

Newsletter

KOSOVO'S NEW LEGISLATION AND GOVERNMENTAL DECISIONS RELATED TO ECONOMY, FINANCE AND BUSINESS



ADMINISTRATIVE INSTRUCTION

Administrative Instruction No. 01/2023 on Utilization and Support of Energy Generation from Renewable Sources, 2 May 2023

This Administrative Instruction aims to determine types of renewable energy sources utilized for generation of electric and thermal energy, plants supported to use renewable sources for production of energy, utilization conditions, technical standards, the support scheme, and measures for cooperation toward achieving the overall renewable energy targets. It also aims to ensure that the support for electricity from renewable sources is granted in an open, transparent, competitive, non-discriminatory, and cost-effective manner.

The procedures for authorizing the construction of new energy capacities from renewable sources shall be determined by the Regulator. Plants that utilize renewable sources of energy will be supported through Support Schemes, to achieve targets. The administrative instruction gives the Ministry the responsibility to initiate, organize and implement a Competitive Bidding Process, and sets out the minimum requirements to participate in the bidding process. Following the final decision on the selection of the bidder, the Minister, and the selected bidder (as the Privileged Producer) will sign a project development agreement in accordance with Article 13 of this Administrative Instruction. The Privileged Producer shall also be granted financial support based on a Power Purchase Agreement signed with the Market Operator who guarantees the mandatory purchase of the electricity generated. The same parties shall also conclude a Contract of Difference whereby a sliding premium is financially settled between them.

The Administrative Instruction further establishes, among others, the obligations of the Privileged Producer, the terms of support through the Renewable Energy Fund, and the possibility to cooperate with other countries and third parties on joint projects related to the production of electric and thermal energy from renewable sources.



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DECISIONS OF THE GOVERNMENT

Decisions of date 24 May 2023

Decision No. 06/143 on approving the allocation of € 25,800,000 for the implementation of measure 4.4 of the Economic Recovery Package, Support to Safety.

Decision No. 07/143 on approving the allocation of € 32,300 for the implementation of measure 4.5 of the Economic Recovery Package, Support to diaspora.

Decision No. 11/143 on approving in principle the Initiative to conclude the tripartite financial Agreement between the Republic of Kosovo, North Macedonia, and the European Union for IPA III (Instrument for Pre-accession Assistance) for 2021-2027. The purpose of the instrument is to support the beneficiaries in adopting and implementing the political, institutional, legal, administrative, social, and economic reforms to progressively align to the EU rules, standards, policies and practices. [click [here](#) for more information]

Decision No. 12/143 on approving in principle the Initiative to conclude the tripartite financial Agreement between the Republic of Kosovo, Montenegro, and the European Union for IPA III 2021-2027.

Decision No. 13/143 on approving in principle the Initiative to conclude the tripartite financial Agreement between the Republic of Kosovo, the Republic of Albania, and the European Union for IPA III 2021-2027.

Decision No. 17/143 on approving the request of the Ministry of Community and Return for the allocation of budgetary means to implement measure 1.9 of the Economic Recovery Package on supporting employment of persons belonging to non-majority communities.

Decision No. 18/143 on approving the Draft Law for the Ratification of Loan Agreement for the Programme on Public Finances and Economic Growth between the Republic of Kosovo and OPEC Fund for International Development.

OFFICIAL ANNOUNCEMENT

Ministry of Industry, Entrepreneurship and Trade – Kosovo is from now on a beneficiary of the European Union’s “Common Market” Programme with a value of 4.2 billion euros

On 12 May 2023, Ministry of Industry, Entrepreneurship and Trade announced that Minister Rozeta Hajdari and the Director-General for Internal Market, Industry, Entrepreneurship, and Small and Medium Enterprises, Kerstin Jorna, signed an agreement for inclusion of the Republic of Kosovo in the European Union’s “Common Market” Programme at the premises of the European Commission in Brussels.

This allows Kosovo’s businesses and organizations to interact with the businesses and organizations of the EU member states and non-member states, who are partial or full participants in this program.

The program will support the sectors of micro, small and medium enterprises, consumer protection, food security, statistics, and the financial sector, with a budget of € 4.2 billion (2021-2027).

The Ministry is expected to notify local businesses and organizations on how to apply and take advantage of the opportunity.

ASSESSMENT

Ministry of Trade and Industry, Department of Trade – Division of Trade Policy – Trade Exchanges of Kosovo 2022

The analysis addresses Kosovo's economic activity during 2022, and the consequences of the war in Ukraine in the overall economic growth. It focuses on the value of trade in goods, geographical flow of trade, trade with EU and CEFTA countries, export and import, composition of trade in goods, trade dependency, and structural barriers.

Generally, the analysis shows that the low growth of domestic demand negatively impacts the growth of the overall economy. The war in Ukraine and the ensuing crisis increased energy, oil, and food prices, with negative effects on consumer confidence and purchasing power. Developments in the level of prices in international markets continue to determine those inside the country, due to the high import dependency. Kosovo needs to reduce the economy's dependency on imports by promoting local production.



Some Key Findings – Kosovo's Economy in 2022

Trends in the Trade of Goods

- Trade deficit reached €4.7 billion, an increase of approximately €800 million since 2021 high trade imbalance.
- Exported goods: €920.4 million (22% higher than in 2021); Imported goods: €5.6 billion (20.4% higher than in 2021).
- Foreign trade in goods increased from €5.4 billion in 2021, to €6.5 billion in 2022.

Geographical flow of trade

- Trade with EU and CEFTA countries constitutes the most important part of Kosovo's commercial integration, with around 67% of all foreign trade.
- The countries with the highest import share in total imports in Kosovo are Turkey (14.9%), China (9.7%) and Saudi Arabia (2.9%).
- Exported goods to CEFTA countries cover 36% of the total exports, whereas exports to EU markets cover 34% of total exports.
- The U.S. is the main partner in terms of Kosovo's exports (€136.4 million in export value) with an increase of 10.6% since 2021.

Trade with EU countries

- 41% of Kosovo's trade exchanges during 2022 were realized with EU countries.
- Kosovo imports goods mainly from Germany (10.8%), Greece (5.5%), Italy (4.9%), Slovenia (4.3%) and Poland (2.4%).
- Total exports of industrial products with the EU countries reached €269.7 million (31% higher than in 2021)

Trade with CEFTA countries

- CEFTA covers 20% of Kosovo's total trade exchange.
- Exported goods to CEFTA countries cover 36% of the total exports, while imports from CEFTA countries cover nearly 18% of total imports.
- Kosovo's main importing partners within CEFTA are Serbia, Macedonia, and Albania (91% of the total imports from the block of the CEFTA countries)
- The trade balance for 2022 between Kosovo and the CEFTA countries shows the trade deficit in almost all product sectors, both agricultural and industrial, except for in the leather goods sector.

Trade in goods – exported and imported products

- The production and export capabilities of manufacturing companies have increased yet the range of goods produced is still limited, not distributed and quite homogeneous.
- The sectors with experts' potential: metals (23%), minerals (11%), plastics (14%), plant products (4%), the food industry sector (8%), etc.
- Mattress supports and holders are the most exported goods (€134.9 million). Electricity also remains one of the most exported products (€53.2 million).

Trade dependency index (measures the ratio of trade to the value of the Gross Domestic Product)

- The increase in the value of imports and exports influenced the trade dependency index to change from an average of 54% for 2012-2020, to 68% in 2021, and 73% in 2022.
- Domestic producers mostly rely on foreign markets.
- The possibility to reduce the trade deficit and its impact on GDP is very limited.

Structural barriers

- A stable and growing deficit of goods trade constitutes a great challenge for the economy of Kosovo.
- The export package must include new products to ensure export diversification.
- Local and regional suppliers need to better cooperate to allow the building of links between international companies.
- Limitations in quality infrastructure and capabilities to administer sanitary and phytosanitary measures, technical barriers to trade, and limited integration in the value of change are the defining elements that limit Kosovo's trade opportunities.
- There is a lack of market data, and institutionalized sources about the market.
- Digitalization and transforming industries will also affect the Kosovar industry.



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