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## **EU PROGRAMMES: ACCESS GRANTED**

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## EXECUTIVE SUMMARY

The main aim of the EU programmes is to strengthen cooperation between EU member countries and potential and candidate countries. The intention of the EU programmes is to facilitate the implementation of the required reforms, to align and harmonise policies and regulations and to prepare potential and candidate countries for EU integration. Such EU programmes provide an exceptional opportunity to make direct contact with the most relevant European institutions and experience the system of values which serves as a platform to the whole EU mechanisms. Through the EU programmes, potential and candidate countries are offered the chance to see the practical application of the EU policies and regulations in the EU member countries.

This report identifies and provides the rationale for participating in some selected EU programmes. In the recent years, Kosovo has made big steps in the process of European integration. The Stabilization and Association Agreement (SAA) has entered into force this summer (April 1<sup>st</sup>, 2016) and is considered as a significant milestone in the EU integration journey. The SAA is the first contractual agreement between Kosovo and the EU and as such is expected to provide significant opportunities to the business community and to the general public.

To ensure the successful implementation of EU programmes, it is of utmost interest that there are well-defined performance and success indicators, realistic objectives, responsible parties and clear and agreed timelines. The study has identified the ministries and other relevant authorities that will directly benefit from and be in charge of implementation of the highlighted EU programmes.

Overall, the report has identified ten (10) EU programmes that Kosovo institutions should aim for membership. The EU programmes sought to provide the most significant benefits to the country are: **EMPLOYMENT AND SOCIAL INNOVATION (EdSI); COSME; HORIZON 2020; ERASMUS+; CUSTOMS 2020; FISCALIS 2020; CREATIVE EUROPE; JUSTICE; EUROPE FOR CITIZENS;** and **HEALTH FOR GROWTH.**

The EU programmes identified in this study are compatible with the existing absorptive local capacities and are relevant to the current economic, social and political situation in Kosovo. This study provides some arguments and rationale specific to each programme,

suggesting why Kosovo institutions should aim to become member of the selected EU programmes and offers recommendations, which if considered by stakeholders, improve the chances of membership and success in implementation.

All in all, the EU programmes should be comprehensive, thoroughly analysed and must enable Kosovo institutions to efficiently meet Copenhagen Criteria. However, these programmes should not be regarded as the sole means of achieving the required progress, but rather should be complemented by other initiatives and activities of the institutions of Kosovo, thus creating the synergy that will positively influence the development of the country. Obviously, the targeted EU programmes will facilitate the process of EU integration by providing Kosovo's institutions access to the most relevant EU organisations and by providing significant opportunities for overall efficiency improvement.

## List of Abbreviations

**COSME** – Competitiveness of Enterprises and Small and Medium-sized Enterprise Programme

**EaSI** – Employment and Social Innovation

**EBRD** – European Bank for Reconstruction and Development

**EEN** – Enterprise Europe Network

**EU** – European Union

**EULEX** – European Union Rule of Law Mission

**EYE** – Erasmus for Young Entrepreneurs

**FDI** – Foreign Direct Investments

**GDP** – Gross Domestic Product

**IPA** – Instrument for Pre-Accession

**IPR** – Intellectual Property Rights

**NCP** – National Contact Point

**NDS** – National Development Strategy

**OECD** – Organisation for Economic Co-operation and Development

**PFM** – Public Financial Management

**PISA** – Programme for International Student Assessment

**SAA** – Stabilisation and Association Agreement

**SAC** – Stabilisation and Association Council

**SAP** – Stabilisation and Association Process

**SME** – Small and Medium-sized Enterprises

**WB** – Western Balkans

## 1 INTRODUCTION

European Integration process is the common denominator of the political spectrum of Kosovo and as such it is the highest national priority of every government since 2001. European integration process also enjoys substantial public support in Kosovo. A recent public opinion report, conducted by RIDEA, suggests that about 85% of respondents perceive the EU integration as being beneficial for Kosovo.<sup>1</sup>

In spite of political and practical obstacles, Kosovo has made significant progress in the European integration process and the entry into force of the Stabilization and Association Agreement (SAA) on the 1<sup>st</sup> of April 2016, marks a turning point in Kosovo-EU relations. Policy-making community and researchers argue for some specific economic reforms in order for the SAA to influence and impact the economic development of Kosovo. In addition to the potential trade benefits, the SAA has some political symbolism, as it is the first contractual relationship between the EU and Kosovo.

It is essential to understand European integration process as a comprehensive process composed of different levels and different stages that provide new impetus for the aspiring country. While the SAA and Visa Liberalisation process have been the most visible aspects of the European Integration process, there are other equally important policies and activities that will allow Kosovo's greater participation and interaction with the EU, such as the EU Programmes.

There are some steps and phases that the institutions should follow to become part and benefit from the EU programmes. First step involved signing of the Framework Agreement with the EU for access to the EU programmes. The agreement between the government of Kosovo and the representatives of EU was signed on the first meeting of the Stabilisation and Association Council (SAC) between the European Union and Kosovo on the 25<sup>th</sup> of November 2016.<sup>2</sup> Following the signature and entry into force of such agreement, Kosovo's institutions need to identify specific programmes and apply for membership. This paper attempts to provide a comprehensive list of programmes

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<sup>1</sup> RIDEA (2016) 'Public Report Perception on European Integration', Report, Prishtinë, November. Available at: <http://ridea-ks.org/uploads/RAPORTI%20ANGLISHT%20PER%20PRINTIM.pdf> (accessed on: 19/11/2016).

<sup>2</sup> European Union External Action web page. Available at: [https://eeas.europa.eu/node/15908\\_en](https://eeas.europa.eu/node/15908_en) (accessed on: 12/12/2016).

that institutions of Kosovo should consider to apply, having also in mind the limited current absorptive capacities of the country. The institutions of Kosovo should wisely select programmes that provide tangible benefits for the citizens and are in line with the priorities of the current public policies.

Moreover, this study is an attempt to analyse sectors that are most probably expected to be addressed by the EU programmes and grants. It also provides a review of the experiences of the regional neighbouring countries with respect to the participation and implementation of the EU programmes. Different practices and *lessons learned* from regional countries are elaborated and suggestions are provided for the institutions of Kosovo for the issues that should be considered when applying for and implementing EU programmes. In addition, this study aims at identifying the most effective programmes and projects that will benefit the citizens and the institutions. The study acknowledges that the absorption capacities are limited in Kosovo and that there is a clear need for improving human capacities in acquiring EU grants and participating in the EU programmes.

The ultimate result of the EU programmes is to ensure that there is full approximation between EU member countries and potential and candidate countries. According to the European Commission (EC), the EU financial assistance addresses five key policy areas:<sup>3</sup>

- reforms in preparation for Union membership and related institution and capacity building;
- socio-economic and regional development;
- employment, social policies, education, promotion of gender equality, and human resources development;
- agriculture and rural development; and
- regional and territorial cooperation.

The structure of this report is as follows: the next section (1.1) provides a brief background information with regard to the relations between Kosovo and the EU. Then, in section 2, the report briefly discusses some of the EU programmes that Kosovo

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<sup>3</sup> European Commission (2015) 'Instruments of Pre-Accession Assistance (IPA II). Indicative Strategy Paper for Kosovo (2014-2020)'. Available at: [http://ec.europa.eu/enlargement/pdf/key\\_documents/2014/20140919-csp-kosovo.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-kosovo.pdf) (accessed on 12/12/2016).

should consider for membership. Section 3 provides a comprehensive review of the best practices of the neighbouring countries and provides some *lessons learned*. Kosovo's current involvement in some of the EU programmes and projects is presented in section 4, followed by a detailed discussion on the EU programmes that the institutions should consider in joining in the nearest future. Section 6 provides concluding remarks and recommendations.

### 1.1 Background: Kosovo and the EU

During the last 17 years, the European Union has played different roles, tasks and has undertaken numerous activities in Kosovo. As a potential candidate country for EU accession, Kosovo is also part of the enlargement process.<sup>4</sup> There exists a general acceptance that the European Union has played a central role in developing and strengthening the institutions of Kosovo, especially by providing funds and guidance that directly impacted those institutions.

According to the EU, Kosovo has received more than 2.3 billion of EU assistance since 1999.<sup>5</sup> In the early years, the assistance grants were targeting at rebuilding and reconstruction of the country, whereas now the focus is on building and promoting the country's institutions, establishing a functional business environment and promoting economic development and improving the prospects for the EU integration process. The Stabilisation and Association Process (SAP) has helped Kosovo's institutions grow to a certain level that satisfy some of the EU criteria. The implementation of the SAA will provide an additional push to the quality of institutions and to the overall efficiency and effectiveness of public administration.

The legislative framework of majority of policies and basic administrative capacities of Kosovo has been established in accordance with the EU standards. Kosovo's EU relations are conducted by the Ministry of European Integration while the President's auspices have established the National Council for European Integration.

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<sup>4</sup> Hoogenboom, J. (2011). 'The EU as a Peacebuilder in Kosovo'. IKV Pax Christi Utrecht. *Civil Society Dialogue Network*, pp. 3-18.

<sup>5</sup> European Union External Action web page. Available at: [https://eeas.europa.eu/headquarters/headquarters-homepage/1387/kosovo-and-eu\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/1387/kosovo-and-eu_en) (accessed on: 12/12/2016)



Currently, the EU offices have an important role in promoting the European perspective and norms with the rest of the Balkan countries. The negotiations for the Stabilisation and Association Agreement (SAA) between the EU and Kosovo were authorised by the council in June 2013. In order to achieve the obligations and goals set by this agreement Kosovo had to improve the rule of law, increase efficiency and transparency of public administration, increase the strength and the function of the assembly, enforce fundamental and human rights, advance the protection of minorities, improve trade and internal market issues and so on. The EU has also been the facilitator of the dialogue between Kosovo and Serbia which lead to successful technical agreements. Further, the EU, through Instruments for Pre-Accession (IPA) and EULEX, has supported the adoption and implementation of these agreements.

## 2 EU PROGRAMMES: BRIEF DESCRIPTION

This section provides an introduction of the EU programmes, their aim and objectives, what are the key activities and allocated budget. According to the Multi-Country Indicative Strategy Paper 2014-2020,<sup>6</sup> the priority sectors of the EU are concentrated on the following areas: Rule of Law, Democracy and Governance, Environment, Competitiveness and Innovation, Education, Employment and Social Policies, Agriculture and Rural Development and Transport. A brief description of the identified EU programmes is provided below:

***Employment and Social Innovation (EaSI) Programme***<sup>7</sup> – is an EU programme with particular concentration on promoting sustainable employment, insuring the decent social protection, combating social exclusion and improving working conditions with a designated budget of €919.47 million. The main objective of this programme is to strengthen the areas of employment, social affairs and inclusion. It further, seeks to develop the suitable social protection system and labour market policies while at the same time aiming to modernise the legislation of the potential member countries and adjust this legislation to the EU standards. The geographical mobility is one of the main objectives and it also aims to increase the microfinance accessibility for vulnerable

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<sup>6</sup> Multi-Country Indicative Strategy Paper 2014-2020. Available at: [http://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key\\_documents/2014/20140919-multi-country-strategy-paper.pdf](http://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20140919-multi-country-strategy-paper.pdf) (accessed on: 12/12/2016)

<sup>7</sup> EU Programme established by the Regulation (EU) No 1296/2013 of the European Parliament and the Council of 11 December 2013.

groups while boosting job creation and promoting open labour market. The programme targets vulnerable groups such as young individuals and minorities, promotes gender equality, fights discrimination, poverty and social exclusion.<sup>8</sup>

***Competitiveness of Enterprises and Small and Medium-sized Enterprise Programme***

***(COSME)***<sup>9</sup> – The aim of this programme is focused into four main pillars: the access to finance, access to markets, creating better framework conditions for competitiveness and promoting entrepreneurship. One of ***COSME's*** main objectives is to enhance the *access to finance* for small and medium enterprises through the business lifecycle, loan guarantees and equity investments. Through the 'Loan Guarantee Facility', the programme will provide guaranties to financial institutions so they would be able to offer more loans to finance the SMEs. The 'Equity Facility for Growth' will deliver risk capital to equity funds investing in SMEs mainly through expansion and growth-stage phases. These financial instruments will be managed through the local financial institutions.

***COSME*** also provides the opportunity for SMEs to *join the EUs' single market* and at the same time making use of the opportunity to *cooperate with markets outside the EU*. Through the 'Enterprise Europe Network (EEN)' project, ***COSME*** tends to help SMEs to create a better social network, to create business partners and to understand EU legislation. Another project of ***COSME***, Your Europe Business Portal or the SME Internationalisation Portal tends to help SMEs with practical advices and information on doing business within and outside Europe, respectively. A specific objective of ***COSME*** is to ensure that the Intellectual Property Rights (IPR) of the SMEs are fully respected and to provide guidance to the SMEs on similar issues.

***COSME*** aims at improving the *framework conditions* in which SMEs operate through improving the administrative and regulatory burdens. Such framework includes developing a regulation that encourages business friendly environment. This

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<sup>8</sup> EU Programme for Employment and Social Innovation (EaSI) web page. Available at: <http://ec.europa.eu/social/main.jsp?catId=1081> (accessed on: 12/12/2016).

<sup>9</sup> EU Programme established by the Regulation (EU) No 1288/2013 of the European Parliament and the Council of 11 December 2013.

programme also promotes business competition by encouraging SMEs to adopt new business models and innovative practices.

**COSME** also aims to *support the entrepreneurs* through enhancing their education while also providing counselling, guidance and support services. Through Erasmus for Young Entrepreneurs (EYE), this programme tends to help young and aspiring entrepreneurs to acquire the necessary skills to start and run a business by working with an experienced entrepreneur in another country for one to six months. **COSME** also focuses on digital entrepreneurship through promoting businesses that make use of opportunities offered by digital technologies which are crucial for competitiveness and growth. **COSME** programme targets specific groups which face barriers in the market such as young people, women and senior entrepreneurs. EU dedicated a budget of €2.3 billion to this programme.<sup>10</sup>

**HORIZON 2020**<sup>11</sup> – The main aim of this programme is to provide the framework and the incentives to develop quality research, to improve the environment for research and innovation for private and public institutions to collaborate in delivering innovation. It is one of the largest EU programmes with a budget of nearly €80 billion of funding available for over 7 years (2014 – 2020). This programme tends to drive economic growth and job creation through advanced research and innovation, industrial leadership and inducing collective challenges. By removing the barriers to innovation this programme helps the researchers in the public and private sectors to achieve quality results in shorter period of time. The ultimate aim of this programme is to create a single market for research and innovation where the knowledge can spread faster and is available to every researcher.<sup>12</sup>

**ERASMUS+**<sup>13</sup>– This programme tackles the educational issues of youth while particularly aiming to improve the employment prospects of young people. This programme includes activities in education, training, specific education programmes for

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<sup>10</sup>Europe's programme for small and medium-sized enterprises (COSME) web page. Available at: [http://ec.europa.eu/growth/smes/cosme\\_en](http://ec.europa.eu/growth/smes/cosme_en) (accessed on: 12/12/2016).

<sup>11</sup> EU Programme established by the Regulation (EU) No 1291/2013 of the European Parliament and the Council of 11 December 2013.

<sup>12</sup> EU Horizon 2020 web page. Available at: <https://ec.europa.eu/programmes/horizon2020> (accessed on: 12/12/2016).

<sup>13</sup> EU Programme established by the Regulation (EU) No 1288/2013 of the European Parliament and the Council of 11 December 2013.

youth and sports. EU Youth Strategy tends to achieve its objectives of improving the youth education, their position in the labour market and in general social inclusion through **ERASMUS+**.<sup>14</sup> Further, this programme aims at encouraging youth participation and increases their awareness for the European democracy. The programmes of **ERASMUS+** are designed to offer cooperation with European institutions, provide mobility schemes in the participating countries, enhance cooperation in innovation and exchange good practices. Through these grants, the participants are given the opportunity to study, research, give lectures and work through spending time in the European institutions. **ERASMUS+** participants will be able to broaden their skills and knowledge through these mobility schemes. With regard to sports, **ERASMUS+** programme has designed specific projects to fight violence and racism in sports. The budget dedicated to **ERASMUS+** programme is €14.7 billion.<sup>15</sup>

**CREATIVE EUROPE**<sup>16</sup> – is another EU programme designed to supply various financial schemes to creative organisations of individuals who are engaged in culture and audio-visual projects. This programme tends to reach youth who can make use of digital technology to create art and enhance cultural activities. The main aim of this programme is to support cultural initiatives and the creative sector in general. More specifically, the Creative Europe programme will provide support to creative sectors with the potential of using the digital age advancements the opportunities of a globalised world. It also intends to improve the commercialization of the sector and improve job prospects. EU designated a budget of €1.46 billion for period 2014 to 2020 for this programme.

The **Media** Sub-programme is designed to provide the required support to the media sector and especially to the public broadcaster while the sub-programme **Culture** is focused on providing specific projects that focus on art and culture. The programme incorporates collaborations between different creative and cultural organisations that tend to preserve the diversity in culture and language. Furthermore, this programme

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<sup>14</sup> UK Erasmus plus web page. Available at: <https://www.erasmusplus.org.uk/participating-countries> (accessed on: 12/12/2016).

<sup>15</sup> Erasmus+ Programme Guide (2016). Available at [http://ec.europa.eu/programmes/erasmus-plus/sites/erasmusplus/files/files/resources/erasmus-plus-programme-guide\\_en.pdf](http://ec.europa.eu/programmes/erasmus-plus/sites/erasmusplus/files/files/resources/erasmus-plus-programme-guide_en.pdf) (accessed on: 12/12/2016).

<sup>16</sup> EU Programme established by the Regulation (EU) No 1295/2013 of the European Parliament and the Council of 11 December 2013.

includes activities to promote literature, enhance creative and artistic capacities, promote domestic movies, organise movie festivals, and increase awareness about the art and culture in general and so on.<sup>17</sup>

**HEALTH FOR GROWTH PROGRAMME**<sup>18</sup> – This is the main programme to ensure the EU health strategy and uses a budget of €449.4 million. This programme aims to promote health, create a healthy environment, increase awareness for healthy lifestyle and prevent disease occurrence. Further it tends to protect citizens from serious cross-border health threats, improve and modernise health system, enhance medical technology. Additionally, this programme aims to create mechanisms and coordinate processes between different participant countries. Health for Growth Programme is designed to be co-financed with participating countries and international health organisations.<sup>19</sup>

**FISCALIS 2020**<sup>20</sup> – This programme is focused on creating better functioning tax administrations, enhance professional expertise and provide the mechanisms for information flow. It promotes the developments of digital and IT systems to support tax administration across European countries and also creates the network by providing regular meeting to exchange challenges faced and best practices. Through **FISCALIS 2020**, countries can make substantial contribution to the fight against tax evasion while providing the means to support the revenue collection. The fundamental aim of this programme is to strengthen the tax administration to get fully prepared for the challenges in this field. The budget dedicated to **FISCALIS 2020** is €223.37 million.<sup>21</sup>

**CUSTOMS 2020**<sup>22</sup> – The main aim of this EU programme is to provide the necessary capacities, trainings and activities to increase efficiency and to avoid the possible issues which might be a barrier to a well-functioning Customs authority. This programme

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<sup>17</sup> Creative Europe Programme web page. Available at: <https://ec.europa.eu/programmes/creative-europe/> (accessed on: 12/12/2016).

<sup>18</sup> EU Programme established by the Regulation (EU) No 282/2014 of the European Parliament and the Council of 11 March 2014.

<sup>19</sup> Health Programme web page. Available at: [http://ec.europa.eu/health/programme/policy\\_en](http://ec.europa.eu/health/programme/policy_en) (accessed on: 12/12/2016).

<sup>20</sup> EU Programme established by the Regulation (EU) No 1286/2013 of the European Parliament and the Council of 11 December 2013.

<sup>21</sup> Fiscalis 2020 Programme web page. Available at: [https://ec.europa.eu/taxation\\_customs/fiscalis-programme/fiscalis-2020-programme\\_en](https://ec.europa.eu/taxation_customs/fiscalis-programme/fiscalis-2020-programme_en) (accessed on: 12/12/2016).

<sup>22</sup> EU Programme established by the Regulation (EU) No 1294/2013 of the European Parliament and the Council of 11 December 2013.

tends to increase the cooperation between the cross-country institutions, customs authorities and international organisations. The programme is designed to improve and support the European Information Systems through which can share information more efficiently and the grant access to relevant data. The budget dedicated to this programme is €522.9 million.<sup>23</sup>

**EUROPE FOR CITIZENS**<sup>24</sup> – This programme aims at increasing the cooperation between different organisations and citizens and to promote a sense of belonging in European ideals and to promote the European active citizenship. This programme comprises two different pillars; the first one being the *Remembrance and European citizenship*, which entails activities and debates on topics of European integration while the second pillar is *Democratic engagement and civic participation* which tends to strengthen the cooperation between the citizens and institutions. EU designated to this programme a budget of €185.47 million.<sup>25</sup>

**JUSTICE PROGRAMME**<sup>26</sup> – The main aim of this programme is to ensure that the EU legislation dealing with civil, commercial and criminal law is effectively implemented. The programme intends to facilitate cross-border legal issues between individuals and business community and it provides the participating countries the opportunities to cooperate and improve the efficiency in the field of criminal law. In the end, the **JUSTICE** programme should enable participating countries to strengthen their mutual trust and recognition. EU designated to this programme a budget of €378 million.<sup>27</sup>

### 3 EXPERIENCES FROM THE WESTERN BALKANS COUNTRIES CONCERNING EU PROGRAMMES: LESSONS LEARNED FOR KOSOVO

All the regional countries (Albania (ALB), Bosnia and Herzegovina (BiH), the former Yugoslav Republic of Macedonia (FYROM); Montenegro (MON) and Serbia (SRB) have

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<sup>23</sup> Customs 2020 Programme web page. Available at: [https://ec.europa.eu/taxation\\_customs/business/customs-cooperation-programmes/customs-2020-programme\\_en](https://ec.europa.eu/taxation_customs/business/customs-cooperation-programmes/customs-2020-programme_en) (accessed on: 12/12/2016).

<sup>24</sup> EU Programme established by the Regulation (EU) No 390/2014 of the European Parliament and the Council of 14 April 2014.

<sup>25</sup> Europe for Citizens Programme web page. Available at: <http://ec.europa.eu/citizenship/europe-for-citizens-programme/> (accessed on: 12/12/2016).

<sup>26</sup> EU Programme established by the Regulation (EU) No 1382/2013 of the European Parliament and the Council of 17 December 2013.

<sup>27</sup> Justice Programme web page. Available at [http://ec.europa.eu/justice/grants1/programmes-2014-2020/justice/index\\_en.htm](http://ec.europa.eu/justice/grants1/programmes-2014-2020/justice/index_en.htm) (accessed on: 12/12/2016).

and/or currently are participating in EU programmes. The Indicative Country Strategy Papers (CSPs) 2014-2020 highlight the priorities for each country and foresee the focus of EU financial assistance. The range of sectors that were emphasised in the CSPs of the regional countries include: i) Democracy and governance, ii) education, employment and social policies; iii) Rule of law and fundamental rights, iv) health; v) competitiveness and innovation; vi) Public administration reform; vii) Cultural aspects; and viii) Agricultural and rural development. *Similar aspects are also foreseen in the Indicative Strategy Paper for Kosovo; hence the programmes sought for membership should directly or indirectly address these priority sectors.*

The practice shows that depending on the capacities and country circumstances, the Western Balkans (WB) countries participate in at least five (5) different EU programmes. For instance, Albania currently (2014-2020) participates in eight (8) different EU programmes, while during the 2007-2013 cycle Albania participated in seven (7) EU programmes. In meantime, Albanian intuitions have invested in harmonising their policies, strategies and legislation with the aims and objectives of the EU programmes.<sup>28</sup> However, due to the structure of the country of BiH, most strategies are not in line and do not provide for a countrywide implementation of the EU *acquis*.<sup>29</sup> *Such an alignment increases the chances of successful implementation of EU programmes and improves the impact.*

Almost all the WB countries have had difficulties in ensuring a sound inter-institutional and inter-agency coordination and cooperation which has resulted in delays, inefficiencies and lower success rates. Countries such as Bosnia and Herzegovina have also faced lack of cross-community communication and lack of political support.<sup>30</sup> Likewise, Albania has been reported to have experienced lack of cooperation between line ministries and between European Commission representatives in the country.<sup>31</sup> *Kosovo institutions should take all the measures and mitigate such risks that might*

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<sup>28</sup> Indicative Strategy Paper for Albania 2014-2010. Available at: [http://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key\\_documents/2014/20140919-csp-albania.pdf](http://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20140919-csp-albania.pdf) (accessed on: 12/12/2016).

<sup>29</sup> Indicative Strategy Paper for Bosnia and Herzegovina 2014-2017. Available at: [http://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/news/annexe\\_acte\\_autonome\\_nlw\\_part1v1.pdf](http://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/news/annexe_acte_autonome_nlw_part1v1.pdf) (accessed on: 12/12/2016).

<sup>30</sup> Ibid.

<sup>31</sup> See footnote 28.

*negatively influence the implementation of the specific EU programmes. Effective communication should also be in place between the Kosovo institutions and the European Commission, so that a high success rate of applications in the EU programmes is achieved.*

Similarly, the WB countries have suffered from skill depreciation and human capital deterioration, thus in this context it is of utmost importance to dedicate a certain fund from the state budget to enhance human capacities in preparation and application for the EU programmes. Most of the WB countries have designated only a small percentage to co-finance the entry tickets. In this regard, Albania has managed to co-finance Fiscalis 2020, Customs 2020, Europe for Citizens and COSME by providing only 20% (80% of the fee was provided by the EU).<sup>32</sup> Serbia has managed to contribute with even a lower percentage, when joining the Europe for Citizens, by co-financing only 15% of the entry ticket, while only 10% for Health for growth programme.<sup>33</sup> The Former Yugoslav Republic of Macedonia has also co-financed the entry ticket with the EU of up to 26% for Erasmus+ and for Creative Europe.<sup>34</sup> On the other hand, Montenegro has co-financed the EaSI programme by only 10%, whereas for COSME and Horizon 2020 programme they have dedicated 50% from the state budget.<sup>35</sup> *Having in consideration Kosovo's financial capacities, the aim should be to co-finance the entry-ticket by 10% or not more than 15% from the state budget.* As the financial and human capacities improve, the share of state budget co-financing can increase accordingly.

The experiences from some of the WB countries suggest that appointing a National Contact Point (NCP) for identifying key areas that the EU programmes can address and for co-monitoring the EU programmes has been a wise decision. Albania has developed an action plan which provides suggestions and analysis for the selection of EU programmes that the country should participate and has highlighted that the NCP should participate in all the meetings and information days so that they are well-informed. The NCP has also been appointed in BiH and is expected to increase the

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<sup>32</sup> See footnote 28.

<sup>33</sup> Serbia – Financial Assistance under IPA-II. Available at: [http://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/serbia\\_en](http://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/serbia_en) (accessed on: 12/12/2016).

<sup>34</sup> The former Yugoslav Republic of Macedonia – Financial Assistance under IP-II. Available at: [http://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/former-yugoslav-republic-of-macedonia\\_en](http://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/former-yugoslav-republic-of-macedonia_en) (accessed on: 12/12/2016).

<sup>35</sup> Montenegro – Financial Assistance under IPA-II. Available at: [http://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/montenegro\\_en](http://ec.europa.eu/neighbourhood-enlargement/instruments/funding-by-country/montenegro_en) (accessed on: 12/12/2016)



visibility of the EU programmes by co-organising info days, seminars, workshops, fairs and conferences together with responsible line ministries. As argued by the WB countries, such activities have resulted in an increased awareness toward EU programmes acceptance and toward a better understanding of EU processes in general. *The need for Kosovo to appoint the National Contact Point (NCP) who will circulate all the general and specific information with regard to EU programmes.*

Lately, the EU institutions have set more rigorous and comprehensive accession criteria, as a result of lessons learned from the previous experiences with the new member states. As a consequence, the EU has significantly advanced the entry policies for the new potential candidates. *Therefore, it is crucial to approach such programmes, and the EU accession in general, with the highest commitment and a detailed plan on priorities, tasks and activities to ensure a smooth process.*

Having critically reviewed the experiences of the WB countries with regard to the EU programme applications and implementations, one might conclude that the involvement in these programmes requires a highly professional and well-coordinated staff within the relevant ministries and other beneficiary institutions. Taking, for instance, Albania's involvement in the EU programmes, the success rate of application and the number of proposal submissions of these programmes is still considered very low.<sup>36</sup> It is also observed, that the chances of participation in the EU programmes are still low due to the quality of project proposals submitted to the EU institutions.<sup>37</sup> This conclusion might be considered of a critical importance as it also holds for other countries as identified by the critical evaluations, such as Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia (FYROM).<sup>38</sup>

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<sup>36</sup> European Commission (2015) 'Instruments of Pre-Accession Assistance (IPA II), 2014-2020. Albania, Support to participation in Union Programmes and Agencies'. Available at: [http://ec.europa.eu/enlargement/instruments/funding-by-country/albania/index\\_en.htm](http://ec.europa.eu/enlargement/instruments/funding-by-country/albania/index_en.htm) (accessed on: 12/12/2016).

<sup>37</sup> European Commission (2015) 'Instruments of Pre-Accession Assistance (IPA II), 2014-2020. Bosnia and Herzegovina, Support to participation in EU Programmes'. Available at: [http://ec.europa.eu/enlargement/instruments/funding-by-country/bosnia-herzegovina/index\\_en.htm](http://ec.europa.eu/enlargement/instruments/funding-by-country/bosnia-herzegovina/index_en.htm) (accessed on: 05/12/2016).

<sup>38</sup> European Commission (2015) 'Instruments of Pre-Accession Assistance (IPA II), 2014-2020. The former Yugoslav Republic of Macedonia, EU Integration Facility.' Available at: [http://ec.europa.eu/enlargement/instruments/funding-by-country/former-yugoslav-republic-of-macedonia/index\\_en.htm](http://ec.europa.eu/enlargement/instruments/funding-by-country/former-yugoslav-republic-of-macedonia/index_en.htm) (accessed on: 05/12/2016).

In April 2013, the European Commission adopted a proposal that would allow Kosovo to participate in EU programmes.<sup>39</sup> Since then, Kosovo has managed to be part and absorb funds from some of the EU programmes. In this regard, Kosovo research and education institutions have benefited from **HORIZON 2020** and **ERASMUS+**. In the latter programme, **ERASMUS+**, Kosovo is listed as 'Partner country' together with other Western Balkan neighbours.<sup>40</sup> There are some higher education institutions that have managed to engage in agreements that provide opportunities for staff and student mobility in the Western country universities and research organisations. Kosovo's research and higher education institutions and other related organizations have also been eligible to participate in some of the calls of **HORIZON 2020** EU programme.<sup>41</sup> **HORIZON 2020** offers enormous opportunities to the organisations that demonstrate to have research excellency and innovative approaches in developing projects and idea. It enables research and higher education institutions to engage in state-of-the-art research activities and provide large scale impact to the society.

Besides **HORIZON 2020** and **ERASMUS+**, Kosovo's institutions have significantly benefited from the use of Instruments for Pre-Accession (IPA-II) funds. The IPA-II funds have addressed some of the most critical pillars of the country, such as the support of the public administration reform and the support of the private sector development. The EU programmes and funds that have supported good governance and democratization process have been considered to have provided positive and significant results by improving accountability and overall system efficiency.

Most recent IPA-II funds have extended their support to some more sensitive sectors such as the 'rule of law' and fundamental rights. The overall judicial system is characterised by poor performance, hence the implementation of legislation of all levels is still not at the desired stage. Competitiveness, innovation, energy and agricultural sector have also been supported by the EU funds and the results of such support are

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<sup>39</sup> European Commission Press release data base. Available at: [http://europa.eu/rapid/press-release\\_IP-13-348\\_en.htm](http://europa.eu/rapid/press-release_IP-13-348_en.htm) (accessed on: 05/12/2016).

<sup>40</sup> Erasmus+ web page. Available at: <https://www.erasmusplus.org.uk/participating-countries> (accessed on: 05/12/2016).

<sup>41</sup> Horizon 2020 - Work programme 2016-2017 General Annexes. Available at: [http://ec.europa.eu/research/participants/data/ref/h2020/other/wp/2016-2017/annexes/h2020-wp1617-annex-a-countries-rules\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/other/wp/2016-2017/annexes/h2020-wp1617-annex-a-countries-rules_en.pdf) (accessed on: 05/12/2016).

expected to positively reflect on the overall development of the country and more specifically on an increase on GDP growth. Specifically, there have been implemented projects which intended to improve trade performance by designing strategies to support firms with high export capacities.

There are some more EU funds that have a sectoral approach and have contributed substantially. The Enterprise Growth Programme and Business Advisory Services have provided support to the small and medium-sized enterprises. The concentration was on providing consultancy, and professional support to the individual companies and enable them to acquire industry specific management expertise. Such support has resulted in new skill development for the participating companies and individuals, new start-ups, increased financial investment and some of the companies have managed to meet the criteria to obtain International Standardisation Organisation (ISO) certificates.

## 5 KOSOVO'S INVOLVEMENT IN THE FUTURE EU PROGRAMMES

Based on the above discussion, the arguments from the best experiences from the Western Balkan countries, also based on the priorities and the capacity for programme absorption one can conclude that the following EU programmes would be the most beneficial for Kosovo: i) Justice; ii) Employment and Social Innovation (EaSI) Programme; iii) Competitiveness of Enterprises and Small and Medium-sized Enterprise Programme (COSME); iv) ERASMUS+. The discussion in this section will provide the arguments, the stylistic facts and rationale of why Kosovo would benefit more from these programmes. These programmes are considered all equally important, thus the order used to list and discuss them does not present any significance. The other EU programmes will be also briefly discussed in this section, however less emphasis is given to them.

Considering the vulnerability of the rule of law, improving this segment in Kosovo should be the key priority when addressing the accession into the EU programmes. As the full implementation of the rule of law and the judicial system is largely considered as being crucial process, 'Justice' programme is listed among those with the highest

priority. According to an assessment by EBRD<sup>42</sup>, there is a huge gap with regard to the laws placed by the UN administration and EULEX have not been and regulation enforcement in the commercial sector. Modern law framework, in line with international standards, needs to be developed and needs to be regularly and properly enforced. According to IPA (Kosovo), EULEX will continue to provide assistance to Kosovo authorities in the rule of law area, specifically on judiciary, police and customs.<sup>43</sup> The reforms that need to be designed and implemented towards this pillar are at the core of the success of implementation of further EU programmes and EU integration in general. The corruption in the judicial system must be addressed and fought more thoroughly. Some measures have been taken with regard to this concern, such as increasing the salaries of the judicial system staff, though the outcomes have yet to be noticed.<sup>44</sup> Considering the successful implementation in other Western Balkan countries, such as in Serbia where during 2007 to 2013 period 56.2 million euros were designated to this programme in order to increase transparency and efficiency of judiciary, including the purchase and development of software and the necessary equipment to tracking cases in courts, prosecution and prison administration. Despite additional need to reform and develop, it is considered that EU programmes designated to judicial reforms and developments have been beneficial to the system and assisted in increasing the efficiency of other institutions. Additionally, the experience from Serbia suggests that increasing professional capacities and providing specialised judicial training would be much beneficial for the overall system. The implementation of this programme in Serbia has also been successful in fighting and reducing corruption.<sup>45</sup>

Likewise, the undertaken judicial reforms funded by the IPA programmes in Albania have led to some 'moderate' progress, as emphasised in previous Progress Reports. As a result of such reforms, numerous laws were passed by the assembly and a lot of activities took place which provided the foundations for a successful reform of the system. Reports have also highlighted the improvements in judicial system

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<sup>42</sup> Commercial Laws of Kosovo. An Assessment of the EBRD, July 2013. Available at: <http://www.ebrd.com/documents/legal-reform/kosovo-country-law-assessment.pdf>. (accessed on: 05/12/2016).

<sup>43</sup> European Commission (2015) 'Instruments of Pre-Accession Assistance (IPA II), 2014-2020. Kosovo Available at: [https://ec.europa.eu/neighbourhood.../kosovo/.../ipa2015\\_ks\\_03\\_judicial\\_reform.pdf](https://ec.europa.eu/neighbourhood.../kosovo/.../ipa2015_ks_03_judicial_reform.pdf) (accessed on: 12/12/2016).

<sup>44</sup> See footnote 42

<sup>45</sup> <http://europa.rs/pomoc-republici-srbiji/eu-i-srbija-na-delu/vladavina-prava/>

independence and transparency.<sup>46</sup> Similarly, the funds have helped Bosnia and Herzegovina in the fight against organised crime and corruption where some investigations of high level crime and corruption have started.<sup>47</sup>

Therefore, there is an interest among the institutions in Kosovo regarding the participation of the country in the '**JUSTICE**' programme. There are two headings of this programme that might be most beneficial: (1) *Facilitating access to justice and support judicial training*; and (2) *Improving judicial cooperation in civil, commercial and criminal matters*.

The second EU programme to be discussed is the Employment and Social Innovation (EaSI). As explained in section 2, **EaSI** comprises the EU programme supporting the government initiatives and strategies to improve the labour market, to support job creation in order to increase the employment, to promote the labour skill enhancement, to design appropriate active labour market policies, to promote social innovation, increase geographical mobility and so on. Considering that Kosovo, has one of the highest rates of unemployment, youth unemployment, large informal employment and in general weak labour market performance, the **EaSI** programme would be beneficial in enhancing the skills and human capital, especially for young individuals.

Kosovo currently faces the highest unemployment rate in the region of 32.9 percent in 2015 and the unemployment rate for more vulnerable groups, such as women is strikingly high of around 36.6 percent.<sup>48</sup> The prospects of employment are rather weak, only 25 percent of the population of working age are employed; 38.7 percent of employed are men while only 11.3 percent are women.<sup>49</sup> These statistics present the adversity of labour markets in Kosovo and demands urgent attention. The efforts to improve the conditions of labour market so far have been inefficient and resulted with very slight progress. Economic growth is a prerequisite for improved employment

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<sup>46</sup> The European Union's IPA Program For Western Balkans. Available at: [https://ec.europa.eu/neighbourhood-.../sites/near/.../2013\\_final\\_main\\_report\\_lot\\_3.pdf](https://ec.europa.eu/neighbourhood-.../sites/near/.../2013_final_main_report_lot_3.pdf) (accessed on: 12/12/2016).

<sup>47</sup> European Commission (2015) 'Instruments of Pre-Accession Assistance (IPA II), 2014-2020 Bosnia and Herzegovina Enhanced Justice Sector and cooperation in Rule of Law. Available at: [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/bosnia\\_and\\_herzegovina/ipa/2015/ipa\\_2015-037888.05-bih-enhanced\\_justice\\_sector\\_and\\_cooperation\\_in\\_rule\\_of\\_law.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/bosnia_and_herzegovina/ipa/2015/ipa_2015-037888.05-bih-enhanced_justice_sector_and_cooperation_in_rule_of_law.pdf) (accessed on: 12/12/2016).

<sup>48</sup> See footnote 55.

<sup>49</sup> Ibid.

opportunities, however, despite the moderate economic growth over recent years, Kosovo has witnessed a period of jobless growth.

Apart from the low employment opportunities, it is the structure of the labour market institutions and policies that imposes strong influence in the labour market conditions. The labour protection legislation in Kosovo does not provide a concern<sup>50</sup>, however, the low enforcement of this legislation has influenced the widespread informal employment. Findings from different surveys provide evidence that enterprises in Kosovo prefer informal sector to escape the social protection and cost of workers.<sup>51</sup> The level of unemployment benefits is very low and is not inclusive for all unemployed and may not be regarded as a cause for high unemployment rates in Kosovo. However, the high level of remittances provides a reasonable incentive for labour in Kosovo to have a high reservation wage (the reservation wage is defined as the minimum wage rate at which a worker will accept employment) and consequently low employment rates. Ministry of Labour and Social Welfare should take charge of this EU programme.

Experiences from Albania show that the employment of young people and women can be increased through the EU programmes such as the Employment and Skill strategy 2014-2020. The improvement of the employment prospects of the disadvantaged and vulnerable groups of unemployed have been made achievable through the diversification of job opportunities, strengthening the legal framework, investments in vocational and educational trainings and also an increase in labour market counselling and services. The skill enhancement and improvement of educational and vocational system helps in adjusting the labour skills to what is required in the local labour market and increasing their competitiveness internationally.<sup>52</sup>

Similar to Albanian experience, Macedonia who participated in programmes improving skills of unemployed by implementing active labour policies. The EU-funded Twinning Project “Support to the Employment Service Agency for implementation of active labour market measures and services”. In cooperation with the Agency for employment

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<sup>50</sup> Ibid.

<sup>51</sup> Corbanese, V., & Rosas, G. (2007). ‘Young people’s transition to decent work: Evidence from Kosovo’. ILO, Employment Policy Department, Employment Policy Papers, (4), pp. 1-86.

<sup>51</sup> See footnote 55.

<sup>52</sup> European Union webpage. Available at: [https://eeas.europa.eu/headquarters/headquarters-homepage/17634/eu-rewards-progress-albania-employment-and-skills-and-public-administration-reforms\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/17634/eu-rewards-progress-albania-employment-and-skills-and-public-administration-reforms_en)

provided IT specialised training programmes to enhance professional skills of young unemployed. As a result of this programme, young participants gained employment skills and more than 70% of them found a job by the end of the training.<sup>53</sup> Having discussed different experiences from the neighbouring countries, there is high likelihood that participating in EaSI would clearly improve the employment prospects of the Kosovo unemployed, especially the young and other disadvantaged groups in the labour market.

Thirdly, an EU programme that would support the development, growth, export capacities of SMEs would provide significant changes to the economic structure. Kosovo's economy is largely dominated by Small and Medium-sized Enterprises (SMEs), which still account for almost 99% of total private business sector.<sup>54</sup> In this regard, the participation of Kosovo in the **COSME** programme would result in improved SME sector and an additional growth potential for employment and GDP growth. The main goal of **COSME** programme is to strengthen the competitiveness and improve the sustainability of the SMEs. It intends to promote growth potential of SMEs and enhance the overall business environment that is conducive for entrepreneurial activities. **COSME** would provide the support firms need to internationalise by facilitating market penetration for firms at all stages of development.

The Stabilisation and Association Agreement (SAA) between Kosovo and the European Union is expected to create significant positive opportunities for businesses and individuals. In terms of trade relations, SAA provides the platform and establishes a long-lasting free trade arrangement between the EU and Kosovo.<sup>55</sup> According to the Central Bank of Kosovo, in 2015, the EU remained the biggest trade partner to Kosovo, with 42% of overall trade and 31% of Kosovo exports going to the EU member countries.<sup>56</sup> However, only low-value products such as basic metals and other raw materials still dominate the structure of exports and are a clear sign of limited

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<sup>53</sup> Intelligence Source webpage. Available at: <http://isource.com.mk/success-story-isource-part-of-eu-funded-twinning-project> (accessed on 12/12/2016)

<sup>54</sup> USAID. Kosovo: 2014-2018 – Country Development Cooperation Strategy. Available at: [https://www.usaid.gov/sites/default/files/documents/1863/CDCS\\_Kosovo.pdf](https://www.usaid.gov/sites/default/files/documents/1863/CDCS_Kosovo.pdf) (accessed on: 05/12/2016).

<sup>55</sup> The European Commission Kosovo 2016 Report, Commission Staff Working Document. Available at: [http://ec.europa.eu/enlargement/pdf/key\\_documents/2016/20161109\\_report\\_kosovo.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2016/20161109_report_kosovo.pdf) (accessed on 12/12/2016).

<sup>56</sup> CBK (2016) Raporti i Zhvillimeve Makroekonomike, no. 4, April 2016. Available at: [http://bqk-kos.org/repository/docs/2015/BQK\\_Raporti%20i%20Zhvillimeve%20Makroekonomike%204.pdf](http://bqk-kos.org/repository/docs/2015/BQK_Raporti%20i%20Zhvillimeve%20Makroekonomike%204.pdf) (accessed on: 05/12/2016).

competitive advantages that currently Kosovo's economy has toward the EU markets.<sup>57</sup> There are high expectations that the SAA will improve access to the EU single market and will enhance Kosovo's capacities and competitiveness in international trade, resulting in exports of more advanced and value-added products.

The 2016-2021 National Development Strategy (NDS) adopted in January 2016, has devoted a full chapter on competitiveness and highlights that SMEs are the backbone of the Kosovo economy.<sup>58</sup> In addition, the new law on the Credit Guarantee Fund which entered into force this year aims to tackle one of the main obstacles to SME growth, the access to finance.<sup>59</sup> The fund is yet to be fully operationalized and it will take some time until it impacts firm growth. In meantime, the time required to register a company has been reduced to only three (3) days. The World Bank report of Doing Business ranked Kosovo the 60<sup>th</sup> in 2017 compared to 64<sup>th</sup> in 2016, suggesting for a positive step in by improving the environment of doing everyday business.<sup>60</sup> Similarly, the dimension of paying taxes has improved the ranking of Kosovo in doing business by 34 positions. Despite the improvement of the business environment, Kosovo faces many difficulties which still hurt the development of a strong and sustainable business sector. Though, in the last year, firm start-up rates have increased and are dominated by the agriculture sector, perhaps due to the high government subsidies for this sector, there remains much work to be done in improving the additional conditions of this sector. The Ministry of Trade and Industry together with the Ministry of Economic Development should be in charge of this EU programme.

Since Montenegro has started participation in the COSME programme in 2014, some noticeable effects are highlighted in the country's economic reform programmes. The key benefit of the COSME programme in Montenegro is the improved access of financing for the SMEs through implementation of the updated lending schemes, guarantees of commercial banks and direct lending.<sup>61</sup> Access to finance is one of the obstacles of firms in

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<sup>57</sup> See footnote 55.

<sup>58</sup> National Development Strategy 2016 – 2021 (NDS) (2016). Available at: [http://www.kryeministri-ks.net/repository/docs/National\\_Development\\_Strategy\\_2016-2021\\_ENG.pdf](http://www.kryeministri-ks.net/repository/docs/National_Development_Strategy_2016-2021_ENG.pdf) (accessed on: 12/12/2016).

<sup>59</sup> See footnote 55.

<sup>60</sup> The World Bank – 'Doing Business Report', (2016). Available at: <http://www.doingbusiness.org/rankings> (accessed on: 05/12/2016).

<sup>61</sup> Government Of Montenegro (2016) 'Montenegro Economic Reform Program 2016 – 2018' Available at: <http://www.gov.me/en/News/157668/Montenegro-Economic-Reform-Programme-2016-2018.html> (accessed:



Kosovo, hence an immediate effect of COSME programme would lead to an increased financing capacities of the SME's in Kosovo. With regard to implementation in other Western Balkan countries, Albania and Serbia, the COSME programme has started the implementation in 2015, while Bosnia and Herzegovina started in 2016 so it is still early to make reference or any lesson learned about the results and implementation of this programme.

The **ERASMUS+** programme substitutes several sub-programmes that existed in the period 2007-2013 and were equally beneficial for research strategy; the Lifelong Learning Programme, Youth in Action, Erasmus Mundus and Tempus. In the **ERASMUS+**, Western Balkan Countries, including Kosovo are only listed as Partner Countries. It is only the Former Yugoslav Republic of Macedonia that is listed as a Programme country. According to the European Commission (EC), Kosovan progress on improving the quality of education has been the slowest in the region and it is still in the early stage of building human and social capacities often regarded as the main drive of economic growth.<sup>62</sup> In light of this argument, Kosovo should take all the legal, technical and other measures to ensure the increased participation on the **ERASMUS+** programme and see research institutes, researchers, academics, students and other-related parties benefit from such schemes.

The policies towards education still need to comprehensively address crucial issues such as equal access to education, quality and effectiveness of education. The inadequacy of financial support along with outdated curricula fosters poor educational outcomes of young students. Considering the large number of students, the public spending on education in Kosovo was only 3.9 percent of GDP in 2015<sup>63</sup> compared to 4.7 percent in 2014<sup>64</sup> which is substantially low compared to countries in the region. Almost 75 percent of public spending is dedicated to staff salaries while only a small percentage goes to staff training and curricula development. Even when curricula are accurately designed to produce education outcomes, it is usually not practically applied. With regard to educational outcomes, for the first time in 2015, Kosovo participated in

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05/12/2016)

<sup>62</sup> See footnote 55.

<sup>63</sup> See footnote 55.

<sup>64</sup> UNICEF Public Expenditure on Primary Education for Kosovo, 2015. Available at: [https://www.unicef.org/kosovoprogramme/Kosovo\\_\(UNSCR\\_1244\)\\_Primary\\_Education\\_PER\\_Summary\\_of\\_Report\\_Final\(1\).pdf](https://www.unicef.org/kosovoprogramme/Kosovo_(UNSCR_1244)_Primary_Education_PER_Summary_of_Report_Final(1).pdf) (accessed on: 12/12/2016).

the OECD's Programme for International Student Assessment (PISA) and the results reported in December 2016, confirmed that the education sector suffers in terms of quality. The PISA results suggest that Kosovo 15 years-old students perform poorer compared to the same age students of the countries of the region, which also in general show poor educational outcomes.

In terms of the labour market, a skill mismatch has been detected, with enterprises demanding a specific set of skills, which most unemployed individuals do not possess in Kosovo.<sup>65</sup> This skill mismatch seems to be a consequence of the educational system from the 1990's when the formal educational was limited and the population obtained basic education through informal programmes. Around 40 percent of vocational graduates and 35 percent of the university graduates have not acquired the necessary skills demanded by the labour market. However, despite the requirements of the enterprises, young people in Kosovo seem to not value the vocational education and prefer university.<sup>66</sup> Moreover, the vocational and training education are very poorly designed and coordinated, lack the necessary financial support and lack the appropriate strategy to link with the overall economic development strategy of Kosovo. Youth unemployment in Kosovo is considered to be one of the highest in Europe (57.7) percent which demonstrates the urgent need for more vocational education, training programmes targeting young individuals.<sup>67</sup> Ministry of Education, Science and Technology should be in charge of this EU programme.

The programme has had a significant impact in advancing the research capacities and capabilities of institutions in Serbia. Specifically, EU funds for education have helped one of the largest universities to establish and develop a specialised centre which deals with enhancements in agriculture and IT sector. The funds enabled this centre to establish a highly technologically advanced lab and employ 50 researchers, most of them having a PhD degree.<sup>68</sup> A moderate progress was also evident in the improvement of the educational system in Albania since in joined EU funded programmes such as

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<sup>65</sup> Corbanese, V., & Rosas, G. (2007). 'Young people's transition to decent work: Evidence from Kosovo'. ILO, Employment Policy Department, Employment Policy Papers, (4), pp. 1-86.

<sup>66</sup> See footnote 55.

<sup>67</sup> Kosovo Agency of Statistics, (2016) 'Tregu i Punës'. Available at: <http://askdata.rks.gov.net/PXWeb/pxweb/sq/askdata/> (accessed on: 05/12/2016).

<sup>68</sup> Europa.rs webpage: <http://europa.rs/how-the-eu-funds-quantum-leaps-in-serbia/?lang=en> (accessed on 12.12.2016)

Erasmus+ in 2014 and previously in Tempus.<sup>69</sup> Considering the success stories of the Erasmus+ programme in neighbouring countries, it would be very beneficial for Kosovo to increase activities particularly in academic staff mobility and in establishing highly specialised centres and high quality educational institutions in general.

Other EU programmes also considered for participation include: i) **CUSTOMS 2020** and **FISCALIS 2020**, ii) **HEALTH FOR GROWTH**, iii) **HORIZON 2020**, iv) **CREATIVE EUROPE** and v) **EUROPE FOR CITIZENS**.

Following the suggestions of the European Commission, Kosovo adopted a reform strategy on Public Financial Management (PFM) 2016-2020.<sup>70</sup> The aim of this reform strategy is to improve fiscal discipline and macroeconomic revenue forecasting. In the last fiscal year, the customs authorities have improved their revenue collection capacities, the fight against corruption and the administrative costs of exports.<sup>71</sup> There is still an undoubted need for further enhancement of their efficiency and effectiveness to be able to cope with the new trade challenges that the SAA brings. Merging the tax administration and customs is foreseen in the PFM strategy reform and that might create another significant challenge for the involved parties. Failing to professionally handle this merger, might result in budget instability and revenue distortions. In the light of all the above-mentioned factors, **CUSTOMS 2020** and **FISCALIS 2020** are seen as major instruments for the implementation of the activities of the customs and tax administration. These EU programmes will provide the necessary support for the international and domestic trade facilitation and the economic development of Kosovo in general. In particular, the participation of the customs administration in the **CUSTOMS 2020** will considerably strengthen the overall operation of customs and will result in facilitating the cooperation with similar institutions in the Western Balkan countries and the EU member countries, leading to a better fight against contraband and trafficking.

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<sup>69</sup> European Commission (2014) 'Albania Progress Report'. Available at: [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key\\_documents/2014/20141008-albania-progress-report\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20141008-albania-progress-report_en.pdf). (accessed on: 05/12/2016)

<sup>70</sup> See footnote 55.

<sup>71</sup> Ibid.

In general, fiscal policy has been criticised for being short-sighted, of having the lack of transparency and for following a politically motivated and ad-hoc decision-making. However, the government has managed to have a low budget deficit and a low general public debt and is now making concrete steps in improving the quality and credibility of mid-term budgeting.<sup>72</sup> Participation in *FISCALIS 2020* will further enhance the administrative capacities of tax administration and other fiscal related policy institutions and provide the required technological advancements, and innovative approaches to the tax collection process; ensure the effectiveness of tax collection, electronic services; increase the fight against tax evasion and fraud; decrease the administrative burden and taxpayer compliance costs. The Ministry of Finance should be in charge of these two programmes.

Kosovo should also initiate the required activities for joining the programme *HEALTH FOR GROWTH*. The health sector in Kosovo suffers from the lack of proper health management expertise. In the aftermath of war, the health state of the populations has been reported to have deteriorated.<sup>73</sup> It is expected that the country will express the interest with the aim of starting participating in the Programme in 2017.

*HORIZON 2020* comprises the programmes of Research and Innovation which might open the doors of opportunities for the researchers of Kosovo to cooperate with European research actors. The main aim of this programme is to provide the framework and the incentives to develop quality research, to improve the environment for research and innovation for private and public institutions to collaborate in delivering innovation. To date, Kosovo research institutions have been involved with more than 50 proposals of which 9 have been granted the funds.<sup>74</sup> Despite the research and innovation willingness of the researchers and research institutions in Kosovo, there is a high budget constraint where only 0.05 percent of GDP was dedicated for research and innovation in 2015.<sup>75</sup> This financial limitation along with the lack of modernisation of the educational system have influenced the low level of domestic research and

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<sup>72</sup> Ibid.

<sup>73</sup> Mustafa, M., Berisha, M., & Lenjani, B. (2014). 'Reforms and Challenges of Post-conflict Kosovo Health System'. *Materia socio-medica*, 26(2), pp. 125.

<sup>74</sup> See footnote 55.

<sup>75</sup> Ibid.

innovation and resulted in a poor quality of research in general for Kosovo. Having argued the slack capacity, the support should be provided for the development of research and innovation infrastructure, to provide appropriate training to enhance research skills and to bring them to the world-class level, to increase international collaborations and better transfer of technology to the private sector. Ministry of Education, Science and Technology should be in charge of this EU programme.

**CREATIVE EUROPE** is another EU programme established by the Regulation (EU) No 1295/2013 of the European Parliament and the Council of 11 December 2013. Kosovo's institutions would benefit from participating in this programme as it provides the necessary mechanism to boost cultural and audio-visual creativity. The main aim of this programme is to support cultural initiatives and the creative sector in general. More specifically, the **CREATIVE EUROPE** programme will provide support to creative sectors with the potential of using the digital age advancements the opportunities of a globalised world. It also intends to improve the commercialization of the sector and improve job prospects.

The **Media** Sub-programme would provide the required support to the media sector in Kosovo and especially to the public broadcaster, which is still financially dependent on the government funds. The overall telecom and media sector lack adequate capacities and resources, infrastructural and human. In addition, the media have until now failed to switch to the digital system and ensure financial and programme independency.<sup>76</sup> The Ministry of Culture, Youth and Sport should be in charge of this programme.

**EUROPE FOR CITIZENS** is a similar programme with the main goal of supporting two areas European Remembrance and Democratic engagement and civic participation. Going through different transition phases, Kosovo institutions and the general public need to significantly enhance democratic engagement and civic participation on the state-building process. The Ministry of Culture, Youth and Sport should be in charge of this programme.

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<sup>76</sup> Ibid.

The complete list of EU programmes and the responsible authority/beneficiary is presented below:

- **JUSTICE** – beneficiary: Ministry of Justice
- **EMPLOYMENT AND SOCIAL INNOVATION (EaSI)** – beneficiary: Ministry of Labour and Social Welfare
- **ERASMUS+** - beneficiary: Ministry of Education, Science and Technology
- **COSME** – beneficiaries: Ministry for Trade and Industry and Ministry of Economic Development
- **CUSTOMS 2020** – beneficiary: Ministry of Finance
- **FISCALIS 2020** – beneficiary: Ministry of Finance
- **HEALTH FOR GROWTH** – beneficiary: Ministry of Health
- **HORIZON 2020** - beneficiaries: Ministry of Education, Science and Technology; Ministry for Trade and Industry and Ministry of Economic Development; Ministry of Culture, Youth and Sport
- **CREATIVE EUROPE**, Sub-Programme “Culture” – beneficiary: Ministry of Culture, Youth and Sport
- **CREATIVE EUROPE**, Sub-Programme “Media” – beneficiary: Ministry of Culture, Youth and Sport -
- **EUROPE FOR CITIZENS** – beneficiary: Ministry of Culture, Youth and Sport

## 6 CONCLUSIONS AND RECOMMENDATIONS

There is public consensus among citizens and political spectrum that the EU integration would provide significant benefits to the Kosovo's society. This has been confirmed by several public opinion surveys and by the citizens' general view toward the EU. This study has highlighted the set of EU programmes that are most relevant to the Kosovo's current situation. Country's membership in the above-mentioned EU programmes would provide an opportunity for significant improvements and developments.

It has been emphasised that the EU programmes would allow the exchange of information, experiences and best practices in various fields between Kosovo, other EU member countries and also neighbouring countries. The overall awareness of Kosovo's citizens toward EU institutions and programmes would further increase as the country becomes part of the EU programmes and starts to implement specific projects. The EU programmes will help Kosovo speed-up the process of EU integration and will make the whole process easier.

In section 1.2 and 1.4, the background of the relation between Kosovo and EU and the current involvement in some of the EU programmes was highlighted. It was acknowledged that the EU has played a significant role in re-building the institutions and on setting-up a business environment conducive to the economic development and to the incoming EU integration processes. The support was also directed at the establishment of a legislative framework based on the EU standards and practices. As it was discussed in section 1.4, Kosovo current involvement in EU programmes is limited and far from the desired level. The study urges for an increased activity in attempting to join and benefit from the highlighted EU programmes.

The identified EU programmes aim at improving the economic, social, judicial, health, cultural and social conditions by providing the means and the required resource to the institutions of Kosovo. All of the EU programmes discussed above have been argued to have a specific impact and target group. For instance, *EaSI* and *COSME* would target high unemployment rate especially that of the most vulnerable groups.

Education sector has been reported to suffer from poor quality and for generating graduates who possess skills that are not compatible with the requirements of the firms.

An increased participation in **HORIZON 2020** and **ERASMUS+** programmes would smooth the skill and occupational mismatch between labour demand and supply. Both **FISCALIS 2020** and **CUSTOMS 2020** will provide the required resources and the instruments to improve the effectiveness of the two vital institutions and ensure that the merger process is performed in according to the best practices.

Due to the weaknesses and miss-management of the health sector in Kosovo, the EU programme '**HEALTH FOR GROWTH**' would provide the necessary bases for restructuring the health sector and improve the quality of services. Similarly, Kosovo lack of rule of law, law enforcement and inefficiency is impeding economic development and the prosperity of the country. Thus, the benefits of joining the **JUSTICE** programme would be multidimensional and will eventually trigger efficiency of other related processes. Lastly, the EU programmes that improve social and cultural life enhance the engagement of civil society and in general civic participation are a necessity to ensure democratic prosperity and good governance.

To conclude, the overall economic and social circumstances indicate that support for integrated measures to enhance competitiveness, growth, stability, quality of education and cultural aspects is much needed to create opportunities for economic prosperity. EU programmes will mainly focus on the economic and social development by involving and integrating relevant stakeholders, including municipalities, private enterprises, in particular SMEs, and education, training and research institutions, agencies and civil society.

## 6.1 Recommendations

In this sub-section some of the most relevant recommendations are listed and elaborated. Following such recommendations increases the likelihood of successful membership and subsequent implementation of the identified EU programmes. The recommendations are as follows:

- One of the first recommendations of this study is the urge for an increased role of **sectoral approaches** in seeking financial assistance and EU programme membership. The benefits of such approach are numerous and are meant to result in improved efficiency and programme/project effectiveness. In addition,



sectoral approaches are more directly specified, thus are likely to be more realistic, comprehensive, coherent and measurable. It is less complicated to define ownership, duties and responsibilities of partners and donors, time frames and **key performance indicators** in programmes at the sectoral level.

- Considering that the implementation of the programmes is always monitored by the EU institutions, in spite of the quality of the proposals, the beneficiary institutions should also **develop detailed plans** of implementation of the programmes along with realistic timetables. Moreover, the aims of the proposals should state clearly that the impact of these programmes should be directed at improving specific aspects of the processes of the country.
- Since, every programme should be co-financed by the beneficiary country, the institutions should also **critically evaluate** the necessary budget to be dedicated towards implementation of each programme. The budget should firstly consider the relevance of the programme and the impact each programme might have in the Kosovo's social and institutional processes.
- The experiences from the regional countries show that the **budget can be co-financed** by the EU up to 90% of the amount required for programme implementation. This should be considered an **incentive** and an advantage for beneficiary country. In the subsequent years, this percentage of financial contribution of EU dedicated to these programmes declines, while the host country gains the necessary assurance to continue financing on its own.
- Respective ministries and other related institutions, which would be entitled to implement the programmes, should take **active role** in initiating the proposals. Participation in the EU programmes requires high degree of commitment and determination, including the well-prepared and qualified staff that will serve as the contact point for the respective EU programme.
- To gather the necessary information and to achieve higher quality of project proposals, the institutions should **organise meetings, workshops and seminars**

with relevant experts of the respective fields. Further, successful implementation requires that all important **stakeholders should be informed** and their perspective should be taken into account when analysing the needs for respective programmes and their input should be valuable for plan development. This process ensures that all aspects of the programme are well-considered.

- It is highly recommended that not only the direct stakeholders should be informed but also the general public through **increasing awareness campaigns** where programmes objectives and aims are elaborated along with benefits of each and every EU programme. This will tend to improve the involvement and the support from the citizens of Kosovo (indeed the real beneficiary party).
- Since, Kosovo is the last country in the region to embark on EU programmes we should take advantage of **'best practices'** used by the neighbouring countries. The experience of regional countries show that each responsible actor should be attentive in meeting the deadlines and predetermined objectives, thus ensuring the successful implementation and impact of the EU programmes
- It is crucial that the **structure** of coordination and the process of management of every programme are **clearly defined**. The EU programme management is highly complex and requires knowledge in different disciplines. Therefore, each programme should have the local contact points which are identified in the above sections and which should be linked to the National Contact Point (NCP). The responsibility of NCP is to communicate, coordinate and co-monitor the progress of the implementation of each of the programmes and the results achieved.
- It is of critical importance for the institutions of Kosovo to **be punctual** in payments of membership fees in order to increase the **institutional credibility**, to show professionalism and willingness towards the European programmes and European integration.

- A general recommendation would be that the responsible institutions consider membership in these programmes as an additional ***opportunity to improve*** the general economic, social, judicial and political situation of the country, thus dedicate the required resources, energies and efforts. Such a ***dedication to the success*** of the EU programmes will provide a clear message to the EU institutions and will potentially improve the prospects for EU integration.