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Annual Convergence Report 2026 – Kosovo –



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Report prepared by:
VISAR VOKRRI, Riinvest Institute, Kosovo

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ZVR-Zahl: 329995655

Postanschrift: A 1060 Wien, Rahlgasse 3, Tel:
[+431] 533 66 10, Telefax: [+431] 533 66 10 50
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Overall well-being in Kosovo in 2025

54.5%

of the EU level

+0.6

last year

+1.2

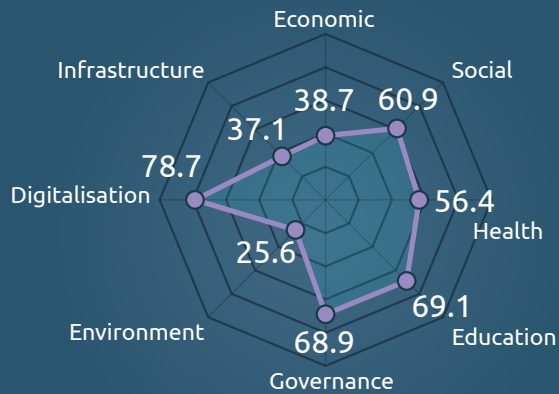
pp average over
the past 5 years

38

38 years to EU level
(if trends from past 5
years continue)

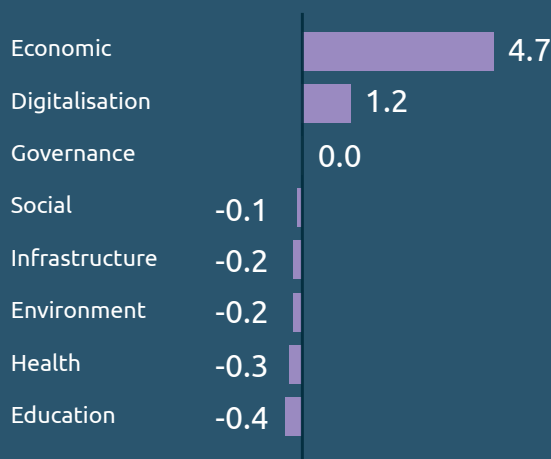
Overall well-being in Kosovo in 2025

Kosovo, 2025, all areas overall, % of EU average



- ★ The strongest pillar in Kosovo in 2025 was Digitalisation, at **79%** of the EU average.
- ★ Education and Governance followed, at around **70%** of the EU level.
- ★ Social and Health were at around 60% of the EU average, while Economic and Infrastructure were at around **40%**.
- ★ Environment was behind the rest, standing at just **26%** of the EU level.

Kosovo, 2025, all areas overall, year-on-year change



- ★ **2 of the 8** areas saw an improvement in 2025, while **5** saw a slide.
- ★ The area with the strongest improvement was the Economic pillar, which improved by **4.7 pp** relative to the EU average.
- ★ Digitalisation improved more modestly, closing approximately 1 pp of the gap to the EU average, while Governance stagnated.
- ★ Social, Environment, Infrastructure, Health and Education saw a slide, worsening by **0.1-0.4 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Economic	49
Social	26
Health	Divergence
Education	100+
Governance	33
Environment	99
Digitalisation	8
Infrastructure	Divergence

- ★ The area closest to reaching the EU average is Digitalisation, being at around **8 years** from that if trends from the past **5 years** continue.
- ★ Social and Governance follow, at around **30 years** from closing the gap to the EU average.
- ★ The Economic pillar would need around **5 decades** to close the gap to the EU average.
- ★ Environment lags further behind, needing almost a century to reach the EU level, while Education needs more than a century.
- ★ Health and Infrastructure are **diverging** from the EU average rather than converging and are not on track to close the gap at recent trends.

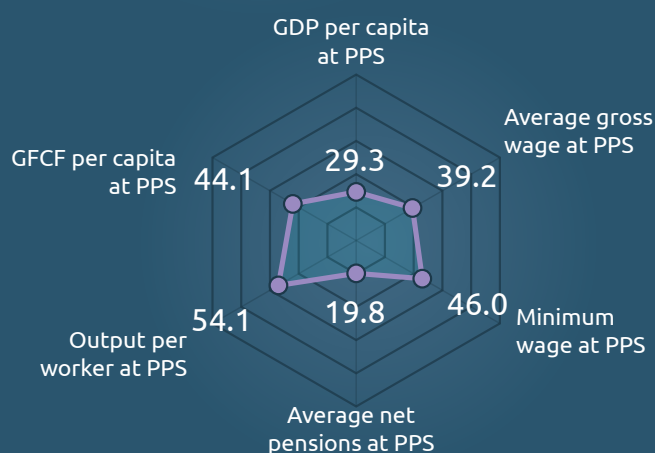
ECONOMIC PILLAR

Kosovo, economic pillar indicators, nominal values

Indicator	Value
GDP per capita at PPS	12,170
Average gross wage at PPS	1,238
Minimum wage at PPS	608
Average net pensions at PPS	272
Output per worker at PPS	46,120
GFCF per capita at PPS	3,939

- ★ GDP per capita at EU27 purchasing power standard (PPS) in Kosovo in 2025 stood at EUR **12,170**.
- ★ Average gross wage at PPS stood at EUR **1,238**.
- ★ Minimum wage at PPS stood at EUR **608**.
- ★ Average net pensions at PPS stood at EUR **272**.
- ★ Output per worker at PPS stood at EUR **46,120**.
- ★ Gross fixed capital formation (GFCF) per capita at PPS stood at EUR **3,939**.

Kosovo, economic pillar, % of EU average



- ★ Relative to the EU average, the best-performing economic indicator was Output per worker, standing at **54%** of the EU level.
- ★ Minimum wage, GFCF per capita and Average gross wage were lower, at around **40-46%** of the EU level.
- ★ GDP per capita was further behind, at **29%** of the EU average.
- ★ Average net pensions remain the weakest link, standing at just **20%** of the EU average.

Kosovo, economic pillar, change to last year

Minimum wage at PPS	22.3
Average gross wage at PPS	2.6
GFCF per capita at PPS	1.7
Average net pensions at PPS	1.3
Output per worker at PPS	0.8
GDP per capita at PPS	0.7

- ★ All **6 indicators** in the economic pillar saw an **improvement** relative to the EU average in 2025.
- ★ The biggest improvement was in Minimum wage, which closed the gap to the EU level by **22.3 pp**.
- ★ Average gross wage followed, improving by **2.6 pp** relative to the EU average.
- ★ GFCF per capita and Average net pensions closed approximately **1.5 pp** of the gap to the EU average.
- ★ Output per worker and GDP per capita saw the smallest improvement, at 0.7-0.8 pp relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
GDP per capita at PPS	62
Average gross wage at PPS	67
Minimum wage at PPS	19
Average net pensions at PPS	100+
Output per worker at PPS	100+
GFCF per capita at PPS	23

- ★ At the pace of improvement from the past 5 years, Minimum wage and GFCF per capita would need around **20 years** to close the gap to the EU average.
- ★ GDP per capita and Average gross wage lag further behind, needing around **6-7 decades** to reach the EU level.
- ★ Average net pensions and Output per worker remain the poorest-performing indicators in this group, with more than **100 years** needed to reach the EU level at current trends.

What explains the trends in the economic pillar?

- ★ Kosovo's economic pillar shows a pattern of broad improvement, but it **still fails to represent a meaningful change**. Economic output (GDP per capita at PPS) continues to lag well behind the EU benchmark, at just 29% of the EU average, with growth still shaped more by (remittance-driven) consumption and public spending than by a strong export base or high-value production. This indicator recorded the weakest annual progress in the pillar, reinforcing that Kosovo's growth model remains structurally limited and that catching up at the current pace would take generations.
- ★ **Labour productivity continues to be the relative strength of the pillar**, standing well ahead of every other indicator in relation to the EU average, at 54%. This suggests that Kosovo's workforce is more productive than wage levels would indicate, a pattern likely supported by growth in service-oriented and technology-driven sectors. Nevertheless, this favourable standing has not translated into faster convergence, as the pace of improvement remains too slow relative to the size of the remaining distance to the EU average, placing full convergence many decades away.
- ★ Wage dynamics, on the other hand, were solid, owing to the **strong increase in the minimum wage**. The jump in the minimum wage (by 22 pp relative to the EU level) was tied to the recent policy-driven increases, and it puts minimum-wage convergence on a noticeably faster trajectory than before. However, the average wage converged much more slowly (by just about 3 pp) and remains far behind EU standards – a reflection of widespread informal employment and a private sector still dominated by small and low-productivity businesses.
- ★ **Pensions remain the area of greatest concern** within the economic pillar. Net pension levels are furthest from the EU average among all indicators tracked (at just 20%), illustrating longstanding structural weaknesses in the pension system. A basic universal pension exists alongside a mix of special category schemes tied to specific groups rather than actual contribution records, which has produced inequities and placed growing pressure on public finances.
- ★ **Investment activity**, measured through capital formation per person, is a new indicator included in the economic pillar. Though the underlying investment picture is more complicated than the figure suggests, this indicator **shows an improvement compared to last year**. Kosovo has consistently invested a relatively high share of its GDP in recent years – and well above what is typical in the region – yet this has not translated into satisfactory economic growth. The disconnect lies in the efficiency with which capital is converted into output. Kosovo requires substantially more capital than its regional peers to generate a comparable rate of growth, and this gap is driven by a level of capacity utilisation that leaves a large share of existing capital underused as well as by an investment mix skewed towards less growth-generating uses. Both the sectors receiving investment and the type of spending within them tend to favour construction and land rather than machinery, equipment, research and innovation, limiting the extent to which investment translates into productive capacities.¹

¹ <https://riinvestinstitute.org/uploads/files/2024/November/20/26 - Forumi Ekonomik 2024 - ENG011732117661.pdf>

EU accession scenarios

To better understand how different EU integration pathways might influence Kosovo's economic convergence, we estimate and simulate four different scenarios.

- ★ The first, **full EU membership**, assumes immediate accession with all accompanying rights and obligations.
- ★ The second, **access to the EU budget**, envisions Kosovo receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- ★ The third, **access to the EU single market**, models full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- ★ The fourth, **institutional reforms**, captures a scenario in which Kosovo implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

A more detailed description of each scenario is provided in the methodological section.

In the economic pillar, the scenarios are simulated for **GDP per capita at purchasing power standards (PPS)**, as the proxy indicator for overall economic convergence. The four scenarios are then compared to the baseline/status quo scenario, representing no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to meaningful, though varied, effects across the four scenarios.

EU accession scenarios for GDP per capita

Scenario	Years needed to reach the EU average
Status quo	62 years to EU
Full EU accession	40 years to EU
Access to EU budget	49 years to EU
EU single market	49 years to EU
Institutional reforms	61 years to EU

- ★ Under a **status quo trajectory**, in which Kosovo continues on its current reform and policy course without any shift in its relationship with the EU, the country would need **more than six decades to close the income gap** with the EU average.
- ★ **Full EU membership** offers the most significant acceleration, shortening this timeline by over two decades to **approximately 40 years**, driven by an estimated additional 0.6 percentage points (pp) of annual convergence relative to the EU. This reflects the combined effect of access to structural funds and deeper market integration that typically accompanies accession.
- ★ **Access to the EU budget** alone, even without full membership, also yields a substantial improvement, reducing the convergence period to **around 49 years**.
- ★ The **single market access** scenario produces a broadly similar effect, with convergence also projected at **around 49 years**, suggesting that trade and mobility gains from market integration can rival the impact of direct financial transfers.
- ★ **Institutional reforms** pursued in isolation, without new external financing or access to a bigger market, deliver the weakest results among the four scenarios, putting the convergence period in terms of GDP per capita at **61 years**.

Policy discussion & key recommendations

The story of the economic pillar, regardless of the **surface-level improvement**, masks **deep structural stagnation**. Most of the indicators improved over the past year, yet the pace and quality of that improvement vary so widely across indicators that the pillar as a whole remains **one of the most slowly converging areas**. This divergence in convergence speeds is itself the central policy message: **small, isolated gains will not compound into meaningful catch-up with the EU unless they are anchored in a coherent strategy that addresses the underlying growth model, not just its symptoms**.

The weak progress in economic activity reflects an **economy still powered mainly by consumption and public spending rather than by high-value production**. Policymakers treat this as the pillar's core diagnosis rather than as one problem among many, as continuing to rely on consumption-led growth will keep GDP convergence measured in generations rather than decades. **What is needed is a credible industrial policy that identifies sectors with genuine export and innovation potential** and shifts public support away from subsidising activity towards rewarding measurable productivity and export outcomes. Kosovo does not need to build the instruments for this from scratch. Kosovo's Reform Agenda under the Growth Plan for the Western Balkans already ties disbursement to specific reform steps, and it is the natural vehicle for commitments framed around productivity and export performance rather than legislative output. The Kosovo Credit Guarantee Fund (KCGF) is the existing channel for financing small and medium-sized enterprises (SMEs), and its expansion should be conditioned on lending that supports capital equipment, technology adoption and exporting firms rather than working capital for domestic trade. Deeper use of the Central European Free Trade Agreement (CEFTA) and the Common Regional Market (CRM) widens the market that tradable sectors need to reach viable scale, which mat-

ters more for Kosovo than for any other economy in the region given the size of its domestic market. Diversifying away from low-value, informal, domestically oriented activity towards tradable, higher-productivity sectors should be the organising principle behind all four.

The pillar's most encouraging finding (i.e. the rapid narrowing of the minimum wage gap) demonstrates that targeted policy interventions can shift outcomes quickly when there is political will. This improvement should not be treated as a one-off but as a model; predictable, periodic minimum-wage adjustments, ideally indexed to productivity and cost-of-living trends, would sustain this momentum without triggering competitiveness shocks for small companies. At the same time, the much slower progress on average wages points to a different, harder problem, which is informality. As long as a large share of employment remains un- or underdeclared, wage statistics will understate real earnings and formal-sector employers will continue to compete on the basis of low labour costs rather than productivity. Reducing informality through simplified tax compliance for small businesses, stronger (labour) inspection capacities and incentives for formalisation (rather than punitive enforcement alone) would allow wage growth to reflect Kosovo's underlying productivity gains more accurately.

Pensions stand out as the pillar's most urgent structural failure. The coexistence of (i) a modest universal pension that is granted independent of contribution with (ii) a proliferation of category-based special schemes has created inequities and an increasingly unsustainable fiscal trajectory. A proper pension reform is overdue; consolidating or means testing special schemes, strengthening the link between contributions and benefits, and building a more predictable indexation mechanism would improve both fairness and fiscal sustainability. Delaying this reform risks compounding an already severe fiscal liability as Kosovo's population structure evolves while continuing to leave a

large share of pensioners in poverty regardless of how quickly other indicators improve.

Labour productivity is the pillar's standout performer, yet this advantage is not moving fast enough, nor is it completely reflected in wages. This suggests an economy where value is being created but not adequately distributed or reinvested. Realising the full potential of this strength requires a shift of workers out of low-productivity activities (e.g. basic retail or construction) into advanced manufacturing, technology and high-value services, where the same labour hour generates substantially more economic value. This transition should be supported by incentives for investment in modern tools and automation equipment, so that productivity gains are driven by capital deepening. Complementary policies that encourage innovation and more advanced production methods would further raise overall efficiency across firms.

The most actionable finding in the pillar is that Kosovo's investment challenge is one of quality, not quantity. Investment as a share of GDP is already high by regional standards, yet the growth generated per unit of capital lags behind those of neighbouring economies. This is explained by two factors: low capacity utilisation, which leaves existing capital idle, and an investment mix still weighted towards construction and land rather than machinery, equipment, research and innovation. Rebalancing that mix is a matter of specific instruments rather than general intent. On the tax side, the Ministry of Finance should make accelerated depreciation available for machinery, equipment and technology while reviewing the treatment of land and real estate, which currently competes for the same capital on more favourable terms. On the financing side, guarantee instruments, including the KCGF, should be structured to extend loan tenors for equipment purchases, since capital upgrading needs financing horizons that current SME lending rarely provides. Public investment appraisal should weight proj-

ects explicitly for productivity spillovers rather than visibility. And given that low capacity utilisation is partly a function of unreliable energy supply and weak infrastructure, improvements there would raise output from the existing capital stock without any new investment at all. Progress should be gauged by the composition of GFCF – the share going to machinery and equipment rather than to construction – which is directly measurable and moves faster than headline investment ratios.

The scenario analysis carries an important lesson for sequencing. Under the status quo, Kosovo would need more than six decades to close the income gap with the EU. Full membership shortens this to roughly 40 years, while access to the EU budget and access to the single market each deliver around 49 years. Institutional reform pursued in isolation leaves the timeline essentially unchanged, at 61 years. This does not make domestic reform optional. Rather, it means that domestic reform is most effective and durable when paired with genuine external commitments and incentives. Two conclusions follow, one for each side. First, the government should treat the accession process itself as a disciplining mechanism for economic reform, using accession benchmarks to lock in progress on the investment climate and institutional capacity that might otherwise stall across domestic political cycles. In a nutshell, EU integration should be an accelerant, not a substitute, for reform. Second, EU institutions and member states should recognise that early or partial access to budget instruments and single-market benefits generates close to 60% of the convergence gain associated with full membership and therefore offer a pragmatic pathway for sustaining momentum even if the political timeline for accession remains uncertain.

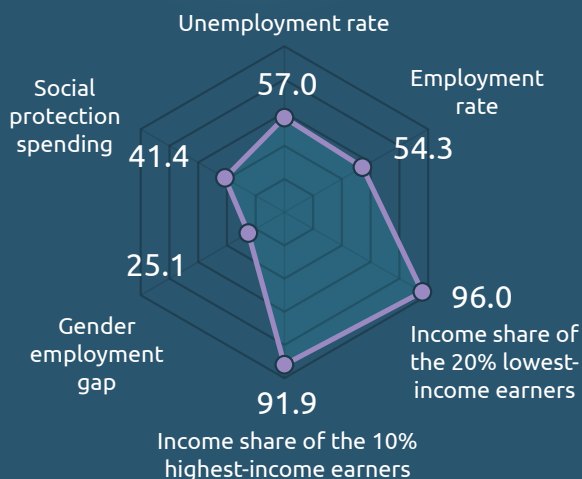
SOCIAL PILLAR

Kosovo, social pillar indicators, nominal values

Indicator	Value
Unemployment rate	10.7
Employment rate	38.6
Income share of the 20% lowest-income earners	6.6
Income share of the 10% highest-income earners	31.3
Gender employment gap	34.7
Social protection spending	2.6

- ★ Unemployment rate in Kosovo in 2025 stood at **10.7%** of the labour force.
- ★ Employment rate stood at **38.6%** of the working-age population.
- ★ Income share of the 20% lowest-income earners stood at **6.6%** of total post-tax income.
- ★ By contrast, income share of the 10% highest-income earners stood at **31.3%** of total post-tax income.
- ★ Gender employment gap stood at **34.7 pp.**
- ★ Social protection spending stood at **2.6%** of GDP.

Kosovo, social pillar, % of EU average



- ★ Relative to the EU average, the best-performing social indicator was Income share of the 20% lowest-income earners, standing at **96%** of the EU level.
- ★ Income share of the 10% highest-income earners was close behind, at around **92%** of the EU average.
- ★ The Employment and Unemployment rates were lower, at around **55%** of the EU level.
- ★ Social protection spending was at **41%** of the EU level, while Gender employment gap remains the weakest link, standing at just **25%** of the EU average.

Kosovo, economic pillar, change to last year

Social protection spending	8.7
Unemployment rate	0.5
Income share of the 10% highest-income earners	0.3
Income share of the 20% lowest-income earners	-0.1
Employment rate	-0.2
Gender employment gap	-1.1

- ★ **3 of the 6** indicators in the social pillar saw an improvement relative to the EU average in 2025, and 3 worsened.
- ★ The biggest improvement was in Social protection spending, which closed the gap to the EU level by **8.7 pp.**
- ★ Unemployment rate and Income share of the 10% highest-income earners improved by about **0.4 pp** relative to the EU.
- ★ Employment rate and Income share of the 20% lowest-income earners widened the gap to the EU average by approximately **0.2 pp.**
- ★ Gender employment gap was the indicator with the weakest performance, falling by **1.2 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Unemployment rate	7
Employment rate	19
Income share of the 20% lowest-income earners	Divergence
Income share of the 10% highest-income earners	82
Gender employment gap	Divergence
Social protection spending	9

- ★ At the pace of improvement from the past 5 years, Unemployment rate and Social protection spending would need **less than a decade** to close the gap to the EU average.
- ★ The Employment rate is also performing well, at **19 years** from the EU average.
- ★ On the other hand, Income share of the 10% highest-income earners lags far behind, needing around **8 decades** to reach the EU level.
- ★ Income share of the 20% lowest-income earners and Gender employment gap are **diverging** from the EU average rather than converging and not on track to close the gap at recent trends.

What explains the trends in the social pillar?

- ★ Kosovo's continued decline in **unemployment** reflects a **combination of rising labour demand in services, ICT and construction**. A meaningful share of this improvement, however, comes from a shrinking labour supply driven by **migration**, which reduces the number of active jobseekers rather than signalling genuine job creation. Formalisation improvements and modest increases in female participation also play a role, but the slowing pace of improvement suggests that the easier, mainly cyclical improvements have run their course, leaving further progress dependent on deeper structural reforms.
- ★ **Employment** continues to lag behind unemployment improvements, pointing to a labour market in which falling joblessness is not translating into broader inclusion. **Structurally weak labour-force participation, along with persistent skills mismatches and informality**, continues to constrain job creation. This divergence between unemployment and employment trends indicates that Kosovo's labour-market improvements remain shallow.
- ★ Social protection spending saw the most notable improvement among social indicators this year, likely reflecting recent **expansions in welfare benefits and social transfers**. This progress signals growing attention to social safety nets, although sustaining the pace of improvement will depend on continued fiscal prioritisation in a context of otherwise limited budgetary space.
- ★ The **income share of the bottom 20%**, convergence's core poverty proxy, has **historically been supported by remittances**, which disproportionately benefit poorer households, along with expanded social transfers and rising low-skilled wages amid labour shortages. However, **the recent stalling and reversal of this trend suggest that these supporting forces are losing strength**. Remittance-driven consumption and wage increases among low-skilled workers may be reaching their natural limits, meaning further poverty reduction will increasingly require more durable, employment-based income growth rather than transfers and external inflows alone.
- ★ On the other hand, the **decline in income inequality** (measured here by the income share of the top 10%) **is being aided by disproportionately faster earnings growth among low-skilled workers, ongoing labour shortages, wage compression in low-end service sectors, and the redistributive effect of expanded social assistance**.
- ★ The **gender employment gap** remains Kosovo's most entrenched social challenge, and its continued deterioration reflects the compounding effect of **extremely low female labour force participation, limited access to affordable childcare** and, to some extent, the sectoral segregation that limits women to a narrower range of economic opportunities. Unlike male employment, which benefits indirectly from the fact that emigration eases competition for jobs, female employment does not experience the same relief, as women who might otherwise seek work are less likely to emigrate for employment in the first place.

EU accession scenarios

To better understand how different EU integration pathways might influence Kosovo's social convergence, we estimate and simulate the same four scenarios from above:

- ★ **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- ★ **Access to the EU budget**, envisioning Kosovo receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- ★ **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- ★ **Institutional reforms**, capturing a scenario in which Kosovo implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

In the social pillar, the scenarios are simulated for the **income share of the bottom 20% of earners** as a proxy for poverty to assess how different EU integration pathways might reshape Kosovo's social convergence trajectory. The four scenarios are then compared to the baseline/status quo scenario.

The scenarios are again presented through the **years needed to reach the EU average**. The results reveal a divide between scenarios that involve substantial external engagement (i.e. different EU integration mechanisms) and those that rely on domestic action alone.

EU accession scenarios for the bottom 20% income share

Scenario	Years needed to reach the EU average
Status quo:	Divergence
Full EU accession:	20 years to EU
Access to EU budget:	22 years to EU
EU single market:	Divergence
Institutional reforms:	Divergence

- ★ Under the **status quo**, this indicator is **diverging from the EU average** rather than closing the gap. Without a change in trajectory, Kosovo's poorest households would continue falling further behind their EU counterparts rather than catching up.

- ★ **Full EU accession** fundamentally changes this picture, **turning divergence into a convergence path estimated at around two decades**. This large shift suggests that membership would generate a range of mutually reinforcing effects, more predictable social transfers, deeper integration into EU value chains that raises overall wages, and improved access to structural and cohesion funds targeting social inclusion.

- ★ **Access to the EU budget** alone captures much of this benefit, narrowing the convergence horizon to approximately **22 years**. This indicates that direct financial transfers (e.g. funding for social protection programmes and anti-poverty measures) are the primary channel through which EU integration would support poverty reduction, even without full membership.

- ★ By contrast, **the single market** and **institutional reform** scenarios show essentially **no measurable impact on poverty convergence**. This implies that market access alone, without accompanying transfers or redistributive mechanisms, does not meaningfully improve outcomes for Kosovo's lowest-income households. Similarly, while valuable for broader development, domestic institutional reforms (e.g. strengthening governance, the rule of law, or public administration) do not by themselves translate into tangible income gains for the poorest segments of society in the short to medium term.

In general, these results suggest that poverty reduction in Kosovo is far more sensitive to direct fiscal transfers and comprehensive EU membership than to market liberalisation or governance improvements in isolation. It reinforces the importance of the EU budget and structural funds as distinct and powerful levers for social convergence, separate from the broader institutional and market-related benefits typically associated with EU integration.

Policy discussion & key recommendations

Kosovo's social pillar presents a **paradox**: while **some income-distribution indicators are relatively close to EU levels**, the **underlying momentum behind these results is fading and, in some cases, reversing**. Unemployment continues to fall, and social protection spending posted its strongest improvement in years, but employment remains structurally weak, poverty reduction is stalling, and the gender employment gap continues to widen. Compared with last year's assessment, the pillar has shifted from one of broadly positive headline indicators to one whose indicators mask a slowing or reversing trend beneath the surface. This suggests that **the easier, largely cyclical sources of social convergence (e.g. remittance-driven consumption and emigration-induced labour tightening) are losing strength, while the structural drivers needed to sustain progress remain underdeveloped**.

Social policy over the past year has continued to advance incrementally based on ad-hoc interventions rather than structurally. The 2024 increase in the minimum wage and modest expansion of welfare benefits fed into the improvement seen in social protection spending, indicating that recent fiscal choices have had a tangible, measurable effect. However, **foundational reforms remain stalled**, most notably the continued non-implementation of the 2014 law on health insurance, which has direct spill-over effects on household welfare and informal out-of-pocket burdens. Strategic frameworks targeting marginalised communities continue to suffer from limited budgets and weak execution. The widening gender employment gap, despite years of stated policy commitment to female labour-market inclusion, illustrates the gap between strategy documents and on-the-ground implementation.

EU accession continues to offer Kosovo a relatively underused lever for social convergence. The Growth Plan's emphasis on social inclusion as an investment priority has not yet translated into a reorientation of domestic spending.

Given the stalling of poverty convergence and the deepening gender employment gap, social policy priorities should shift from broad-based welfare expansion towards more targeted, structurally oriented interventions. **Employment-based income growth must be prioritised over continued reliance on remittances and transfers**, as the recent reversal in poverty convergence suggests these forces are approaching their limits. This requires stronger links between active labour market programmes, vocational training and the skills employers actually demand, particularly in sectors experiencing labour shortages.

Closing the gender employment gap should become an explicit, resourced national priority rather than a secondary social objective. Concrete measures should include (i) a **significant expansion of affordable and accessible child-care infrastructure, financeable through the Kosovo's Reform Agenda under the Growth Plan for the Western Balkans and IPA III**, (ii) **incentives for flexible and part-time work arrangements**, and (iii) **public campaigns to shift entrenched social norms around women's participation in paid work**. Given that emigration does not provide women the same labour market relief that it provides men, policies must directly address the barriers keeping women out of the labour force rather than relying on migration-driven tightening to close the gap organically. The social spending should be weighed against, rather than expanded at the expense of, capital investment.

The recent momentum in social protection spending should be sustained and better targeted. **Rather than broadly increasing, spending should be channelled towards measurable, high-impact interventions (e.g. child benefits, disability support and targeted anti-poverty transfers)** with clear monitoring frameworks to track whether increased spending is translating into improved outcomes for the intended beneficiaries.

Lastly, given the scenario findings showing that EU budget access alone delivers most of the convergence benefit for poverty reduction, Kosovo's government – together with other Western Balkan (WB) governments – should prioritise **securing structural- and cohesion-style funding mechanisms even in advance of full membership**. This could include advocating for a dedicated WB social convergence facility with specific earmarkings for poverty and inclusion programming.

The scenario results point to a clear asymmetry. Access to EU budget instruments alone would turn the income share of the bottom 20% from divergence into a convergence path of approximately 22 years, close to the two decades projected under full membership, while single market access and domestic institutional reform show essentially no measurable effect on poverty. Kosovo's government should therefore **treat cohesion-style funding, rather than market integration or governance reform, as its primary external lever for social con-**

vergence. That implies two things in practice: (i) working with the other WB governments to build a common, evidence-based case for pre-accession access to structural and cohesion instruments, and (ii) building at home the programming and absorption capacity, together with the poverty and inclusion statistics, needed to use such funding credibly once it becomes available.

The same finding argues for decoupling social convergence funding from the accession timeline. **The proposed Western Balkans social convergence facility could be established under the next EU budget, with specific earmarking for poverty-reduction and social-inclusion programming**. This would allow the region to realise most of the social convergence benefits of membership well before membership itself becomes attainable, rather than relying on existing accession instruments that are not designed to provide comparable direct transfers.

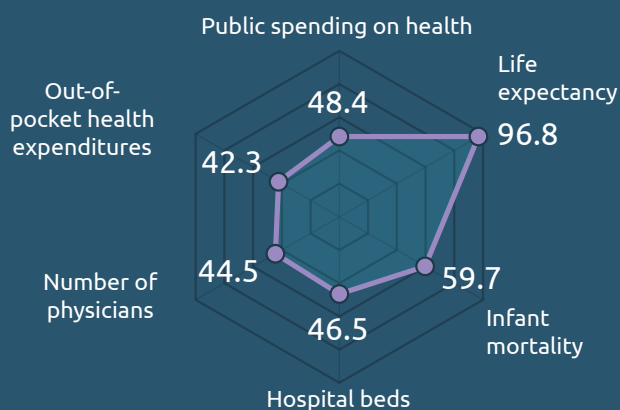
HEALTH PILLAR

Kosovo, social pillar indicators, nominal values

Indicator	Value
Public spending on health	3.1
Life expectancy	78.2
Infant mortality	5.9
Hospital beds	236
Number of physicians	19
Out-of-pocket health expenditures	46.4

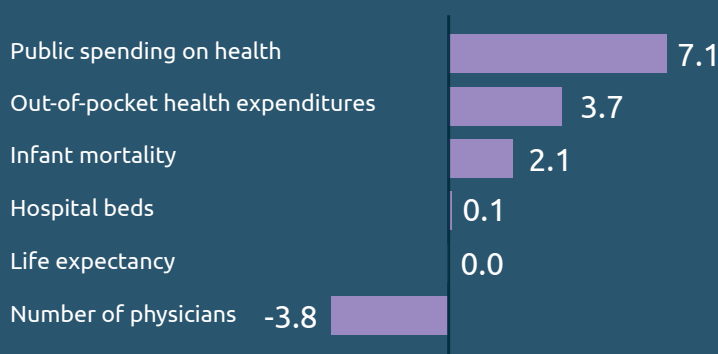
- ★ Public spending on health in Kosovo in 2025 stood at **3.1%** of GDP.
- ★ Life expectancy was **78.2** years.
- ★ Infant mortality stood at **5.9** per 1,000 live births.
- ★ Hospital beds stood at **236** beds per 100,000 inhabitants.
- ★ Number of physicians stood at **19** physicians per 10,000 inhabitants.
- ★ Out-of-pocket health expenditures stood at **46.4%** of total health spending.

Kosovo, health pillar, % of EU average



- ★ Relative to the EU average, the best-performing health indicator was Life expectancy, standing at **97%** of the EU level.
- ★ Infant mortality was the second-best indicator, standing at **60%** of the EU average.
- ★ The remaining four indicators were lower, at **42-48%** of the EU level.

Kosovo, health pillar, change to last year



- ★ **4 of the 6 indicators** in the health pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in Public spending on health, which closed the gap to the EU level by **7.1 pp**.
- ★ Out-of-pocket health spending followed, closing **3.7 pp** of the gap to the EU level.
- ★ Infant mortality improved by **2.1 pp**, while hospital beds by just **0.1 pp**.
- ★ Life expectancy stagnated relative to the EU, while Number of physicians was the indicator with the weakest performance, falling back by **3.8 pp** relative to the EU average.

Indicator/years to EU

Indicator	years to EU
Public spending on health	Divergence
Life expectancy	25
Infant mortality	10
Hospital beds	77
Number of physicians	65
Out-of-pocket health expenditures	Divergence

- ★ At the pace of improvement from the past 5 years, Infant mortality is the closest to reaching the EU level, at about **10 years**.
- ★ Life expectancy is the second-closest, with **25 years** to close the gap to the EU average.
- ★ Number of physicians and Hospital beds lag further behind, needing around **7 decades** to reach the EU level.
- ★ Public spending on health and Out-of-pocket health expenditures are diverging from the EU average rather than converging and not on track to close the gap at recent trends.

What explains the trends in the health pillar?

- ★ **The improvement in public health spending** comes after the previous year's sharp decline. This progress **may reflect fiscal prioritisation of the health sector**, though **spending remains well below EU levels** and chronic underfunding, combined with the continued absence of a functioning health insurance system, still constrains the sector's capacity to invest in infrastructure and staffing on a sustained basis.
- ★ **Life expectancy** remains a well-performing health indicator relative to the EU. Unlike the previous year's convergence data, when it fell amid concerns over preventive care and chronic disease management, life expectancy stagnated, and its convergence outlook has strengthened. This suggests that recent, albeit slight, **improvements in health spending and service delivery** may be beginning to translate into measurable health outcomes, though sustaining this progress will require continued investment in primary and preventive care.
- ★ **Infant mortality** continues to show relatively strong convergence dynamics, and its relative standing against the EU average improved slightly compared with last year. The indicator remains on a broadly positive trajectory, reflecting **continued improvements in maternal and neonatal care, even as the pace of improvement has moderated** compared with the convergence results recorded previously.
- ★ **Hospital bed availability** remains structurally constrained, though its convergence outlook has improved compared with the previous year. This reflects modest ad hoc investments in capacity, but the sector continues to suffer from **decades of underinvestment in health infrastructure**, and closing the remaining gap will require sustained capital expansion rather than incremental adjustments.
- ★ **The number of physicians** is one of the weakest-performing indicators this year, reversing the positive results from last year's convergence assessment. This decline mainly reflects continued **emigration of health professionals and persistently unattractive working conditions in the public health sector**, pushing the convergence outlook further out and underscoring the fragility of earlier progress in this area.
- ★ The weakest health indicator overall is **out-of-pocket health expenditures**. Despite a modest improvement over the years, the indicator continues to diverge from the EU average on its trend, alongside public health spending. This persistent reliance on direct household payments for care reflects the **absence of a functioning insurance system** and remains one of the clearest structural barriers to equitable healthcare access in Kosovo, disproportionately burdening lower-income households and discouraging preventive care in favour of costly, delayed treatment.
- ★ Overall, these trends in the pillar point to a health system in which **progress remains fragile and unevenly distributed across indicators**. Improvements in spending, life expectancy and infant mortality suggest that targeted (though not systematically) investments are beginning to yield results, but the deterioration in physician numbers and the continued divergence in out-of-pocket costs highlight persistent structural weaknesses, particularly around health-sector workforce retention and financial protection for patients. Without the **implementation of a functioning health insurance system and stronger incentives to retain medical professionals domestically**, Kosovo's health convergence is likely to remain vulnerable, even though some improvements have been encouraging.

EU accession scenarios

To better understand how different EU integration pathways might influence Kosovo's health convergence, we estimate and simulate the same four scenarios from above:

- ★ **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- ★ **Access to the EU budget**, envisioning Kosovo receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- ★ **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- ★ **Institutional reforms**, capturing a scenario in which Kosovo implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the health pillar, **life expectancy at birth** is used as the proxy indicator to model how different EU integration pathways might affect Kosovo's health convergence trajectory.

EU accession scenarios for life expectancy at birth

Scenario	Years needed to reach the EU average
Status quo:	25 years to EU
Full EU accession:	15 years to EU
Access to EU budget:	19 years to EU
EU single market:	19 years to EU
Institutional reforms:	24 years to EU

- ★ Under a **status quo scenario**, Kosovo would need approximately a **quarter of a century to reach the EU average**, a notable improvement compared with last year's scenario analysis.

- ★ **Full EU accession** produces the most substantial results, **cutting the convergence period nearly in half, to around 15 years**. This reflects the combined effect of several transmission channels associated with membership, including access to EU health-related structural funds, regulatory alignment with EU public health standards, participation in EU disease-surveillance and -prevention networks, and potential knowledge and technology transfer through closer institutional integration with EU health systems. These channels work together to accelerate improvements in both healthcare quality and preventive outcomes, which directly influence life expectancy.

- ★ **Access to the EU budget** alone also yields a meaningful improvement, shortening the timeframe to **19 years**. Although this scenario captures a significant share of the benefit associated with full membership (mainly through increased financing for health infrastructure and services), it lacks the deeper regulatory and institutional alignment that accompanies full accession, which may explain why its impact remains somewhat weaker.

- ★ **Single market access** delivers a similar effect, improving convergence by six years relative to the status quo, to **19 years**. Since this scenario centres on trade and labour mobility rather than direct health financing or regulatory harmonisation, its influence on life expectancy operates mainly through indirect channels (e.g. income effects and potential gains in health-related goods and services trade) rather than through structural improvements to the health system itself.

- ★ **Institutional reforms** pursued independently of EU integration have the smallest impact, bringing the convergence period down only marginally, to **24 years**. This suggests that domestic reform efforts alone, absent the financing and technical cooperation associated with EU accession or budget access, are insufficient to meaningfully accelerate health outcomes. Similar to most of the pillars, the scenarios indicate that Kosovo's health convergence is more responsive to EU-linked financial and institutional integration than to domestic reform in isolation.

Policy discussion & key recommendations

Kosovo's health sector has seen **incremental but insufficient policy progress in recent years**. The adoption of the **Health Sector Strategy 2025-2030** represents a formal step towards a more structured, medium-term vision for the sector, setting out priorities intended to guide investment and institutional development over the coming years. Some **elements of digital health infrastructure have also been introduced**, but the **lack of a proper health information system** limits the potential to improve planning, resource allocation and quality monitoring. On the regulatory side, Kosovo has begun aligning its communicable disease surveillance framework with European standards, notably strengthening reporting mechanisms in line with the European Centre for Disease Prevention and Control (ECDC), and the Communicable Diseases Law reflects a genuine effort to harmonise with EU public health rules.

Despite these developments, **the most consequential piece of health legislation, the 2014 Law on Health Insurance**, which would establish mandatory basic health coverage for all citizens, **remains unimplemented** more than a decade after its adoption. This gap continues to define the structural weakness of the entire sector. Without a functioning insurance mechanism, **Kosovo's health system relies heavily on direct budget allocations** and, more problematically, **on out-of-pocket payments by citizens**, a financing model that is both regressive and unsustainable. The pandemic further exposed the fragility of the system, revealing shortages of medical personnel, weak primary-care capacity and limited surge readiness, all of which remain only partially addressed.

The single most consequential step available to Kosovo's government is the full implementation of the 2014 Law on Health Insurance. Establishing a mandatory, pooled financing mechanism would **diversify revenue away from out-of-pocket payments, improve financial protection for vulnerable households, and create a predictable funding base** for

health investment. It is foundational because **the sector's other weaknesses – from underfunded hospitals to understaffed primary care and the continued emigration of medical personnel – are downstream consequences of the current financing model**. The recommendations that follow on expenditure, primary care, health information systems and workforce retention should be read as complements to this reform rather than alternatives to it.

Alongside insurance reform, the government should prioritise a **gradual and continued increase in public health expenditure**, moving away from the pattern of ad hoc allocations towards a **multi-year financing framework tied to the objectives of the Health Sector Strategy 2025-2030**. This would help stabilise investment in infrastructure, personnel and preventive care rather than leaving the sector exposed to short-term fiscal pressures.

Strengthening primary healthcare should be treated as a strategic priority rather than a secondary concern. A more robust primary care network can improve the early detection and management of chronic conditions, reduce pressure on hospitals, and **deliver better health outcomes at a lower relative cost**, an important consideration given Kosovo's constrained fiscal space. This is particularly relevant for further improving life expectancy, which reflects challenges in chronic disease management and preventive care rather than acute treatment capacity alone.

Modernising the national health information system and ensuring its consistent use across all facilities would improve the government's ability to **plan investment, track outcomes and identify inefficiencies**. Better data governance in health is a precondition for evidence-based policymaking and would also support Kosovo's broader digitalisation agenda, one of its stronger convergence areas.

Furthermore, **addressing the emigration of medical personnel requires a dedicated re-**

tention strategy combining **improved working conditions, career development opportunities and competitive compensation in the public health sector**. Without this, investments in health infrastructure risk being undermined by a persistent shortage of qualified staff to operate them.

The scenario analysis points to a clear hierarchy. Under the status quo, Kosovo would need around 25 years to close the life expectancy gap with the EU. Full EU accession shortens this to roughly 15 years, while access to EU budget instruments and single market access each deliver 19 years. Domestic institutional reform pursued in isolation brings the period to 24 years, which is to say it has almost no effect. Two conclusions follow. First, health convergence responds to external financing and market integration rather than to domestic institutional reform on its own, which sets this pillar apart from governance, where institutional reform alone matches the effect of full membership. Second, access to the EU budget captures roughly 60% (six of the 10 years) of the gain associated with full accession. Thus, rather than waiting for the accession process to conclude, EU engagement on health should be structured to deliver tangible support well before that point is reached.

The **European Commission and EU member states** could accelerate this process by **fast-tracking pre-accession financial assistance specifically earmarked for health system strengthening, including hospital mod-**

ernisation, primary care investment and health workforce development. Structuring this support so that access **depends on measurable milestones (e.g. progress on health insurance implementation)** would help ensure that funding drives genuine reform rather than incremental spending without structural change.

Technical assistance and twinning programmes, pairing Kosovo's health institutions with counterparts in EU member states, **could support the development of institutional capacity in areas such as health information systems, health insurance administration and public health surveillance.** Continued support for aligning Kosovo's communicable disease framework with ECDC standards should be expanded to cover broader public health-related acquis requirements, including cross-border healthcare provisions.

Moreover, the **EU could also support targeted knowledge- and technology-transfer initiatives, particularly in preventive care and chronic disease management**, which are identified as key constraints on life expectancy convergence. Given that single market access alone delivers only a modest improvement in health outcomes, EU support should be explicitly channelled through health-specific instruments rather than relying on indirect economic-integration effects.

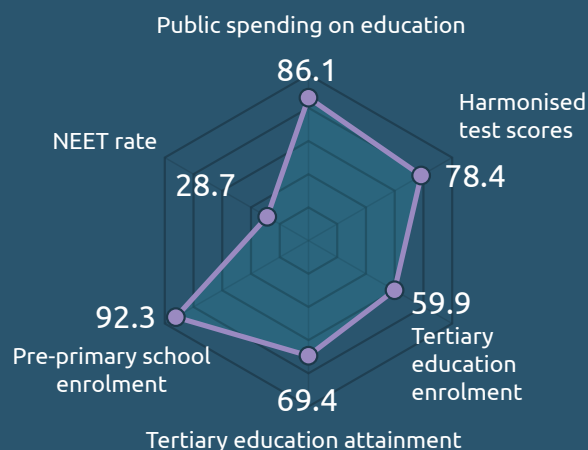
EDUCATION PILLAR

Kosovo, education indicators, nominal values

Indicator	Value
Public spending on education	4.1
Harmonised test scores	395.8
Tertiary education enrolment	48.1
Tertiary education attainment	23.8
Pre-primary school enrolment	87.6
NEET rate	31.4

- ★ Public spending on education in Kosovo in 2025 stood at **4.1%** of GDP.
- ★ Harmonised test scores stood at **395.8** points.
- ★ Tertiary education enrolment stood at **48.1%** of tertiary-age population.
- ★ Tertiary education attainment stood at **23.8%** of corresponding age group population.
- ★ Pre-primary school enrolment stood at **87.6%** of corresponding age group population.
- ★ NEET rate stood at **31.4%** of population aged 15–24.

Kosovo, education pillar, change to last year



- ★ Relative to the EU average, the best-performing education indicator was Pre-primary school enrolment, standing at **92%** of the EU level.
- ★ Public spending on education was close behind, at around **86%** of the EU average.
- ★ Harmonised test scores and Tertiary education attainment stood at around **70-78%** of the EU benchmark, while Tertiary education enrolment was lower, at around 60% of the EU level.
- ★ NEET rate remains the weakest link, standing at just **29%** of the EU average

Kosovo, education pillar, change to last year

Public spending on education	3.9
Harmonised test scores	-0.4
NEET rate	-0.6
Pre-primary school enrolment	-1.7
Tertiary education attainment	-1.9
Tertiary education enrolment	-5.3

- ★ Only **1 of the 6** indicators in the education pillar saw an improvement relative to the EU average in 2025.
- ★ That indicator was Public spending on education, which closed the gap to the EU level by **3.9 pp**.
- ★ Harmonised test scores and NEET rate widened the gap to the EU level by around **0.5 pp**.
- ★ Tertiary education attainment and Pre-primary school enrolment fell back approximately **1.8 pp** relative to the EU average.
- ★ Tertiary education enrolment saw the weakest performance, falling back by **5.3 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Public spending on education	Divergence
Harmonised test scores	Divergence
Tertiary education enrolment	Divergence
Tertiary education attainment	8
Pre-primary school enrolment	Divergence
NEET rate	Divergence

- ★ At the pace of improvement from the past 5 years, Tertiary education attainment would need around **8 years** to close the gap to the EU average.
- ★ All other indicators (i.e. Public spending on education, Harmonised test scores, Tertiary education enrolment, Pre-primary school enrolment and NEET rate) are diverging from the EU average rather than converging and not on track to close the gap at recent trends.

What explains the trends in the education pillar?

Education remains **one of Kosovo's most structurally challenged convergence areas**, with **five of the six indicators diverging from EU standards despite relatively solid levels of public investment**. The apparent contradiction of having decent spending but poor outcomes points to **persistent inefficiencies in how resources are translated into educational quality** and labour market readiness.

Public spending on education recorded the sharpest improvement of any indicator in this pillar, reflecting **government attention and a degree of fiscal prioritisation for the sector**. However, this progress needs to be interpreted with caution, as higher spending has not historically translated into improved learning outcomes or stronger labour market alignment. **The gains in financing may reflect wage increases for teaching staff or infrastructure investment** rather than reforms targeting curriculum quality, teacher effectiveness or vocational relevance, all of which remain the more binding constraints on the sector.

Learning outcomes, as captured by harmonised test scores, **continued to weaken**, extending a pattern of consistent decline. This reflects a combination of **outdated curricula, limited teacher training and professional development, low teacher motivation and continued reliance on memorisation learning rather than problem-solving and critical thinking**. Public education institutions often **lack adequate digital tools and modern pedagogical resources**, further limiting the quality of instruction. Since this deterioration is occurring despite relatively solid public financing, it strongly suggests that the sector's **challenges are rooted in how education is delivered rather than simply in how much is spent**.

Tertiary education indicators show a similarly discouraging picture, with enrolment moving further away from EU benchmarks. Weak enrolment likely reflects **limited career guidance, persistent perceptions that higher education yields uncertain labour market returns, finan-**

cial barriers for students and unequal quality across institutions. Educational attainment, regardless of its relatively short convergence period, affects these enrolment challenges, pointing to high dropout rates, inadequate student-support services and a mismatch between university programmes and the skills demanded by the labour market. The emigration of young graduates seeking better opportunities abroad further erodes the domestic pool of tertiary-educated individuals, reinforcing the downward trend.

Pre-primary school enrolment is Kosovo's strongest relative performer within the pillar, yet even this indicator lost ground. This suggests that early childhood education, despite comparatively better coverage, **still faces capacity constraints, which are potentially linked to uneven access between urban and rural areas or insufficient investment in early learning infrastructure**. Since early childhood education has long-term implications for subsequent academic performance, this deterioration could have cumulative effects on educational outcomes further down the system.

The NEET rate, which is the weakest link in the education pillar, continues to widen. This reflects deep structural challenges spanning both the education- and labour-market spheres, including **underdeveloped vocational pathways, limited work-based learning opportunities and slow job creation for young people**. Regional disparities and limited support services for detached youth further push this population outside both education and employment, which has long-term consequences for human capital formation and social inclusion.

EU accession scenarios

To better understand how different EU integration pathways might influence Kosovo's education convergence, we estimate and simulate the same four scenarios from above:

- ★ **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- ★ **Access to the EU budget**, envisioning Kosovo receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- ★ **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- ★ **Institutional reforms**, capturing a scenario in which Kosovo implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the education pillar, **tertiary education enrolment** is used as the proxy indicator to model how different EU integration pathways might affect Kosovo's education convergence trajectory.

The analysis shows no indication of catching up with EU levels under any modelled scenario, which makes this the only pillar for which every scenario – including full EU membership – produces divergence rather than convergence.

EU accession scenarios for tertiary education enrolment

Scenario	Years needed to reach the EU average
Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

- ★ Similar to scenario exercises last year, under the **status quo**, tertiary enrolment **continues to fall further behind the EU benchmark**, reflecting the effect of weak career guidance, (to some extent) financial barriers, inadequate university quality and limited perceived returns to higher education.
- ★ **Even full EU accession fails to reverse this trajectory**, suggesting that enrolment is driven primarily by **domestic structural and institutional factors rather than by external integration incentives or funding flows**.
- ★ **Access to the EU budget** alone likewise produces **no meaningful improvement**, indicating that additional financial resources are insufficient to shift enrolment patterns without targeted reform of the education system itself.
- ★ **Single market access**, which typically supports economic- and trade-related indicators, similarly shows **no obvious effect** here, since tertiary participation decisions are shaped more by domestic labour market signals, household circumstances and education-system quality than by market access conditions.
- ★ **Institutional reforms** on their own also **fail to alter the diverging path**, which is notable given that this scenario captures deep governance and rule-of-law improvements. Its lack of impact suggests that the barriers to tertiary enrolment lie outside the institutional and regulatory domains typically targeted by such reforms.

In general, scenario results imply that **Kosovo's education gap is rooted in factors that operate largely independently of EU integration dynamics**, including demographic pressures from youth emigration, skills mismatches between graduates and the labour market, and structural underinvestment in the quality and relevance of education at all levels. Reversing this divergence will likely require education-specific interventions. This reinforces the broader conclusion that in areas where domestic structural weaknesses are deeply rooted, EU integration functions as a necessary but insufficient condition for convergence, and it highlights the importance of parallel, homegrown reform efforts.

Policy discussion & key recommendations

Without any notable improvement from the last year's convergence exercise, education is a pillar in which five of the six indicators are currently diverging from EU standards. This is a striking outcome given that Kosovo spends a relatively substantial share of public resources (around 4% of GDP) on education and that basic literacy rates are high. **The problem, therefore, is not primarily one of access or basic provisioning but of quality, relevance and system efficiency.**

Education scores place Kosovo's students well below the EU average, and the gap has been widening rather than narrowing. **Tertiary enrolment** remains low by regional and EU standards, and it is moving further away from EU benchmarks despite marginal annual gains in some years. While showing modest improvement, **the NEET rate** continues to diverge over the longer term, reflecting deep labour-market and education-system weaknesses rather than temporary shocks. On top of these structural problems is the **steady emigration of young, often better-educated citizens**, which erodes the domestic human capital base. Overall, these findings suggest that **Kosovo's education system is not adequately equipping its population with skills of the quality needed to compete with EU labour markets, which undermines productivity, innovation capacity and long-term convergence prospects across nearly every other pillar.**

It is worth noting that **there are strategies and policies in place aiming to improve the overall education sector in Kosovo.** The Education Strategy 2022-2026 is explicitly aimed at improving educational quality and aligning curricula more closely with labour market needs. Some modest steps have also been taken to advance **inclusive education**, including the introduction of **teaching assistants for children with disabilities and limited training in sign language for educators**, both of which are welcome but still fall short of the comprehensive inclusive-education provisions found in EU member states.

In higher education, reforms to accreditation processes have been introduced in order to raise quality-assurance standards across universities, **yet governance of higher education institutions remains a persistent concern**, with limited institutional autonomy, weak internal accountability mechanisms and, in some cases, political interference in appointments.

The **vocational education and training (VET)** sector remains underdeveloped and continues to **suffer from weak linkages with industry, outdated curricula and insufficient investment** in modern equipment and teacher training. This limits its ability to serve as a credible alternative pathway for students not pursuing academic tertiary education.

At the institutional level, **coordination problems persist between the central Ministry of Education and Science**

and municipal-level school administrations, creating inconsistencies in implementation and resource allocation across the country. **Financing for new investments in education infrastructure and quality-improvement initiatives remains tight**, as it is constrained by broader fiscal conservatism and competing budgetary priorities.

When it comes to **EU alignment**, Kosovo's participation in the Bologna Process continues to be an important external anchor for reforms in higher education, encouraging alignment of degree structures, credit systems and quality-assurance mechanisms with those used across the EU. At the **regional level**, the Berlin Process framework, which promotes mutual recognition of academic diplomas among WB economies, is increasingly relevant, and Kosovo has already concluded bilateral agreements with some neighbouring countries on diploma recognition, which should facilitate greater labour mobility for graduates. More broadly, the **EU's Growth Plan for the Western Balkans** explicitly identifies education – and vocational and digital skills development, in particular – as a priority growth area, reflecting recognition at the EU level that human-capital deficits are a binding constraint on the region's convergence prospects. **The EU's Digital Agenda** further prioritises the expansion of STEM education, which could offer Kosovo an opportunity to build on its comparatively strong digitalisation performance by cultivating a domestic pipeline of digitally skilled graduates. **However, translating these frameworks into tangible domestic reform has so far been limited**, and Kosovo's engagement with EU education-related conditionality remains less developed than in other areas (e.g. governance or digitalisation).

This has been shown also in our **scenario modelling**, which delivers a **sobering message** for the education pillar. Under every simulated integration pathway, including full EU membership, tertiary enrolment diverges from rather than converges with the EU benchmark. This sets education apart from most other pillars, where at least some scenarios point towards meaningful acceleration. The implication is that **EU accession, even paired with substantial financial transfers or full single-market access, is insufficient on its own to reverse Kosovo's education trajectory.** Faster accession could, in principle, bring increased access to European education funding instruments and expanded participation in exchange programmes (e.g. Erasmus+), which would help narrow specific gaps in student mobility and institutional exposure to EU academic standards. Yet the scenario results suggest that such channels are not powerful enough to offset the domestic structural weaknesses and the lack of systemic reforms driving divergence, including demographic pressures, labour market misalignment and system-level quality deficits. Conversely, under a slower or stagnant reform path, continued brain drain is likely to intensify, further depleting the domestic skills base and reinforcing the

very dynamics that are already driving divergence. This underlines the fact that, unlike digitalisation or governance, education convergence in Kosovo is not primarily a function of external integration incentives but of the pace and depth of domestic reform.

Given the scale and persistence of Kosovo's education gap, **a fundamental redesign of the system, rather than incremental adjustment, is required**, and it should have a clear focus on shifting attention from enrolment metrics towards actual learning outcomes. **Curricula and teacher-training programmes** should be substantially overhauled to **prioritise critical thinking, problem-solving and digital literacy over memorisation**, which would better prepare students for both further education and labour market entry.

Education is the one pillar for which the scenario analysis offers no external remedy, as it diverges under every modelled pathway, including full membership. That places the burden entirely on domestic reform, and it makes the expiry of the Education Strategy 2022-2026 the single most consequential opportunity in the sector. The successor strategy will shape education policy for the remainder of the decade, and it is being designed at a moment when five out of six education indicators are moving away from EU levels despite public spending of around 4% of GDP. Thus, the constraint is not the level of resourcing but what the system produces with it, and **the successor strategy should be judged on whether it changes that**.

Four demands follow. First, the strategy should set explicit, time-bound targets for learning outcomes rather than enrolment, with harmonised test scores and the NEET rate being the headline measures and progress being assessed against the next PISA cycle rather than against administrative outputs. Second, teacher professional development should be funded as a recurrent budget line rather than a project activity given that curriculum reform without sustained investment in teaching practice has repeatedly failed to improve learning outcomes. Third, the number of vocational places should be determined based on documented employer demand, with employers being involved in curriculum design and structured apprenticeships being made a condition of programme accreditation rather than left to institutional supply. Fourth, the strategy should assign clear delivery responsibility between the Ministry of Education and Science and municipal authorities, whose unresolved coordination problems currently dilute accountability for results at the school level.

Given that education converges under no integration scenario, **EU instruments cannot substitute for this reform – but they can reinforce it**. Support for education and skills under the Growth Plan should be made conditional on the successor strategy containing measurable learning-outcome targets and a funded teacher-development component, so that EU financing rewards the design choices that determine whether the strategy works.

Several EU member states, alongside Switzerland and Norway, have also been funding education reform in Kosovo bilaterally, in some cases over many years and in exactly the areas where performance is weakest: teacher training, quality assurance and vocational education. This support is an asset, but its present form is actually part of the problem. Where teacher development and VET modernisation are delivered as donor projects rather than as funded lines within the national system, they end when the project ends, which helps explain why a decade of reform activity has not shifted learning outcomes. Bilateral partners should therefore (i) align their education programmes with the successor strategy and its outcome targets and (ii) move progressively from parallel project delivery towards co-financing the strategy's own budget lines, with twinning between Kosovo's education institutions and partner-country counterparts being used to build the ministry's and municipalities' delivery capacity rather than to substitute for it. Since Switzerland and Norway sit outside EU accession conditionality, their alignment cannot be driven through the Growth Plan. Thus, it will have to be organised around the national strategy itself, which is a further reason for that strategy to carry measurable targets that any partner can align with.

Strengthening **vocational education and training** – with genuine and sustained **links to industry** through structured apprenticeships, employer involvement in curriculum design, and modernised training facilities – should be treated as a strategic priority, as it could offer a credible alternative pathway for a large share of students currently underserved by the academic track.

Quality assurance in higher education needs to be significantly reinforced, including through stronger institutional-accountability mechanisms, more rigorous and **independent accreditation processes**, and measures to insulate university governance from political influence. Policymakers will also need to navigate difficult trade-offs, mainly in **balancing investment between rural and urban schools** considering ongoing internal migration from rural to urban areas, thereby ensuring that resource allocation does not further worsen regional educational disparities. Institutionally, **improving the quality, consistency and timeliness of the collection of education data** is essential, both to support evidence-based policymaking and to empower local education authorities with the information they need to manage schools effectively.

Taken together, this means that education reform has to be owned domestically rather than sequenced against the accession timeline. EU and bilateral support can admittedly raise the return on a well-designed strategy, but neither can compensate for a weak one, and the scenario results show that no integration pathway reverses the current trajectory on its own. The successor to the Education Strategy 2022-2026 will therefore be the decisive test of whether Kosovo's education gap narrows over the coming decade.

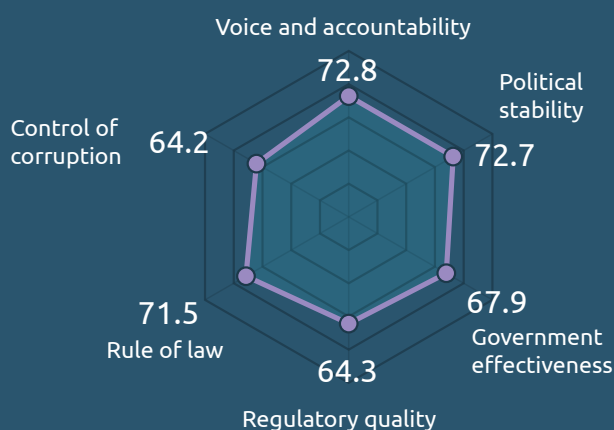
GOVERNANCE PILLAR

Kosovo, governance indicators, nominal values

Indicator	Value
Voice and accountability	53.2
Political stability	43.6
Government effectiveness	48.8
Regulatory quality	45.5
Rule of law	51
Control of corruption	44.9

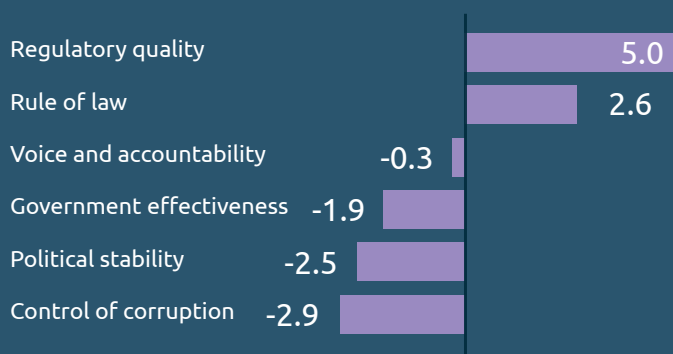
- ★ Voice and accountability in Kosovo in 2025 stood at **53.2** index points (0–100 scale).
- ★ Political stability stood at **43.6** index points (0–100 scale).
- ★ Government effectiveness stood at **48.8** index points (0–100 scale).
- ★ Regulatory quality stood at **45.5** index points (0–100 scale).
- ★ Rule of law stood at **51** index points (0–100 scale).
- ★ Control of corruption stood at **44.9** index points (0–100 scale).

Kosovo, governance pillar, % of EU average



- ★ Relative to the EU average, the best-performing governance indicators in Kosovo are Voice and accountability, Political stability and Rule of law, standing at around **72%** of the EU level.
- ★ Government effectiveness was slightly lower, at around **68%** of the EU average.
- ★ Regulatory quality and Control of corruption remain the weakest links in this area, standing at **64%** of the EU average.

Kosovo, governance pillar, change to last year



- ★ **2 of the 6** indicators in the governance pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in Regulatory quality, which closed the gap to the EU level by **5.0 pp**.
- ★ Rule of law followed, converging **2.6 pp** to the EU level.
- ★ Voice and accountability fell back by **0.3 pp** relative to the EU average.
- ★ Government effectiveness fell back by **1.9 pp** relative to the EU level.
- ★ Political stability and Control of corruption were the indicators with the weakest performance, falling back by **2.5-2.9 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Voice and accountability	89
Political stability	Divergence
Government effectiveness	21
Regulatory quality	31
Rule of law	12
Control of corruption	66

- ★ At the pace of improvement from the past 5 years, Rule of law stands to be the first indicator to converge to the EU level, at around **12 years** away
- ★ Government effectiveness and Regulatory quality follow, needing around **2-3 decades** to close the gap
- ★ Control of corruption and Voice and accountability lag further behind, needing around **7-9 decades** to reach the EU level
- ★ Political stability is diverging from the EU average rather than converging and not on track to close the gap at recent trends.

What explains the trends in the governance pillar?

Governance is **one of the mixed pillars in Kosovo's convergence path**, combining some indicators with clear signs of stagnation or reversal and some with decent progress. While the pillar as a whole **sits closer to the EU average than most of the others**, the last year has seen **more indicators losing rather than gaining ground**, with only regulatory quality showing meaningful improvement.

- ★ **Voice and accountability** as a governance indicator remains relatively close to the EU level, reflecting **a relatively vibrant civil society and a competitive, though polarised, media landscape**. However, the indicator **lost some ground over the past year**, suggesting that **improvements in civic space are fragile and vulnerable to political polarisation, pressures on independent media**, and growing public distrust in institutions. At the current pace, convergence with the EU remains a distant prospect, as recent trends imply a very long road ahead.
- ★ **Political stability** is a volatile governance indicator – and the only one diverging from the EU average. This reflects recurring institutional frictions, including the **current political deadlock and episodic tensions (though to a lesser extent in the northern municipalities)**, which continue to weigh on perceptions of stability. Despite Kosovo's stronger international partnerships in recent years, short-term political shocks have outweighed medium-term improvements in other areas of governance, keeping the indicator on a worsening trajectory rather than a convergent one.
- ★ **Government effectiveness** softened slightly compared to last year, pointing to **persistent capacity constraints within public administration**, with fragmented bureaucratic structures, inconsistent poli-

cy implementation, and limited human-resource capacity in the civil service continuing to hinder the pace of improvement even where digitalisation and reform strategies are formally in place. At the current pace, convergence remains a few decades away.

- ★ **Regulatory quality** is the **standout performer this year**, recording by far the largest improvement among governance indicators. This likely reflects recent **efforts to digitalise public services, strengthen competition frameworks and align business-related regulation more closely with EU standards**. If sustained, this pace would meaningfully shorten the path to convergence, though regulatory unpredictability and weak consultation mechanisms remain persistent risks.
- ★ Similarly, **rule of law**, based on the perception-based indicators, is also one of the better-performing indicators in relative terms, supported by **incremental judicial reforms and closer alignment with the EU acquis**. However, its only modest improvement over the past year illustrates how fragile this progress is; slow case processing, political interference in judicial appointments, and weak enforcement capacity continue to erode confidence even as formal legal alignment advances.
- ★ **Control of corruption** is both the **weakest governance indicator** in absolute terms and the one that **deteriorated most sharply this year**. This reversal likely reflects **limited high-level prosecutions, weak enforcement of existing anticorruption frameworks**, and possibly intensified public and institutional scrutiny that has exposed shortcomings that were previously less visible.

EU accession scenarios

To better understand how different EU integration pathways might influence Kosovo's governance convergence, we estimate and simulate the same four scenarios from above:

- ★ **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- ★ **Access to the EU budget**, envisioning Kosovo receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- ★ **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- ★ **Institutional reforms**, capturing a scenario in which Kosovo implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the governance pillar, **control of corruption** is used as the proxy indicator to model how different EU integration pathways might affect Kosovo's convergence trajectory.

The scenario analysis for the governance pillar suggests that **EU integration pathways would provide only a modest acceleration of Kosovo's convergence trajectory**, particularly when compared with the more substantial improvements in some of the other pillars

EU accession scenarios for control of corruption

Scenario	Years needed to reach the EU average
Status quo:	66 years to EU
Full EU accession:	53 years to EU
Access to EU budget:	66 years to EU
EU single market:	66 years to EU
Institutional reforms:	53 years to EU

- ★ Under a **status quo trajectory**, Kosovo is estimated to require approximately **66 years** to close the gap with core EU benchmarks, reflecting both the relatively weak level relative to the EU average and the modest progress over the past five years.

- ★ **Full EU accession** offers a clear, though modest improvement, shortening the convergence horizon to approximately **53 years**. This suggests that the comprehensive package of institutional reforms, monitoring mechanisms and accountability structures that come with membership is what ultimately drives meaningful progress on corruption control. Full membership brings with it not only political incentives to maintain reform but also structural mechanisms (e.g. EU judicial cooperation, anti-fraud oversight and peer monitoring) that reinforce domestic anti-corruption efforts over the long term.

- ★ **Access to the EU budget alone**, as well as **access to the single market alone**, are found to **yield no meaningful governance benefits whatsoever**. This reinforces a broader pattern observed elsewhere in this report that governance improvements do not automatically follow from financial transfers or market access, as neither instrument in isolation forces the kind of institutional and legal reform needed to strengthen anti-corruption enforcement. Regulatory alignment, judicial independence and effective oversight mechanisms are not byproducts of financial integration. Instead, they require explicit, binding commitments tied to deeper political and institutional integration.

- ★ **Institutional reforms** that are needed for countries to become EU members do have some positive effect, reducing the convergence timeline to **around 53 years**, matching the impact of full accession. This is a positive result, as it suggests that Kosovo does not necessarily have to wait for formal EU membership to make meaningful progress on corruption control, provided that it implements the reforms that are needed and that the efforts are sufficiently deep and sustained. In other words, the political will and institutional capacity to carry out reforms domestically can substitute for some of the external pressure that EU accession would provide.

In sum, **progress on corruption control** is mainly a function of the **depth of institutional reform commitments, whether externally anchored through EU accession instruments or pursued independently through domestic initiative**, rather than a function of financial transfers or expanded market access. For Kosovo, this implies that continuing to strengthen judicial independence, prosecutorial capacity and enforcement mechanisms domestically remains valuable and impactful even in scenarios where the EU accession timeline itself remains uncertain or protracted.

Policy discussion & key recommendations

When comparing with the convergence analysis last year, **governance is a paradoxical convergence pillar**. On paper, the institutional architecture required for EU-style governance is generally in place, as independent courts, an ombudsperson, a supreme audit institution and several dedicated anti-corruption bodies all exist. However, **in practice, the functioning of these institutions falls well short of EU standards**, with weak enforcement, limited operational independence and persistent political interference undermining their credibility. Voice and accountability stands as the relative strong point, benefiting from an active civil society and a competitive media environment, even if political polarisation increasingly strains both. Rule of law shows moderate proximity to EU levels but continues to be hampered by slow case processing, understaffed prosecution services and recurring political influence over judicial appointments. Control of corruption is the weakest link by far as well as the sole indicator to register a substantial decline this year, reflecting limited high-profile prosecutions and a persistent gap between anti-corruption legislation and enforcement. Political stability, meanwhile, is the only governance indicator moving in the wrong direction over the medium term, driven by recurring institutional disputes and periodic tensions in the north. Taken together, this pattern (i.e. reasonably strong formal frameworks paired with weak implementation) defines Kosovo's governance challenge and explains why progress, where it exists, tends to be incremental rather than transformative.

Policy-wise, Kosovo's principal governance reform document remains the **Rule of Law Strategy 2021-2026**, which was a rather ambitious agenda spanning judicial reform and modernisation of the public administration. However, **implementation has lagged behind** the strategy's own timelines, with several flagship measures (e.g. the vetting of judicial and prosecutorial appointments and the operationalisation of key oversight bodies) proceeding slowly or only partially. The government has established

an Office for Good Governance tasked with coordinating cross-institutional reform efforts, and some e-governance tools have been rolled out to improve transparency in public procurement and service delivery. Nevertheless, capacity gaps within the civil service in key oversight institutions and a persistent shortage of qualified judicial personnel continue to constrain the pace of reform. Public administration reform, in particular, has stagnated; a strategy exists, but fragmented bureaucratic structures and weak inter-ministerial coordination have limited its practical effect. Anti-corruption efforts have produced some visible activity (e.g. a more assertive civil society watchdog presence and increased media scrutiny of public spending), but this has not yet translated into a meaningful rise in successful prosecutions.

Governance sits at the very centre of Kosovo's EU accession process, with governance reforms having a disproportionate influence on the overall pace of accession. Kosovo's Stabilisation and Association Agreement obligates it to strengthen the independence of the judiciary, intensify the fight against corruption and organised crime, and reinforce the capacity of independent oversight institutions. The European Commission's annual reports have consistently flagged the need for merit-based appointments within the judiciary, stronger prosecutorial independence and a demonstrable track record of corruption convictions – benchmarks against which Kosovo's progress remains limited. Regionally, governance reform is also embedded in the Berlin Process agenda, while Kosovo's CEFTA membership requires impartial and predictable competition policy. Kosovo's participation in the Energy Community likewise imposes governance-adjacent obligations, requiring credible regulatory oversight of the energy sector, a requirement that intersects directly with broader concerns about regulatory quality and institutional independence.

The scenario exercise built around control of corruption illustrates just how central deep

institutional commitment is to governance convergence relative to other integration channels. Under a status quo trajectory, Kosovo would need seven decades to close the corruption-control gap with the EU. This shortens by 13 years in the full EU accession scenario. Perhaps the most policy-relevant finding is that **autonomous institutional reforms, undertaken independently of EU membership, achieve a comparable acceleration to full accession**. This suggests that **Kosovo is not condemned to wait on the accession timeline to make governance progress**. A sufficiently deep and sustained domestic reform push can substitute, at least partially, for the external anchor that EU membership would otherwise provide. To achieve this, **rather than new legislation, Kosovo needs consistent, well-resourced implementation of frameworks that are largely in place**.

Persistence is needed above all on **judicial vetting and on fully staffing and empowering oversight bodies** (e.g. the Anti-corruption Agency), so that such institutions can operate with genuine independence rather than existing as formal structures with limited practical authority. Policies that should be redesigned include **simplifying complex administrative procedures** that currently create both inefficiency and opportunities for informal influence, as well as accelerating public administration reform to reduce bureaucratic fragmentation, consolidate overlapping mandates and strengthen merit-based recruitment and professionalisation. New reform priorities should focus on strengthening the **independence and**

resourcing of rule of law institutions, particularly the judiciary and prosecution services, and expanding e-government services (specifically as an anti-corruption tool, as digitalised and traceable administrative processes reduce the discretionary space in which corruption typically occurs).

Given that isolated EU financial support does not lead to any governance payoff in the scenario analysis, **Kosovo's own institutions and international partners alike should resist treating governance reform as a byproduct of other forms of integration**. Instead, governance-specific conditionality tied to concrete, measurable outcomes (e.g. prosecution and conviction rates as well as judicial vacancy rates) should be prioritised in both domestic reform planning and EU engagement. Stronger governance supports effective implementation across virtually every other pillar, from ensuring that health and education funding is spent as intended to providing the regulatory predictability that private investment and economic diversification require. Strengthening data governance and independent monitoring capacity, including support for civil society-led 'convergence observatories', would help to ensure that reform commitments translate into verifiable outcomes rather than remaining aspirational. Ultimately, overall results deliver a clear message for Kosovo's policymakers; meaningful governance progress does not have to wait on the accession process itself but can be pursued now through continual and credible domestic institutional reform.

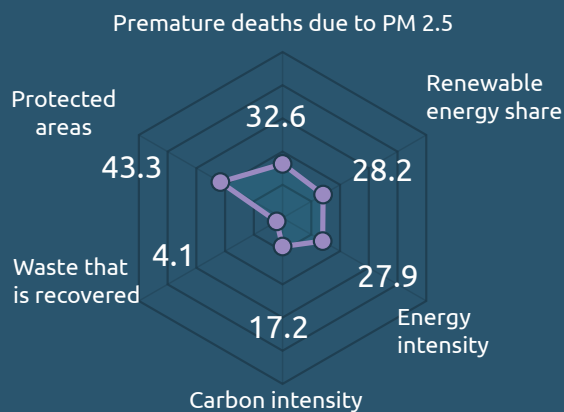
ENVIRONMENT PILLAR

Kosovo, environment pillar indicators, nominal values

Indicator	Value
Premature deaths due to PM 2.5	172
Renewable energy share	17.2
Energy intensity	338
Carbon intensity	995
Waste that is recovered	3.2
Protected areas	11.6

- ★ Premature deaths due to PM 2.5 in Kosovo in 2025 stood at **172** per 100,000 of the population aged 30 and over.
- ★ Renewable energy share stood at **17.2%** of total capacity.
- ★ Energy intensity stood at **338 kg** of oil equivalent (KGOE) per thousand euros of GDP in chain-linked volumes.
- ★ Carbon intensity stood at **995 KG** per thousand euros of GDP in chain-linked volumes.
- ★ Waste that is recovered stood at **3.2%** of total diverted waste.
- ★ Protected areas stood at **11.6%** of land area.

Kosovo, environment pillar, % of EU average



- ★ Relative to the EU average, the best-performing environment indicator was Protected areas, standing at **43%** of the EU level.
- ★ Premature deaths due to PM 2.5, Renewable energy share and Energy intensity were lower, at around **30%** of the EU level.
- ★ Carbon intensity was further behind, at **17%** of the EU average.
- ★ Waste that is recovered remains the weakest link, standing at just **4%** of the EU average.

Kosovo, environment pillar, change to last year

Premature deaths due to PM 2.5	4.8
Carbon intensity	0.5
Protected areas	0.0
Waste that is recovered	-0.1
Energy intensity	-1.1
Renewable energy share	-1.2

- ★ **2 of the 6** indicators in the environment pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in Premature deaths due to PM 2.5, which closed the gap to the EU level by **4.8 pp**.
- ★ Carbon intensity was the second indicator to improve relative to the EU, closing **0.5 pp** of the gap.
- ★ Protected areas stagnated, while Waste that is recovered fell back **0.1 pp** relative to the EU average.
- ★ Energy intensity and Renewable energy share were the indicators with the weakest performance, respectively falling back by **1.1** and **1.2 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Premature deaths due to PM 2.5	26
Renewable energy share	82
Energy intensity	Divergence
Carbon intensity	Divergence
Waste that is recovered	100+
Protected areas	Divergence

- ★ At the pace of improvement from the past 5 years, Premature deaths due to PM 2.5 would need around **26 years** to close the gap to the EU average.
- ★ Renewable energy share lags further behind, needing around **8 decades** to reach the EU level.
- ★ Waste that is recovered remains more than a century away from the EU level at current trends.
- ★ Energy intensity, Carbon intensity and Protected areas are diverging from the EU average rather than converging and not on track to close the gap at recent trends.

What explains the trends in the environment pillar?

The pillar's story portrays an **economy still structurally tied to carbon-intensive energy production, weak enforcement capacity across environmental regulation, and chronic underinvestment** in modern waste and energy infrastructure. Where there is progress, it tends to result from targeted, lower-cost interventions rather than the deeper structural shifts.

- ★ Challenges related to **air quality** in Kosovo are deeply rooted in the country's **reliance on ageing lignite-based power generation, widespread use of solid fuels for household heating, and a growing vehicle fleet** with limited emissions controls. Weak enforcement of air quality standards and the slow rollout of cleaner heating alternatives have kept premature mortality linked to fine particulate matter (PM) persistently high. Encouragingly, this indicator has shown the **strongest relative improvement of the pillar in the past year**, suggesting that **recent measures (e.g. stricter monitoring in urban centres and modest investment in cleaner public transport) are beginning to bear fruit**, even if the pace of progress is still too slow to meaningfully close the gap with the EU within the coming decades.
- ★ **Progress on renewable energy has stalled**, and the sector actually lost ground relative to the EU benchmark over the past year. This reflects a combination of **structural impediments (e.g. an outdated transmission grid unsuitable to variable renewable output, slow and unpredictable permitting procedures, and limited investor confidence)** stemming from regulatory uncertainty as well as political deadlock. While the 2023 renewable energy law introduced a shift towards competitive auctions, the effects of this reform have yet to materially alter the trajectory. Continued heavy reliance on domestic lignite reserves, which remain a politically sensitive issue, further slows the transition and explains why this indicator is now the weakest performer in the pillar in terms of year-on-year momentum.
- ★ **Energy intensity** continues to reflect Kosovo's **ageing industrial base, inefficient building stock and outdated machinery**, intensified by energy prices that do little to incentivise conservation. The slow modernisation of the construction sector and weak enforcement of energy-efficiency standards mean that the broader trend continues to move away from EU norms rather than towards them despite occasional legislative steps.
- ★ **Carbon intensity** remains one of the pillar's most concerning indicators, driven by a near total dependence on **lignite for electricity generation** and the **lack of any meaningful carbon pricing mechanism**. Delays in commissioning new renewable capacities and the continued operation of old, inefficient power plants mean that emissions per unit of economic output are not falling in line with EU decarbonisation targets.
- ★ Similarly, **waste recovery** is one of the pillar's weaknesses, a reflection of essentially **underdeveloped recycling infrastructure, minimal separation at source, and very limited municipal capacity to process waste**. Public awareness of waste-sorting practices is low, regulatory enforcement is weak, and investment in sorting and recycling facilities has been negligible. With virtually no movement on this indicator over the past year, and given how far behind it already sits, this remains the area least likely to see convergence with the EU within any realistic time-frame.
- ★ **A comparatively stronger element of the pillar relative to EU is protected areas**, which have mainly benefited from a policy **commitment to designating national parks and nature reserves**. Nevertheless, **the pace of new designations and management improvements has not kept up with progress elsewhere in the EU**. Consequently, this indicator is also moving in a diverging direction rather than closing the gap.

EU accession scenarios

To better understand how different EU integration pathways might influence Kosovo's environmental convergence, we estimate and simulate the same four scenarios from above:

- ★ **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- ★ **Access to the EU budget**, envisioning Kosovo receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- ★ **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- ★ **Institutional reforms**, capturing a scenario in which Kosovo implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the base-line/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the environmental pillar, **energy intensity** is used as the proxy indicator to model how different EU integration pathways might affect Kosovo's environmental convergence trajectory.

The scenario analysis shows a sobering picture of Kosovo's prospects for environmental convergence with the EU regardless of the integration pathway pursued.

EU accession scenarios for energy intensity

Scenario	Years needed to reach the EU average
Status quo:	Divergence
Full EU accession:	81 years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	Divergence

- ★ Under a **status quo** trajectory, energy intensity continues to **diverge** from EU benchmarks, reflecting the persistent structural inefficiencies in how Kosovo's economy uses energy; from an outdated industrial base to inefficient buildings and machinery that have seen little modernisation in recent years.

- ★ **Full EU accession** offers the most meaningful, though still limited, improvement among the scenarios modelled. Under this scenario, Kosovo would require approximately **81 years** to reach EU-level energy efficiency. This represents a deterioration compared with last year's scenario analysis and points to the risk that delays in pursuing deeper integration carry ever-increasing costs. The longer structural inefficiencies persist, the harder and more time consuming eventual convergence becomes even under the most favourable institutional scenario.

- ★ Taken alone, **access to the EU budget** and **access to the EU single market** do not provide any meaningful result, each requiring more than a century to close the gap under current assumptions. This highlights an important distinction between the channels through which EU integration can support environmental convergence. Financial transfers or market access alone, without the accompanying institutional and regulatory framework that comes with full membership, appear insufficient to meaningfully shift Kosovo's energy-efficiency trajectory.

- **The institutional reforms scenario also shows no improvement** relative to the status quo. This result suggests that, in the absence of substantial new investment, policy and regulatory alignment with the EU acquis produces negligible results on the ground. At its core, energy intensity is a function of the physical capital stock (e.g. the efficiency of buildings, industrial equipment and transport systems), and no amount of institutional or legal harmonisation can improve these outcomes without the capital expenditure needed to modernise them. This stands in contrast to other indicators (e.g. governance or rule of law) for which institutional reform alone can generate meaningful results.

Policy discussion & key recommendations

Alongside the education pillar, environment remains Kosovo's weakest area of convergence with the EU, and the data continue to point in a troubling direction. Air pollution linked to fine particulate matter remains far above EU levels, though it is also the one indicator showing a genuinely improving trend. Renewable energy's share of total capacity, energy intensity and carbon intensity – the three indicators most closely tied to Kosovo's energy system – are all well below EU levels and either stagnant or moving further away from the benchmark. Waste recovery remains critically underdeveloped and is by far the weakest indicator not only within this pillar but also across nearly the entire convergence framework. Though currently on a diverging path, protected areas (a new indicator in the environment pillar) is the pillar's relative bright spot, performing better than the other indicators compared to the EU average. All environment indicators together reveal **an economy still structurally dependent on carbon-intensive energy production with regulatory frameworks that exist on paper but are poorly enforced on the ground.**

Kosovo has, in principle, **a fairly comprehensive set of energy, environment and climate strategies**, but **implementation continues to lag** well behind legislative ambition. Air quality, particularly in Pristina, remains severely compromised by emissions from lignite-fired power generation, inefficient household heating and a growing vehicle fleet. Monitoring systems exist, but enforcement of air quality standards and investment in cleaner alternatives remain limited.

Nowhere is the gap between ambition and delivery more stark than in renewable energy. Two projects awarded through the competitive auctions introduced by the 2023 renewable energy law (one solar and one wind with a combined capacity of 200 MW) have yet to come online. Over the same period, Kosovo's renewable-energy indicator deteriorated relative to the EU level. Together, these two facts locate the constraint precisely: auction design is working, in that capacity is being procured at scale, but the system that has to absorb that capacity is not. Three factors – an outdated transmission grid unsuited to variable output, slow and unpredictable permitting, and

the investor uncertainty that results from both – are what stand between awarded megawatts and generated electricity. The policy implication is narrower and more actionable than the pillar's overall diagnosis suggests: the binding constraints are not the incentive framework but grid modernisation and permitting capacity, and until these constraints are addressed, further auction rounds will add to the pipeline of stalled projects rather than to actual installed capacity.

Carbon intensity and energy intensity are both closely tied to this same energy-sector structure. Kosovo is almost totally reliant on ageing lignite plants, lacks a carbon pricing mechanism, and has an industrial and building stock that has seen little modernisation. Waste management suffers from a near total absence of modern recycling infrastructure, minimal separation of waste at source, weak municipal capacity and negligible investment in sorting facilities. Protected areas, by contrast, have benefited from policies for designating national parks and nature reserves, which explains why this indicator performs comparatively better even though the pace of new designations has recently slowed.

Kosovo remains only at an **early stage of preparation in the environment and climate chapter of the EU acquis, with limited progress reported to date.** **EU directives** on air quality, waste management, water protection and climate action must be transposed and, critically, **enforced**, a distinction that matters greatly given **Kosovo's track record of adopting strategies without following through on implementation.** The Green Agenda for the Western Balkans requires Kosovo to advance measures such as carbon pricing and binding renewable-energy targets, both of which remain largely aspirational at this stage. As a member of the Energy Community, Kosovo is obliged to reduce pollution from its energy sector, such as by upgrading or phasing out ageing lignite-fired power plants. If met, these commitments would simultaneously improve air quality, lower carbon intensity and reduce energy intensity given how interlinked these indicators are. Regional frameworks, such as the Berlin Process and the broader Connectivity Agenda, also touch on environmental and energy cooperation, offering channels

through which cross-border renewable-energy and grid-modernisation projects could be pursued, although Kosovo has yet to fully capitalise on these opportunities.

The scenario modelling illustrates how difficult environmental convergence is likely to prove under any integration route. Even under full EU accession (i.e. the most favourable scenario modelled), energy intensity would take around 81 years to reach EU levels, while budget access, single market access and institutional reform pursued alone each leave the gap unclosable within a century. The reason is structural rather than political: environmental outcomes depend on the physical modernisation of energy infrastructure, industrial capital and building stock rather than on legal or regulatory alignment. This makes environment the clearest case in this report of a pillar for which the gap between legislation and practice, rather than any absence of legislation, is the binding constraint, and it sets the terms for the recommendations that follow.

On air quality, priority should go to sustained enforcement of emissions standards, expanding monitoring beyond the capital, and targeted investment in cleaner household heating and transport, building on the improvement already recorded in premature mortality linked to fine particulate matter. This is the one indicator in the pillar that is moving in the right direction, and the measures behind it are comparatively low-cost, which makes it the most defensible near-term investment in the sector.

On renewables, the auction framework introduced in 2023 does not need to be redesigned; instead, it needs a system capable of absorbing what it procures. Priority should be given to a time-bound grid-modernisation and -connection programme covering the capacity already awarded as well as to a single permitting pathway for auction-winning projects with statutory deadlines at each stage. Progress should be measured in megawatts generated, not in megawatts awarded.

On decarbonisation, the Decarbonisation Strategy should be approved, financed and implemented as a matter of priority. Carbon and energy

intensity are both direct functions of continued reliance on lignite, and neither indicator will move until the strategy carries a funded timetable for replacing that capacity rather than a statement of intent.

Given the scenario finding that institutional reform alone does not yield any results for energy intensity, real progress will require **mobilising substantial public and private investment in industrial efficiency, building retrofits and modern machinery.** Regarding waste, Kosovo needs a fundamental overhaul rather than small steps. This should start with **building basic sorting and recycling infrastructure, launching public-awareness campaigns on waste separation, and strengthening the enforcement capacity** of municipalities and the Environmental Inspectorate, which currently lack the resources to apply the 'polluter pays' principle in any meaningful way. As far as protected areas are concerned, **expanding designations, alongside strengthening management and enforcement within existing protected zones,** would help maintain the status of Kosovo's environmental indicator rather than allowing it to slip further behind EU progress.

At the same time, national authorities **should not wait passively for accession-related funding. Mobilising domestic public investment in renewables, energy efficiency and waste infrastructure, combined with public-private partnerships where feasible,** would help prevent further divergence while accession-related support materialises. Strengthening institutional capacity, particularly within the Environmental Inspectorate and local authorities responsible for waste and pollution enforcement, is a necessary complement to any investment programme, as even well-funded infrastructure will fail without the regulatory oversight needed to ensure compliance. Lastly, given how tightly linked energy, carbon and waste outcomes are to Kosovo's broader growth model, environmental reform cannot be treated as a standalone sectoral priority. Instead, it needs to be properly embedded within the country's **wider industrial and energy policy** if genuine convergence with EU environmental standards is ever to be achieved.

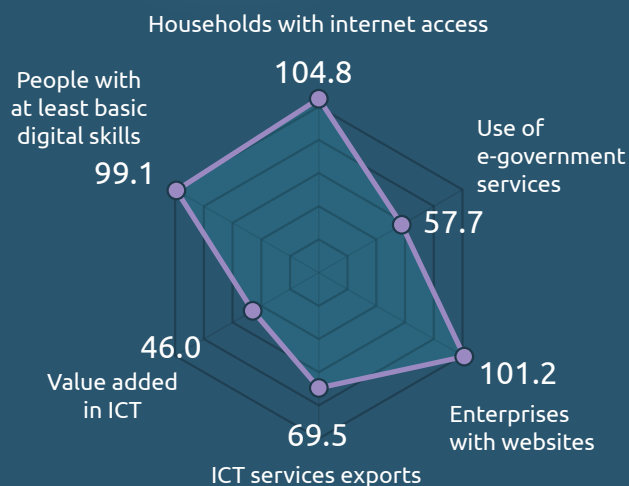
DIGITALISATION PILLAR

Kosovo, digitalisation pillar indicators, nominal values

Indicator	Value
Households with internet access	99.3
Use of e-government services	33.2
Enterprises with websites	78
ICT services exports	3.6
Value added in ICT	2.6
People with at least basic digital skills	85.7

- ★ Households with internet access in Kosovo stood at **99.3%** in 2025.
- ★ Use of e-government services stood at **33.2%**.
- ★ Enterprises with websites stood at **78%**.
- ★ ICT services exports stood at **3.6%** of GDP.
- ★ Value added in ICT stood at **2.6%** of total value added.
- ★ People with at least basic digital skills stood at **85.7%**.

Kosovo, digitalisation pillar, % of EU average



- ★ Two indicators from this pillar are already above the EU average: Households with internet access and Enterprises with websites.
- ★ People with at least basic digital skills are close behind, at **99%** of the EU average.
- ★ ICT services exports stood at **70%** of the EU level, while Use of e-government services at **58%**.
- ★ Value added in ICT remains the weakest link, standing at just **46%** of the EU average.

Kosovo, digitalisation pillar, change to last year

ICT services exports	5.2
Use of e-government services	2.3
Enterprises with websites	0.0
People with at least basic digital skills	0.0
Value added in ICT	-0.2
Households with internet access	-0.3

- ★ **2 of the 6** indicators in the digitalisation pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in ICT services exports, which closed the gap to the EU level by **5.2 pp**.
- ★ Use of e-government services followed, closing **2.3 pp** of the gap to the EU level.
- ★ Enterprises with websites and People with at least basic digital skills stagnated relative to the EU average.
- ★ Value added in ICT and Households with internet access were the indicators with the weakest performance, falling back by **0.2 pp** and **0.3 pp** relative to the EU average.

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Indicator	years to EU
Households with internet access	Converged
Use of e-government services	21
Enterprises with websites	Converged
ICT services exports	3
Value added in ICT	100+
People with at least basic digital skills	Divergence

- ★ Households with internet access and Enterprises with websites have already converged with the EU average.
- ★ ICT services exports would need **3** years to do that at the pace of improvement from the past 5 years.
- ★ Use of e-government services would need **21** years.
- ★ Value added in ICT remains far from reaching the EU level, with more than **100** years needed to do so.
- ★ Despite being already very close to the EU average, People with at least basic digital skills is not on track to reach the EU average, as it has been losing ground relative to the EU in recent years.

What explains the trends in the digitalisation pillar?

Patterns across all indicators suggest that Kosovo has **some strong foundations for overall digitalisation of the economy**. The following explains the main trends in the digitalisation pillar in Kosovo.

- ★ Kosovo's **almost universal household internet access** reflects **systematic investment in telecommunications infrastructure, a competitive mobile and broadband market, and relatively affordable data plans compared with income levels**. Connectivity projects and the small geographic size of the country have also made it easier to provide remote areas with internet access than is the case in larger or more mountainous economies.
- ★ The **high share of enterprises with websites** suggests that Kosovo's private sector has, on average, absorbed basic digital tools more successfully than many of its regional peers, likely aided by a **young, tech-literate workforce and low barriers to entry for basic web presence (inexpensive hosting and web design, and social media as complementary channels)**.
- ★ **People with at least basic digital skills is performing well overall, yet trending in the wrong direction relative to the EU**. This is a signal worth flagging, as it suggests that while Kosovo has built a reasonably digitally literate population up to this point – partly through **younger cohorts growing up with smartphones and social media** – the **EU is raising its own baseline faster than Kosovo** is able to keep pace. This could reflect gaps in formal digital skills curricula, limited continuous training opportunities for adults and older workers, and emigration of digitally skilled individuals, all of which slow the rate at which the overall population's skill base advances.
- ★ The fact that the **use of e-government services** remains well below EU levels, despite the digital infrastructure and skills base being largely in place, **points to a demand-side bottleneck rather than a technical one**. Citizens may be unfamiliar with available platforms, sceptical of their reliability, or simply accustomed to in-person administrative processes. Limited interoperability between institutions, incomplete digitisation of back-office processes, and the lack of promotion of e-services across municipalities likely also constrain uptake.
- ★ **ICT services exports** shows the strongest improvement, which reflects the continued expansion of **Kosovo's outsourcing and software-development sector**, which benefits from a **relatively low-cost, multilingual and skilled workforce along with growing integration into international outsourcing networks**. This sector has become one of the more dynamic parts of the economy thanks to IT training initiatives, freelance platforms and diaspora-linked business connections that channel foreign contracts to local firms.
- ★ **Value added in ICT is the worst performer**, despite relatively strong export performance, which points to a **structural mismatch**. Kosovo's ICT sector is **generating export revenue without scaling into higher-value-added activities**. Many firms may be functioning as **service providers or subcontractors for foreign clients rather than developing their own high-value products**, platforms or intellectual property. **Limited access to growth capital**, a shortage of experienced tech entrepreneurs and managers, and weak linkages between the ICT sector and other domestic industries likely constrain the sector's ability to translate its export success into broader value creation. This helps explain why, of all indicators in this pillar, value added in ICT is the furthest from EU convergence and improving too slowly to meaningfully close the gap within a realistic time horizon.

EU accession scenarios

To better understand how different EU integration pathways might influence Kosovo's digitalisation convergence, we estimate and simulate the same four scenarios from above:

- ★ **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- ★ **Access to the EU budget**, envisioning Kosovo receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- ★ **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- ★ **Institutional reforms**, capturing a scenario in which Kosovo implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the digitalisation pillar, **ICT services exports** is used as the proxy indicator to model how different EU integration pathways might affect Kosovo's digitalisation convergence trajectory.

Digitalisation stands out as one of the few pillars for which **Kosovo is on track to converge with the EU within a short and realistic time frame regardless of which integration scenario is used**.

EU accession scenarios for control of corruption

Scenario	Years needed to reach the EU average
Status quo:	3 years to EU
Full EU accession:	3 years to EU
Access to EU budget:	3 years to EU
EU single market:	3 years to EU
Institutional reforms:	3 years to EU

- ★ Under the **status quo trajectory**, ICT services exports are projected to close the gap with the EU average in approximately **three years**, a markedly shorter horizon than most other pillars examined in this report.

- ★ **Full EU membership, access to the EU budget, integration into the single market and domestic institutional reforms** all converge on the **same outcome**: an estimated **three years** to reach EU level performance. This consistency across scenarios is itself informative. Unlike areas such as governance or the environment, where the depth of EU integration meaningfully changes the pace of convergence, **digitalisation appears to be advancing on its own internal path**, driven primarily by **global market forces, private-sector dynamism and the sector's existing competitiveness** rather than by EU accession mechanics specifically.

This pattern suggests that **Kosovo's ICT and outsourcing sector already has the foundations needed to compete internationally**, a skilled and relatively cost competitive workforce, growing integration into global outsourcing and freelance networks, and rising demand for remote digital services, without needing the additional catalysts that other, more structurally constrained pillars require. Regardless of whether Kosovo secures deeper EU integration, this sector is positioned to continue narrowing the gap with the EU at a similar pace.

Policy discussion & key recommendations

Similar to the results in the convergence analysis last year, **digitalisation is Kosovo's clearest area of comparative strength within its overall convergence profile**. Internet access has effectively reached saturation, exceeding the EU average, the share of businesses maintaining an online presence as well, while basic digital literacy across the population is approaching EU norms. These achievements reflect a young, digitally native population, a competitive telecommunications market and low barriers to establishing a basic digital footprint. However, **this strong foundation coexists with weaker performance further along the digitalisation value chain**. Public-sector digital transformation, measured through the uptake of e-government services, still falls meaningfully short of EU levels, suggesting that citizens are not yet engaging with digital public administration to the extent that the available infrastructure would allow. In addition, the contribution of the ICT sector to overall economic value creation remains far below EU benchmarks even as the sector's export performance is comparatively strong. **This divergence between export dynamism and domestic value added is the main structural puzzle of Kosovo's digitalisation story**. Kosovo has cultivated a competitive, export-oriented ICT services industry without yet translating that competitiveness into deep economic integration or higher-value activity.

Policy-wise, the government has articulated a reasonably coherent vision for its digital policy. The e-Government Development Strategy 2023-2027 and the National Digital Agenda 2030 set out ambitious goals, including a 5G rollout, cybersecurity, interoperability between institutions, and the expansion of transactional (rather than purely informational) online services. The *e-Kosova* portal represents a tangible step towards consolidating public services digitally, and various curricula reforms have begun incorporating ICT skills at earlier stages of education. In parallel, a growing ecosystem of IT training programmes, coding academies and start-up incubators has emerged, often supported by donor funding and diaspora networks, helping to sustain the pipeline of digitally skilled workers feeding into the export-oriented ICT sector.

Despite this, implementation of public-sector digitalisation has not been satisfactory. Many government digital platforms remain limited to providing information rather than enabling full end-to-end transactions, and interoperability between minis-

tries and municipalities is still incomplete. This helps explain why e-government uptake continues to lag well behind the technical readiness that internet access and strong digital skills would otherwise support. On the private-sector side, policy support for scaling domestic ICT value creation, as opposed to simply enabling export-oriented service provision, remains underdeveloped. However, Kosovo has aligned significant parts of its telecommunications legislation with the EU acquis and participates in the EU-backed Digital Agenda for the Western Balkans, which supports cross-border telecom infrastructure, reducing the costs of roaming and regional digital market integration. The EU's Growth Plan for the Western Balkans explicitly identifies the digital economy as a strategic growth area, offering a framework through which Kosovo could access additional financing and technical support tied to digital reforms. Regional cooperation mechanisms, including harmonisation efforts around cybersecurity standards and data-protection aligned with the EU's General Data Protection Regulation (GDPR) framework, put Kosovo's digital trajectory within broader European frameworks. These linkages matter because they create channels through which EU support – whether through funding, technical assistance or regulatory alignment – can reinforce and accelerate reforms that are already underway domestically, particularly around public administration digitalisation and cybersecurity capacity-building.

The priority reform challenge is not sustaining export growth, which is robust under every scenario modelled, but converting it into domestic value added. Because ICT exports converge with EU levels within roughly three years regardless of the integration pathway, neither public nor donor resources should be directed at export promotion. Instead, the entire policy effort should target the value-added gap, which is the worst-performing indicator in the pillar. This gap has three identifiable sources, each with a different remedy. Limited access to growth capital calls for seed and scale-up financing instruments rather than the grants and training support that currently dominates. A shortage of experienced technology managers favours diaspora recruitment and return incentives over further entry-level training, building on the diaspora networks that already channel foreign contracts to local firms. In addition, weak linkages between ICT firms and the rest of the domestic economy require deliberate commercialisation and procurement channels connecting

universities, incubators and established firms. The National Digital Agenda 2030 should carry an explicit target for ICT value added (and not only for connectivity and skills) so that this indicator becomes a stated objective rather than a hoped-for byproduct of sector growth.

For EU institutions, the digital economy pillar of the Growth Plan for the Western Balkans and the Digital Agenda for the Western Balkans are the natural channels, but they should be geared towards addressing the same constraint. Support for Kosovo's digital sector should prioritise growth capital instruments, ideally alongside the EIB and EBRD, and the commercialisation infrastructure that turns research into products rather than the connectivity and basic digital skills programmes in areas where Kosovo already performs at or near EU levels. Whether that support is working can be tested directly by looking at the share of ICT revenue generated from proprietary products and platforms rather than sub-contracted services.

Given that infrastructure is largely in place, **the binding constraint on e-government uptake is institutional rather than technical**. The government should prioritise expanding the share of public services that are fully transactional, completing interoperability between central and municipal digital systems, and running sustained public-awareness campaigns to build citizen trust and familiarity with digital administrative channels. Awareness campaigns have a role to play, but they should follow that expansion rather than preceding it, as promoting services that still end at a counter erodes trust rather than building it. Applying digital-by-default principles to new administrative procedures rather than digitising existing paper processes would make the gain durable. Progress should be measured by the share of services available end-to-end online and the share of transactions actually completed digitally, not by the number of services listed on the portal. While basic digital literacy is strong, **maintaining this advantage as EU benchmarks rise will require continuous investment in more advanced digital and STEM skills**, particularly given the risk that skilled ICT workers emigrate in search of better-paid opportunities abroad. Expanding vocational and higher education programmes focused on software development, data analytics and cybersecurity, alongside lifelong-learning programmes for the existing workforce, would help ensure the skills base keeps

pace with both domestic sector growth and EU level expectations. In addition, Kosovo should continue to align closely with the digital economy priorities of the Growth Plan for the Western Balkans and the Digital Agenda for the Western Balkans, using these frameworks primarily to support the areas of digitalisation that are not self-converging (i.e. institutional digitalisation and value-added creation) rather than areas for which domestic drive is already sufficient (e.g. ICT exports). Arrangements with the digital agencies of EU member states, technical assistance for interoperability standards, and participation in EU-funded cybersecurity capacity-building programmes would be well-targeted uses of external support.

As transactional e-government services expand and the ICT sector grows, **robust cybersecurity infrastructure and clear data-governance rules** become increasingly important both for building public trust and attracting higher-value international contracts. Fully implementing and resourcing the Digital Agenda 2030's cybersecurity components should be treated as a foundational, rather than secondary, reform priority.

In general, digitalisation offers Kosovo a genuine platform for broader economic transformation. Its horizontal linkages (e.g. e-health records supporting health-sector efficiency, e-government reducing administrative burdens on businesses, and e-learning tools supporting education reform) mean that continued progress in this pillar can generate spillover benefits well beyond digitalisation itself. Feeding the sector's current momentum while addressing its weaker links (mainly domestic value creation) represents one of the more achievable and high-return reform opportunities available to Kosovo in the years ahead. The convergence speed should not, however, be read as evidence that Kosovo's broader digital transformation is complete. As highlighted earlier, strong export performance is not yet matched by comparable domestic value creation, and the benefits of the ICT sector's growth remain relatively concentrated. In essence, digitalisation represents a rare case where Kosovo's near-term trajectory is expected to reach EU benchmarks largely irrespective of the accession process provided that current momentum in technological adoption, workforce development and international market integration is maintained.

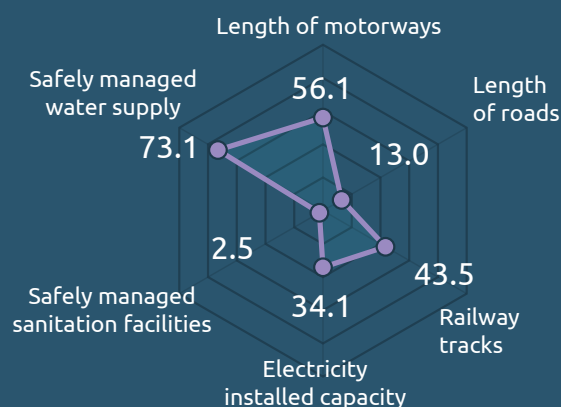
INFRASTRUCTURE PILLAR

Kosovo, infrastructure pillar indicators, nominal values

Indicator	Value
Length of motorways	126
Length of roads	2,106
Railway tracks	403
Electricity installed capacity	1,427
Safely managed sanitation facilities	2.2
Safely managed water supply	71.1

- ★ Length of motorways in Kosovo in 2025 stood at **126 km** per 10,000 km².
- ★ Length of roads stood at **2,106 km** per 10,000 km².
- ★ Railway tracks stood at **403 km** per 10,000 km².
- ★ Electricity installed capacity stood at **1,427 MW** per 10,000 km².
- ★ Just **2.2%** of the population had access to safely managed sanitation facilities.
- ★ **71.1%** of population had access to safely managed water supply.

Kosovo, infrastructure pillar, % of EU average



- ★ Relative to the EU average, the best-performing infrastructure indicator was Safely managed water supply, standing at **73%** of the EU level.
- ★ Length of motorways was second, at **56%** of the EU average, followed by Railway tracks at **44%**, and Electricity installed capacity at **34%**.
- ★ Length of roads was far behind, at just **13%** of the EU level.
- ★ The worst-performing indicator by far was Safely managed sanitation facilities, standing at just **2%** of the EU average.

Kosovo, infrastructure pillar, change to last year

Safely managed water supply	0.1
Railway tracks	0.0
Safely managed sanitation facilities	0.0
Length of roads	-0.2
Length of motorways	-0.3
Electricity installed capacity	-1.4

- ★ **Just 1 of the 6** indicators in the infrastructure pillar saw an improvement relative to the EU average in 2025.
- ★ That indicator was Safely managed water supply, which closed the gap to the EU level by **0.1 pp**.
- ★ Railway tracks and Safely managed sanitation facilities stagnated relative to the EU level, while all other indicators saw a slide.
- ★ Length of road and Length of motorways fell back relative to the EU average, by approximately **0.2** and **0.3 pp**, respectively.
- ★ Electricity installed capacity saw the biggest decline in 2025 relative to the EU level, falling back by **1.4 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Length of motorways	Divergence
Length of roads	100+
Railway tracks	100+
Electricity installed capacity	Divergence
Safely managed sanitation facilities	Divergence
Safely managed water supply	Divergence

- ★ At trends from the past **5 years**, none of the 6 indicators in this pillar is meaningfully converging to the EU levels.
- ★ Length of roads and Railway tracks remain more than **100 years** away from reaching the EU level at current trends.
- ★ Length of motorways, Electricity installed capacity, Safely managed sanitation facilities and Safely managed water supply are diverging from the EU average rather than converging and not on track to close the gap at recent trends.

What explains the trends in the infrastructure pillar?

- ★ Kosovo's **motorway network** remains constrained by the country's small geographic area and the **limited number of priority corridors that have so far received investment**. Kosovo's motorway network reflects a deliberate, if narrow, policy focus. **Governments have prioritised a small number of high-traffic corridors** connecting the capital to neighbouring countries, channelling limited public investment into flagship projects rather than a broader network expansion. This has produced visible progress on the routes that were targeted, but it has not been enough to keep pace with the EU's benchmark.
- ★ The **broader road network** continues to suffer from **decades of underinvestment**, a legacy of limited public-financing capacity and competing budgetary priorities. Decades of underinvestment, weak maintenance budgets and fragmented planning between central and local authorities have left the overall road stock thin relative to the country's terrain and population needs. Governments have tended to favour headline motorway projects over the wider secondary and tertiary road grid.
- ★ **Rail infrastructure** has suffered from the most prolonged neglect. The network has received **negligible new investment or expansion for an extended period**, with efforts concentrated instead on rehabilitating a limited number of existing lines rather than expanding coverage. Weak institutional capacity within the railway operator, combined with low freight and passenger demand relative to road transport, has discouraged the capital programme that would be needed to meaningfully close the gap with EU networks.
- ★ **Electricity installed capacity** is constrained by Kosovo's continued reliance on a small number of ageing power plants, alongside slow progress in commissioning new generation projects, whether conventional or renewable. Permitting delays, financing bottlenecks and regulatory uncertainty have all slowed the pace at which new capacity is connected, while electricity demand continues to grow alongside economic activity and household consumption. The result is that available capacity is expanding more slowly than the benchmark it is being measured against, causing the relative gap to widen rather than narrow.
- ★ As a new indicator within the infrastructure pillar, **Sanitation infrastructure shows the deepest structural gap**. The lack of safely managed sanitation facilities reflects **chronic underinvestment in wastewater collection and treatment systems**, particularly outside the main urban centres. Many households and communities continue to rely on informal or unsafe sanitation arrangements, and the pace of connecting new areas to managed systems has been extremely slow. Weak municipal capacity, limited financing for large scale treatment infrastructure, and low prioritisation of sanitation relative to other infrastructure needs have all contributed to this being the most severe shortfall in the entire pillar.
- ★ Continued investment in **water infrastructure**, including **network rehabilitation and expansion of treatment capacity**, has allowed Kosovo to bring safely managed water access relatively closer to EU standards. This reflects both a longer history of donor-supported investment in the water sector and the comparatively lower technical complexity of expanding water supply relative to full sanitation systems. Even so, progress has been incremental and the pace of improvement has only modestly improved from last year.

EU accession scenarios

To better understand how different EU integration pathways might influence Kosovo's infrastructure convergence, we estimate and simulate the same four scenarios from above:

- ★ **Full EU membership**, assuming immediate accession with all accompanying rights and obligations.
- ★ **Access to the EU budget**, envisioning Kosovo receiving budget transfers (e.g. structural and cohesion funds) as though it were a member state, but without formal accession.
- ★ **Access to the EU single market**, meaning full inclusion in the four freedoms of movement without the broader benefits or financial transfers that come with membership.
- ★ **Institutional reforms**, capturing a scenario in which Kosovo implements deep, EU-aligned domestic reforms, particularly in rule of law and governance, without either membership or additional external resources.

The four scenarios are then compared to the baseline/status quo scenario. The comparisons are again presented through the **years needed to reach the EU average**.

For the infrastructure pillar, **length of roads** is used as the proxy indicator to model how different EU integration pathways might affect Kosovo's infrastructure convergence trajectory.

Among all the pillars examined in the convergence exercise for Kosovo, **infrastructure, together with education, is an area for which EU accession is least likely to bring about meaningful acceleration**. The scenario analysis shows that **Kosovo's convergence gap with the EU remains effectively unresolved across every modelled pathway, including full EU membership**. In all integration scenarios, **the projected convergence horizon extends well beyond a century**, meaning that today's infrastructure deficit would persist for generations to come regardless of Kosovo's formal relationship with the EU.

EU accession scenarios for energy intensity

Scenario	Years needed to reach the EU average
Status quo:	100+ years to EU
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

This result is important because it departs sharply from the pattern observed in other areas, such as governance, health or the economy, where deeper integration channels tangible benefits: EU funds can be directed towards targeted investment, technical assistance can strengthen institutional capacity, and regulatory alignment can improve the business and policy environment in ways that translate into measurable gains. Infrastructure, by contrast, appears far less responsive to these same channels, at least when it comes to the sheer scale of physical road-network expansion required to approach EU norms.

Part of the explanation lies in the nature of the gap itself. Unlike governance or digitalisation, where progress can be achieved through policy reform, better regulation or the adoption of existing technologies, closing Kosovo's infrastructure deficit requires an **enormous and proper programme of physical construction**. Roads cannot be digitised or reformed; they must be built over many years at significant fiscal and logistical cost. Even substantial EU financial support, whether through structural and cohesion-style transfers or accession-related investment facilities, would need to continue over an extraordinarily long period to make a visible dent in a gap of this magnitude.

Infrastructure delivery in Kosovo continues to be hampered by fragmented planning processes, financing gaps and slow project execution. These bottlenecks limit the extent to which additional external financing, were it to materialise through EU accession, could actually be absorbed and translated into completed projects. In other words, money and market access alone are not sufficient. The binding constraint lies in Kosovo's own institutional and administrative capacity to plan, finance and deliver large-scale infrastructure at the required pace.

This has important implications for how infrastructure convergence should be approached going forward. Rather than treating EU accession as a solution in itself, the findings suggest that Kosovo must **simultaneously pursue deep domestic reforms to its planning, procurement and construction-sector capacity if any accession-related financing is to be effectively deployed**. Without addressing these underlying bottlenecks, even a high integration scenario would deliver only marginal improvement relative to the status quo. Infrastructure convergence illustrates the limits of EU accession as a standalone driver of catch-up and highlights the importance of continued domestic institutional reform as a precondition for translating external support into tangible results.

Policy discussion & key recommendations

Kosovo's infrastructure is **one of the most persistently underdeveloped areas in the country's convergence trajectory**. Physical infrastructure (e.g. roads, railways, electricity-generation capacity, and water and sanitation systems) continues to lag far behind EU norms, with several indicators showing no meaningful sign of closing the gap even over long-term horizons.

Nevertheless, there has been **some progress in infrastructure over the last few years**. Besides investments in highway corridors connecting Kosovo to Albania and North Macedonia, the northern rail extension (known as Rail Route 10) is under construction and expected to meaningfully expand both passenger and freight transport capacity once completed. In the energy sector, the electricity grid has undergone some modernisation, although power generation remains dependent on ageing plants and the pace of new capacity additions, whether conventional or renewable, continues to lag behind growing demand. More broadly, **project execution across the infrastructure pillar is slowed less by a lack of financing than by obstacles to turning financing into completed works - including weak project preparation and appraisal, slow and contested procurement, and a construction sector unable to deliver large-scale projects on schedule**. The structure of financing compounds this, as heavy reliance on donor funding rather than domestic fiscal capacity brings additional procedural requirements and lengthens preparation timelines. Water-supply investments have proceeded more steadily than in most other sub-sectors, but sanitation infrastructure remains a persistent blind spot, with little evidence of the sustained investment programme that would be required to bring it closer to EU norms.

Infrastructure convergence is closely tied to a series of EU and regional frameworks, though Kosovo's engagement with these remains at an early stage. As a potential candidate for EU

integration, Kosovo is expected to progressively transpose elements of the Trans-European Transport Network (TEN-T) acquis, but current preparation in this area remains limited. The Connectivity Agenda under the Berlin Process offers an important regional platform for advancing transport infrastructure, promoting cross-border linkages and facilitating deeper economic integration with neighbouring markets. Kosovo's participation in the Transport Community further supports this process by strengthening the planning, implementation and governance of priority transport routes. In the energy domain, Kosovo's membership in the Energy Community obliges it to align progressively with EU energy-market rules, including provisions relevant to grid modernisation and the phasing down of high-emission generation capacity. Given the scale of the challenge, **addressing Kosovo's infrastructure deficit requires a combination of domestic investment, stronger institutional delivery capacity and better use of available regional and EU-linked financing mechanisms**.

The following **recommendations** aim to translate the above into concrete, actionable priorities:

Kosovo should adopt a **multi-year infrastructure investment programme** that moves **beyond flagship projects towards a coherent national strategy spanning roads, railways, energy and water/sanitation systems**. Such a programme should explicitly prioritise the secondary and tertiary road network and railway modernisation, both of which have been persistently neglected in favour of headline motorway projects. **Strengthening public investment management** through improved project appraisal, procurement processes and construction-sector capacity is essential to ensure that available financing, whether domestic or donor-supported, can actually be absorbed and translated into completed works on schedule. Given how far sanitation infrastructure lags be-

hind every other indicator in the pillar, a dedicated national sanitation investment plan focused on **expanding wastewater treatment coverage** in both urban and rural areas should be developed as a matter of urgency. Furthermore, the government should accelerate investment in new generation capacity, particularly renewables, through both public investment and improved conditions for private developers. The immediate priority is not procuring additional capacity but connecting what has already been awarded: the 200 MW of solar and wind secured through the 2023 auction framework has still not come online, as it has been held back by permitting delays and grid-connection constraints. Resolving those bottlenecks through a single permitting pathway with statutory deadlines and a time-bound grid connection programme would add capacity faster than any additional round of procurement while simultaneously moving the renewable-energy and carbon-intensity indicators discussed in the environment pillar. Establishing a dedicated infrastructure coordination unit with authority to align planning across ministries, municipalities and utility operators would help address the fragmentation that currently undermines project delivery.

Given that the scenario results suggest that infrastructure convergence lags even under a full-integration pathway, **EU institutions should consider front-loading infrastructure-specific financing** rather than treating it as a derivative of general accession support. A **dedicated infrastructure financing facility for Kosovo (and the wider Western Balkans)** channelled through the Connectivity Agenda could help fast-track priority projects, such as rail modernisation and grid expansion. Because absorption capacity, not just financing availability, is also a binding constraint, EU support should be paired with technical assistance

aimed at strengthening Kosovo's project preparation, procurement and construction-management capacity. Member states can complement this through arrangements that pair Kosovo's infrastructure institutions with experienced EU counterparts to accelerate the transfer of the technical and administrative expertise needed to deliver large-scale projects efficiently.

The Energy Community should intensify monitoring of and technical support for Kosovo's energy projects. International financial institutions, including the EBRD, the World Bank and the EIB, should continue to prioritise financing for Kosovo's most severely underdeveloped infrastructure segments, particularly railways and sanitation, while tying disbursements to clear implementation milestones that reinforce, rather than substitute for, domestic reform efforts. Coordinated donor engagement will be essential to avoid fragmented, project-by-project financing, which fails to build lasting institutional capacity.

Independent monitoring of infrastructure project implementation, tracking delays, cost overruns and service quality outcomes can help maintain public pressure for more effective delivery and greater transparency in how infrastructure funds are allocated and spent. **Civil society can play a valuable role** in developing and disseminating evidence on the most binding constraints to infrastructure delivery, helping to inform a more targeted and prioritised national investment strategy rather than one driven primarily by political visibility.

Conclusions

Kosovo's convergence trajectory reveals a country caught between **some areas of genuine progress** and **deep structural stagnation**. Across the eight pillars examined in this convergence analysis, the overall picture is one of partial catch-up. Some areas are moving steadily towards EU benchmarks, others are moving forward too slowly to matter within a reasonable timeframe, and several are actively diverging further from the EU average. The following summarises Kosovo's main convergence trends:

- ★ **Economic convergence remains slow**, driven by a consumption driven growth model rather than productivity-driven expansion. Wages and pensions lag output per worker by a wide margin. Labour productivity is the pillar's strongest indicator in level terms, at 54% of the EU average, but it recorded one of the smallest improvements of the year and remains more than a century from convergence at current trends.
- ★ The social pillar is **more mixed than headline improvement suggests**. Unemployment continues to fall, income inequality has narrowed further and social protection spending recorded its strongest improvement in years, but **poverty reduction has stalled and is beginning to reverse** as the remittance- and emigration-driven gains that sustained it are reaching their limits. **The gender employment gap remains the clear outlier**, moving away from EU norms rather than towards them.
- ★ **Health is rather a mixed pillar in term of performance**. Infant mortality is the pillar's fastest-converging indicator, and life expectancy stands closest to the EU level, at 97%, although it stagnated over the past year. However, chronic underfunding, an unimplemented health insurance law and severely limited hospital infrastructure keep the system far below EU standards.
- ★ **Education is the weakest pillar overall**. Five of its six indicators are diverging from the EU average, with tertiary educational attainment being the sole exception, and

the pattern points to systemic weaknesses that successive strategies have not resolved.

- ★ Governance produces the report's most encouraging finding: **domestic institutional reform, pursued independently of membership, would accelerate convergence on corruption control by as much as full EU accession**, meaning that **progress here does not have to wait on the accession process**. The pillar's recent record, however, runs the other way. Only two of the six indicators improved (regulatory quality by 5.0 pp and rule of law by 2.6 pp), while political stability and control of corruption fell furthest (by 2.5 and 2.9 pp, respectively), and political stability remains the one governance indicator diverging from the EU average.
- ★ **Environment continues to deteriorate**, driven by the dependence on lignite-based power generation, minimal progress in waste recovery, and limited advances in renewable energy and energy efficiency.
- ★ **Digitalisation remains a genuine bright spot: household internet access and the share of enterprises with websites have both converged with the EU average. ICT's contribution to value added is the exception, at 46% of the EU level and more than a century from convergence.**
- ★ **Infrastructure is persistently underdeveloped**, with isolated motorway investments contrasting against chronic neglect of railways, secondary roads and sanitation systems; several indicators show no realistic path to convergence within a century.

Against this backdrop of mixed progress across pillars, the following outlines what these trends mean for policy choices and Kosovo's **EU accession path** going forward:

- ★ The scenario modelling underlying this report shows that **EU accession pathways clearly accelerate convergence in most pillars**. However, **not all pillars respond**

to EU integration in the same way. Areas such as education and infrastructure stand out as pillars for which convergence fails to materialise under any modelled scenario, including full membership, indicating that these gaps are driven by domestic structural and institutional weaknesses that external integration alone cannot resolve.

- ★ The divergence in scenario outcomes points to a central policy lesson: **EU accession accelerates progress most where domestic administrative capacity and policy already exist, and it delivers far less where implementation barriers, fragmented governance and weak absorption capacity persist.** Financing and market access are necessary but not sufficient conditions for convergence.
- ★ **Digitalisation illustrates what focused, achievable reform can deliver, with ICT services exports three years from the EU average under every scenario modelled, and rule of law shows the same within the governance pillar, at around 12 years. Both offer a model for how targeted interventions, rather than broad reform agendas, can generate visible results.**
- ★ **Cross-cutting reform domains** deserve particular attention; rule of law and governance reform, public-administration modernisation, the green and digital transitions, and human-capital development each influence multiple pillars simultaneously, meaning that progress in one area can generate spillover benefits across others.
- ★ For policymakers, the priority is to **move beyond fragmented interventions towards coordinated, multi-year reform programmes – particularly in education, health, infrastructure and the environment** – that are explicitly linked to EU standards.
- ★ These findings support tying accession-re-

lated support more explicitly to measurable convergence outcomes, prioritising the areas with the largest gaps, and considering mechanisms (e.g. a dedicated Western Balkans convergence facility) to accelerate investment in underperforming sectors.

- ★ **Tie accession support to measurable convergence outcomes.** Financing and technical assistance should be concentrated where the gaps are largest rather than spread evenly across negotiating chapters, and progress should be assessed against comparable convergence indicators rather than against the completion of legislative milestones. converge2eu provides that evidence base, tracking the same indicators across all six Western Balkan economies on a consistent annual basis, and it can be used to test **whether EU engagement is producing socioeconomic catch-up or merely formal alignment.**

- ★ **Build convergence monitoring into regional cooperation.** The Regional Cooperation Council, working with converge2eu and comparable initiatives, should establish regular, evidence-based assessments of convergence across the WB6, so that **governments are compared based on outcomes rather than on reform announcements.** Systematic peer comparison generates the pressure and the knowledge exchange that neither national reporting nor the Commission's annual reports currently provide, and it gives smaller economies like Kosovo a benchmark against which to judge whether their own reform efforts are keeping pace with the region.

Methodological note

What do the different numbers mean?

- ★ **% of EU average:** shows the current level of a specific indicator compared with the EU average.
- ★ **Year-on-year rate of change:** shows how the gap to the EU changed compared with the previous year in percentage points (pp).
- ★ **Rate of change over the past five years:** shows the average annual pace of change over the last five years, capturing whether the indicator has been improving or worsening recently.
- ★ **Years to EU:** shows how long it would take for a country to reach the EU average for the given indicator, assuming that the recent pace of change continues.

How do we calculate the numbers for individual indicators?

% of EU Average: calculated as the native value of a certain indicator in a certain country compared with the corresponding EU average.

Example: If the average wage in Serbia is EUR 1,150 and the average wage in the EU is EUR 3,000, then Serbia's wage level is 38% of the EU average (1,150/3,000).

For indicators where lower values mean better outcomes (e.g. unemployment, child mortality, etc.), the calculation is reversed so that a higher percentage always indicates better performance.

Example: If the unemployment rate is 11% in Kosovo and 6% in the EU, Kosovo's relative level is 55% of the EU average (6/11).

Rate of change over the past five years: calculated as the simple average of the year-on-year changes in the indicator measured as a percentage of the EU average over the last five years.

Example: If public health spending in North Macedonia, measured as a share of the EU average, changed by -0.4, +7.2, -2.7, -2.1 and +0.2 pp, the five-year rate of change is +0.4 pp.

Years to EU: calculated by comparing the remaining gap to the EU average with the speed of progress over the last five years. It shows how many years it would take to close the gap if recent trends continue.

Example: If Montenegro's GDP per capita is 55% of the EU average (a gap of 45 pp) and it has been catching up by 0.9 pp per year, it would take about 50 years to reach the EU level.

How do we calculate the numbers for the pillars and overall averages?

% of EU Average: calculated as the simple average of all indicators in the pillar, each expressed as a percentage of the EU average.

Example: If Albania's six environment indicators are 50%, 55%, 60%, 60%, 65% and 70% of the EU average, the overall Environment pillar stands at 60% of the EU average.

Rate of change over the past five years: calculated as the average of the year-on-year changes in the overall pillar's value measured as a percentage of the EU average over the last five years.

Example: If Bosnia and Herzegovina's Education pillar changed by +0.5, +5.6, +0.2, +0.8 and +1.0 pp, the five-year rate of change is +1.6 pp.

Years to EU: calculated by comparing the remaining gap to the EU average for the overall pillar with the pace of progress over the last five years.

Example: If Serbia's Digitalisation pillar stands at 98% of the EU average and has been improving by 1.0 pp per year, it would take two years to reach the EU level.

What does it mean when an indicator is 'converged' or 'diverging'?

Converged: An indicator is considered converged if its value as a percentage of the EU average is above 100%. This means the country has reached or exceeded the EU average in this area.

Example: If government spending on health in Montenegro is 105% of the EU average (6.9% of GDP vs 6.5%), Montenegro is considered converged.

Diverging: An indicator is considered diverging if its average change over the past five years (measured as a percentage of the EU average) is negative. This means the country has been moving further away from the EU average.

Example: If road density in North Macedonia, expressed as a percentage of the EU average, has been declining by 0.4 pp per year, North Macedonia is diverging.

How do we treat missing values?

Missing values between years: When data for an indicator is missing for one or more intermediate years, we substitute the missing value with the last available one for that country (in native units).

Example: If North Macedonia is missing values for Internet access in 2022 and 2023, we use the 2021 value (83.7%) for our calculations.

Missing values for the last year: If at least four of the six Western Balkan countries have data for the most recent year, we include that year and use previous values for the others. If fewer than four countries have data, we exclude that year from EU comparisons.

Example: For tertiary education in 2023, Albania and Montenegro were missing data, but since four others had it, we included 2023 and used 2022 values for the missing countries. By contrast, if only one country had data (e.g. 2024 for enterprises with websites), 2024 is excluded.

Missing values at the beginning: If data start late, no EU-relative or pillar calculations are done for earlier missing years.

Example: For average pensions, Kosovo data start from 2015. So calculations begin from 2015 onward.

How we calculate pillar/area values for 2025 when some indicators are missing: We use the last available year's value for any missing indicators.

Example: To calculate the percentage of the EU average for Education in 2025, we take:

- 2023 values for Public spending on education
- 2024 values for Tertiary enrolment, Tertiary attainment, Pre-primary education and NEET
- 2025 value for the Harmonised test scores

Which EU accession scenarios do we simulate?

To assess how different EU integration options may influence the pace of convergence across the eight pillars, we simulate projections under four alternative scenarios:

- ★ **Full EU membership:** Western Balkan economies join the EU immediately, with full rights and obligations, including access to the EU budget.
- ★ **EU budget transfers:** Western Balkan economies obtain full access to the EU budget and receive transfers as if they were member states, but without formal membership.
- ★ **EU single market access:** Western Balkan economies gain full access to the EU single market, without other elements of membership (e.g. institutional alignment or budget transfers).
- ★ **Institutional reforms:** Western Balkan economies undertake reforms equivalent to those required of EU member states, but without membership or transfers.

Which indicators do we simulate?

We simulate **one indicator** from each of the **eight pillars**:

- **Economy:** GDP per capita at PPS
- **Social:** income share of the bottom 20%
- ★ **Health:** life expectancy
- ★ **Education:** tertiary enrolment
- ★ **Institutions:** control of corruption
- ★ **Environment:** energy intensity of the economy
- ★ **Digitalisation:** ICT exports
- ★ **Infrastructure:** road density

How do we simulate the scenarios?

We employ a **Structural Equation Modelling (SEM) approach** to estimate how EU accession affects GDP growth and other development outcomes through various transmission channels. SEM is particularly well suited for this analysis, as it allows us to disentangle the pathways through which EU integration exerts its effects. Concretely, we focus on four main channels:

- ★ higher EU budget transfers,
- ★ increased exports to the EU,
- ★ net migration, and
- ★ institutional improvements.

FDI net inflows are also estimated as a potential channel, but since their effect on growth is small and imprecisely estimated, we do not vary FDI across scenarios.

The analysis is conducted in a **panel setting** covering the period **from 1996 to 2024**. It includes **Bulgaria, Romania and Croatia as benchmarks, alongside the six Western Balkan economies**.

The concrete specifications for each of the eight simulated indicators are as follows:

- ★ **GDP per capita growth** depends on initial GDP (as in standard convergence models), previous year's GDP growth, EU budget transfers, exports to the EU, net migration, control of corruption, FDI inflows and

country fixed effects. These variables, in turn, are affected by EU accession.

- ★ The change in **income share of the bottom 20%** is linked to EU budget transfers and control of corruption, both of which are linked to EU accession.
- ★ The change in **life expectancy** is modelled as a function of GDP growth and net migration, both of which are influenced by EU accession.
- ★ The change in **tertiary enrolment** also depends on GDP growth, which itself depends on EU accession, as explained above.
- ★ The change in **energy intensity** is modelled as a function of GDP growth and control of corruption, both of which are tied to EU accession.
- ★ The level of **control of corruption** is modelled to be affected directly by EU accession, as it is one of the channels through which EU accession affects GDP growth.
- ★ **ICT exports** are linked to GDP growth, EU budget transfers and exports to the EU, all of which are influenced by EU accession.
- ★ **Road density** depends on FDI, exports to the EU and net migration. Since FDI is held fixed across scenarios, road density outcomes are in practice driven by exports and net migration.

These specifications were determined empirically by running different regressions with different combinations of variables and checking the significance of the coefficients.

The regression estimates were then used to generate simulations of the four scenarios. This was done by augmenting the rate of change from the baseline (status quo) scenario – which is the average over the last five years – with the estimated effect of the EU accession scenario.



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