

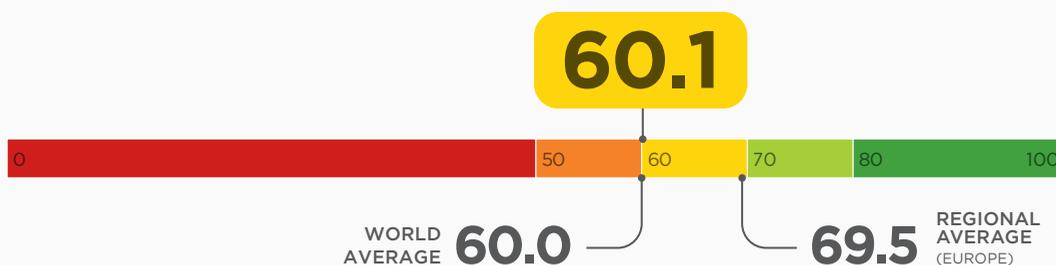
KOSOVO

Kosovo's economic freedom score is 60.1, making its economy the 86th freest in the 2022 *Index*. Kosovo is ranked 40th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

Over the past five years, Kosovo's economic growth accelerated from 2017 through 2019 before turning negative in 2020. There was a healthy revival of growth in 2021. A five-year trend of declining economic freedom has continued. With a steep drop in scores for rule of law, Kosovo has recorded a 7.8-point overall loss of economic freedom since 2017 and has fallen to the bottom of the "Moderately Free" category. Monetary freedom and **trade freedom** are relative strengths, but **financial freedom** is poor.

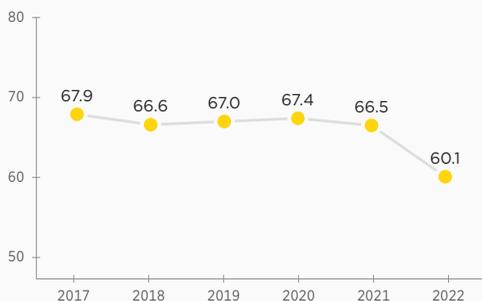
IMPACT OF COVID-19: As of December 1, 2021, 2,984 deaths had been attributed to the pandemic in Kosovo, and the government's response to the crisis ranked 91st among the countries included in this *Index* in terms of its stringency. The economy contracted by 6.0 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2016): -1.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.8 million

GDP (PPP):
\$20.4 billion
-6.0% growth
in 2020
5-year compound
annual growth 2.2%
\$11,274 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
0.2%

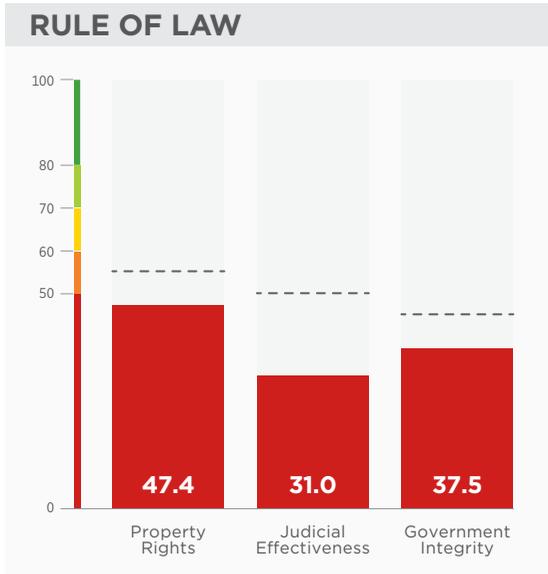
FDI INFLOW:
\$304.2 million

PUBLIC DEBT: 24.4%
of GDP

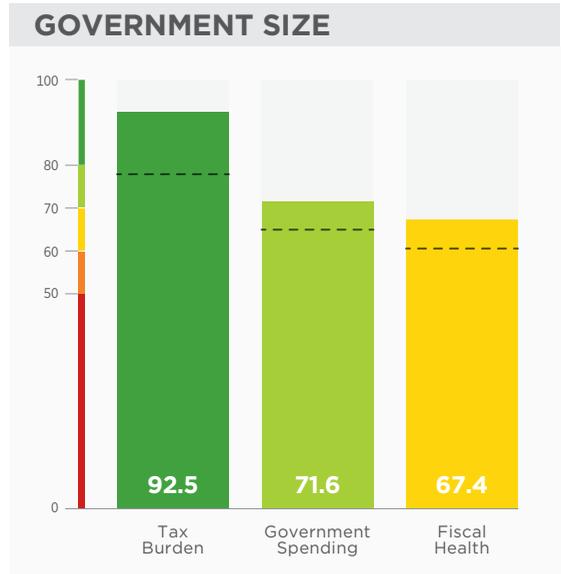
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Kosovo gained independence from Serbia in 2008, and most members of the European Union have recognized its sovereignty. Nevertheless, NATO still maintains a peacekeeping force in the country. President Hashim Thaci was indicted for war crimes in June 2020 and resigned in November 2020; he continues to maintain that he is innocent of the charges. Albin Kurti of the leftist-nationalist Movement for Self-Determination returned as prime minister with support from several minority parties following snap elections in February 2021. Talks with Serbia on normalizing relations have resumed. 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.

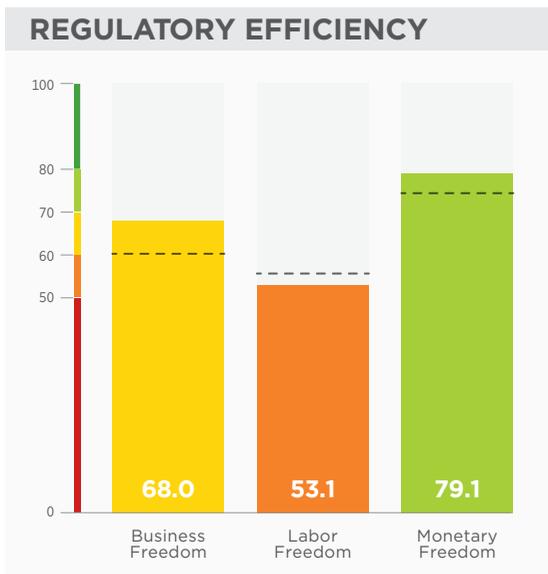
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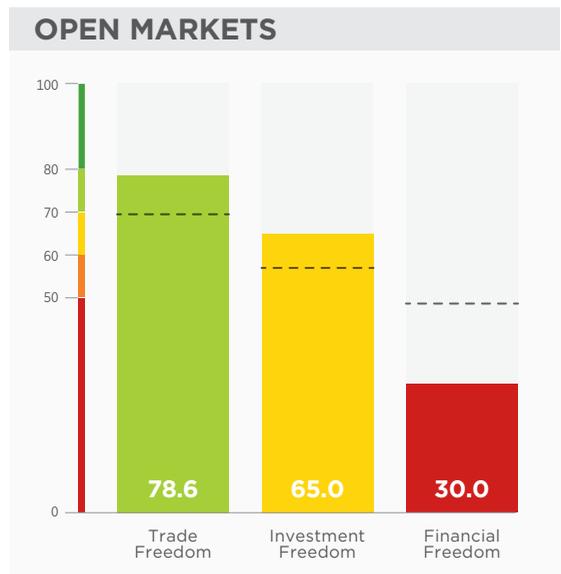
Property rights are respected, but weaknesses in the legal system and difficulties associated with establishing title to real estate, partly as a result of competing claims arising from the history of conflict with Serbia, make enforcement difficult. The weak judiciary lacks independence and technical capacity. Corruption is widespread and a matter of serious concern, and the institutional framework to combat it is weak.



The top personal income and corporate tax rates are 10 percent. Other taxes include value-added and property taxes. The overall tax burden equals 23.4 percent of total domestic income. Government spending has amounted to 30.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.4 percent of GDP. Public debt is equivalent to 24.4 percent of GDP.



Political interference with business freedom and a prevailing lack of contract enforcement can make running a business in Kosovo a risky endeavor. A skills and wage gap is partly to blame for Kosovo's persistently high unemployment rate. In addition to maintaining large agricultural and energy-related subsidies, the government continues to support money-losing state-owned enterprises.



Kosovo has two preferential trade agreements in force. The trade-weighted average tariff rate is 3.2 percent. Efforts to dismantle lingering nontariff barriers continue. Foreign and domestic investors are generally treated equally under the law. State-owned enterprises distort the economy. The financial system is dominated by banking and continues to evolve. In 2020, several temporary measures were taken to ease the immediate financial impact of the COVID-19 pandemic.