning of its *Index* grading in 2016. GDP growth has likewise been healthy during that period.

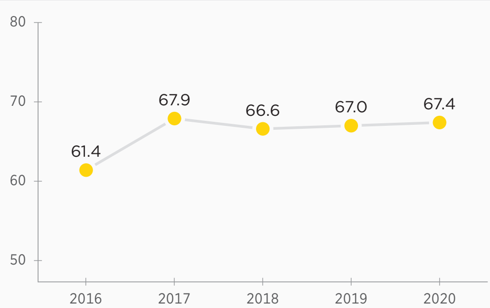
Although Kosovo's economy continues to progress, economic freedom is still stymied by a lack of economic reforms and private-sector investment that has left unemployment too high and living standards too low. The economy is characterized by extremely limited regional and global economic integration, political instability, corruption, unreliable energy supply, a large informal economy, unresolved property disputes, and a tenuous rule of law. Improvements in economic freedom will depend on the extent to which these problems can be successfully addressed.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2016): +6.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.8 million

GDP (PPP):
$20.9 billion
4.0% growth in 2018
5-year compound annual growth 3.5%
$11,552 per capita

UNEMPLOYMENT:
30.5% (2017 estimate)

INFLATION (CPI):
1.1%

FDI INFLOW: $3.59 billion (2017)

PUBLIC DEBT: 17.0% of GDP

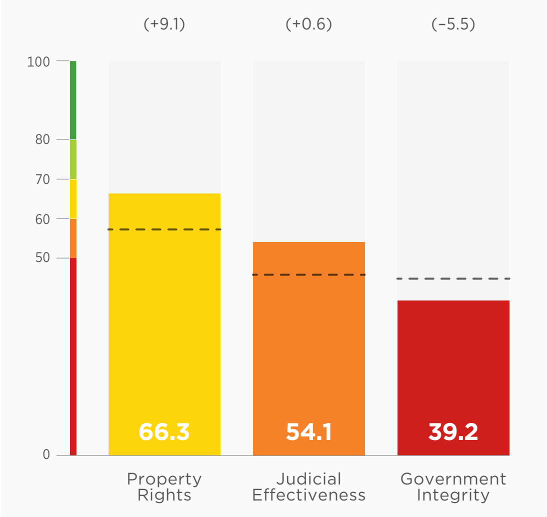
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Kosovo gained independence from Serbia in 2008, and its sovereignty has been recognized by most members of the European Union. Nevertheless, NATO still maintains 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 2017 after his center-right Alliance for the Future of Kosovo formed a coalition government following inconclusive snap parliamentary elections. Tensions with neighboring Serbia remain high; in December 2018, the parliament created an independent army. Despite having made some progress in transitioning to a market-based economy with macroeconomic stability, Kosovo is still highly dependent on remittances and financial and technical assistance from Western donors and the diaspora.

– – WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

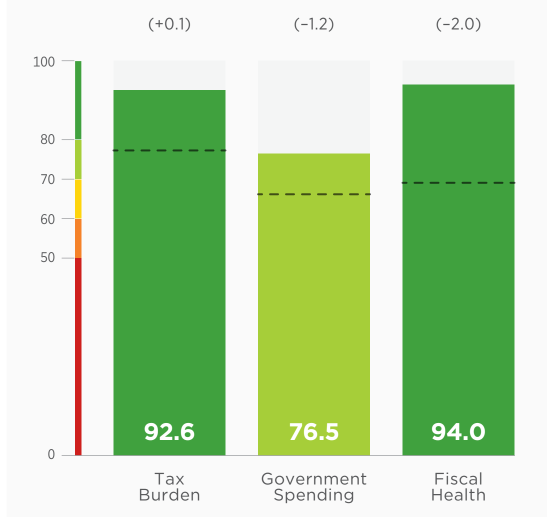
12 ECONOMIC FREEDOMS | KOSOVO

RULE OF LAW



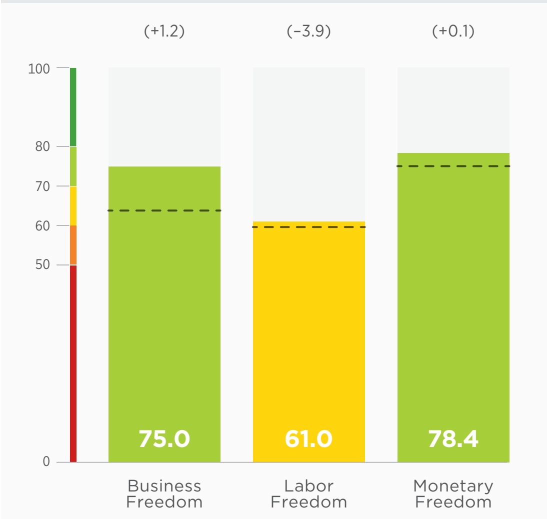
Property rights are enforced, but weaknesses in the legal system and the difficulty of establishing title to real estate can make enforcement difficult. Despite significant improvements in court efficiency, the judiciary lacks subject-matter expertise on complex economic issues. Corruption is widespread in public procurement. Anticorruption efforts have deteriorated, and corrupt officials can act with brazen impunity.

GOVERNMENT SIZE



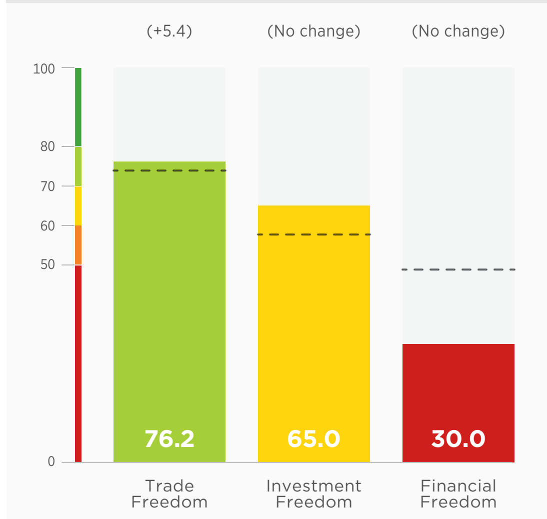
The top personal income and corporate tax rates are 10 percent. Other taxes include value-added and property taxes. The overall tax burden equals 23.3 percent of total domestic income. Government spending has amounted to 28 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 17.0 percent of GDP.

REGULATORY EFFICIENCY



Kosovo recently implemented some business-friendly reforms, but limited regional and global economic integration and political instability remain impediments to business success. A recent EU-commissioned estimate puts informal and black market activity at 31 percent of GDP. Large agricultural and energy-related subsidies by the government and international donors continue and amount to more than one-third of Kosovo's GDP.

OPEN MARKETS



The total value of exports and imports of goods and services equals 83.1 percent of GDP. The average applied tariff rate is 4.4 percent, and customs clearance has been streamlined. Investment regulations apply equally to foreign and domestic entities. However, the lack of a single entity supporting potential investors undercuts investment flows. The banking sector is well capitalized, but access to credit for the private sector remains limited.