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Amending and supplementing the administrative instruction to include financial stimulus and grant support categories for circular economy activities

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Summary

This policy brief advocates for the amendment and supplementation of existing administrative instructions to incorporate financial stimulus and grant support for circular economy activities, aiming to establish a supportive legal framework that enables and accelerates the transition to a circular economy.

There is a broad consensus among academics and policymakers globally that circular economy initiatives are on the rise, and that government support is critical to incentivize businesses to adopt circular economy principles. In Kosovo, the circular economy is still in its early stage, with only a limited number of businesses applying such principles. Therefore, there is a pressing need to revise existing incentive mechanisms and promote circular economy initiatives, for both women and men, in the private sector, particularly at this foundational stage of development.

Drawing on international evidence and reports, this policy brief argues that well-designed policies can deliver substantial benefits to businesses, including increased productivity, innovation, and more efficient resource use, while also contributing to environmental sustainability. The brief explores the advantages of the circular economy and its potential to positively impact both businesses and the broader economy.

In outlining policy responses to these challenges, the brief presents evidence showing that government and municipal support schemes can significantly enhance circular economy productivity and environmental outcomes. A key recommendation is the revision of one administrative instruction under the Ministry of Industry, Entrepreneurship and Trade (MIET), as well as relevant regulations on financial incentives and grants offered by line ministries and municipalities. This revision should aim to:

- △ Create dedicated schemes specifically tailored to support circular economy businesses, ensuring accessibility and inclusivity, especially for women-led enterprises and marginalized groups; or
- △ Adjust existing schemes by adding circular economy criteria to grant evaluations, while integrating gender equality and empowerment considerations throughout the process.

Specifically, the policy brief recommends amending the following:

- The Administrative Instruction of the Ministry of Industry, Entrepreneurship and Trade and the Administrative Instruction of the Ministry of Regional Development, to explicitly incorporate circular economy components into their grant schemes, while ensuring these schemes are gender-responsive and inclusive of underrepresented groups.
- Municipal-level grant schemes, to integrate circular economy criteria in public calls for financial support, alongside gender equality measures that promote women-led and socially inclusive initiatives.

These amendments will:

- △ Promote business-led circular economy initiatives.
- △ Raise awareness of sustainable practices.
- △ Enhance the inclusion of women and minorities in circular economy development.
- △ Increase women's participation in public funding opportunities.

Why is the Circular Economy Important?

The traditional "take, make, dispose" model is no longer sustainable in today's economy. Transitioning to a circular economy where materials are reused, products are recycled, and waste is minimized promotes sustainability, fosters economic growth, and enhances environmental protection¹. Businesses that adopt circular strategies benefit from reduced costs, increased innovation, and improved brand reputation, especially as consumers increasingly prioritize sustainability². Moreover, circular economy practices stimulate job creation and open opportunities in green sectors such as recycling, renewable energy, and sustainable manufacturing³.

By conserving resources, reducing emissions, and minimizing waste, circular practices play a critical role in combating climate change⁴. However, the transition to a circular economy requires significant investment, particularly for small and medium-sized enterprises (SMEs). Government support is therefore essential to enable this transformation. One effective mechanism is the Kosovo Credit Guarantee Fund (KCGF), which can play a pivotal role by offering green loan guarantees. These guarantees reduce financial risk and help attract private capital to projects in renewable energy, resource efficiency, and sustainable production. This not only fosters economic growth but also supports environmental sustainability⁵.

In addition, the government should support "de-risking" measures within financial institutions to facilitate greater flows of private capital into green investments. The KCGF could establish a dedicated green finance window to provide guarantees for financial institutions, thereby lowering the risk of lending to projects focused on renewable energy, resource efficiency, waste reduction, and circular production practices.

By de-risking investments in the green economy, the KCGF can accelerate private sector engagement in circular initiatives, drive innovation, create green jobs, and support Kosovo's transition toward a more sustainable and resilient economy fully aligned with global sustainability objectives.

¹ Geissdoerfer, M., Savaget, P., Bocken, N. M. P., & Hultink, E. J. (2017). "The Circular Economy – A new sustainability paradigm?" *Journal of Cleaner Production*, 143, 757-768. <https://doi.org/10.1016/j.jclepro.2016.12.048>.

² Bocken, N. M. P., Short, S. W., Rana, P., & Evans, S. (2016). "A literature and practice review to develop sustainable business model archetypes." *Journal of Cleaner Production*, 65, 42-56. <https://doi.org/10.1016/j.jclepro.2013.11.039>.

³ Korhonen, J., Honkasalo, A., & Seppälä, J. (2018). "Circular economy: The concept and its limitations." *Ecological Economics*, 143, 37-46. <https://doi.org/10.1016/j.ecolecon.2017.06.041>.

⁴ Ellen MacArthur Foundation. (2015). "Towards a circular economy: Business rationale for an accelerated transition." Ellen MacArthur Foundation.

⁵ World Economic Forum. (2020). "Accelerating the transition to the circular economy." World Economic Forum. Law no. 03/L-048 on Public Financial Management and Accountability.

Potential benefits of the circular economy for sustainability and competitiveness:

Shifting from a linear to a circular economy offers a transformative approach to economic development, emphasizing sustainability, resource efficiency, and long-term competitiveness. By prioritizing waste reduction, efficient use of resources, and innovation, the circular economy delivers multiple benefits, including environmental protection, cost savings for businesses, and the development of innovative products and services. A report by the Ellen MacArthur Foundation estimates that European businesses could save up to €600 billion annually by adopting circular economy practices.

Moreover, transitioning to a circular model enhances resilience by reducing dependence on imported raw materials. Recycling and reusing materials help mitigate risks associated with raw material supply chains, such as price volatility, limited availability, and growing import dependency, challenges that are increasingly critical in today's global economy⁶.

Evidence from the European Union highlights the scale of this issue: in 2023, the total trade value (imports plus exports) of raw materials between the EU and the rest of the world reached €165 billion. Furthermore, according to estimates by the European Economic and Social Committee (EESC), raw materials account for 30% to 50% of production costs for companies. This underscores the potential economic impact and strategic advantage of accelerating the circular economy transition.

Since the European Union imports nearly half of the raw materials it consumes, the European Economic and Social Committee (EESC) highlights that improved resource efficiency could save up to €600 billion annually. Every company must contribute to this shift and capitalize on the economic benefits offered by new circular business models.

Table 1 outlines the wide-ranging economic benefits of adopting a circular economy approach, categorized by advantages for businesses, society, and policymakers. This comprehensive framework emphasizes the multifaceted value of sustainability-driven practices, demonstrating how they support economic growth, environmental protection, and social well-being.

⁶ European Parliament Research Service. (2023). Circular Economy: definition, importance and benefits. Available at <https://www.europarl.europa.eu/topics/en/article/20151201STO05603/circular-economy-definition-importance-and-benefits>

Table 1: Benefits of implementing a circular economy

Category	Benefits to Businesses	Benefits to Society	Benefits to Policymakers
Economic Growth and Competitiveness	<ul style="list-style-type: none"> △ Stimulates innovation in product design and business models. △ Enhances competitiveness by reducing reliance on volatile raw material markets. △ Creates new markets and business opportunities in green sectors. 	<ul style="list-style-type: none"> △ Supports local economies through new industries. △ Fosters a culture of sustainability and innovation. 	<ul style="list-style-type: none"> △ Positions nations as global leaders in sustainability. △ Facilitates international trade in green technologies.
Job Creation and Skills Diversification	<ul style="list-style-type: none"> △ Skills development in sustainable industries, such as repair, refurbishment, and material recovery. 	<ul style="list-style-type: none"> △ Creates job opportunities and reduces unemployment. △ Provides training in emerging green skills. 	<ul style="list-style-type: none"> △ Promotes workforce development aligned with future-ready industries.
Environmental Protection	<ul style="list-style-type: none"> △ Reduces operational waste and compliance costs. 	<ul style="list-style-type: none"> △ Improves air and water quality. △ Minimizes waste pollution. 	<ul style="list-style-type: none"> △ Helps meet environmental targets, such as emissions reductions.
Resource Security	<ul style="list-style-type: none"> △ Reduces dependency on imported raw materials. △ Enhances supply chain resilience. 	<ul style="list-style-type: none"> △ Increases availability of essential materials. 	<ul style="list-style-type: none"> △ Strengthens national security through resource independence.
Cost Savings for Businesses and Society	<ul style="list-style-type: none"> △ Decreases production costs through efficient resource use. △ Lowers waste management expenses. 	<ul style="list-style-type: none"> △ Reduces costs for consumers by promoting circular reuse. 	<ul style="list-style-type: none"> △ Lowers public expenditure on waste management and landfill operations.
Enhanced Public Health and Quality of Life	<ul style="list-style-type: none"> △ Improves operational sustainability, reducing pollution liabilities. △ Enhanced Corporate Social Responsibility 	<ul style="list-style-type: none"> △ Promotes cleaner urban environments. △ Minimizes pollution-related health risks. 	<ul style="list-style-type: none"> △ Supports public health objectives and urban sustainability planning.
Alignment with Global Sustainability Goals	<ul style="list-style-type: none"> △ Enhances brand value through compliance with global frameworks like the SDGs. 	<ul style="list-style-type: none"> △ Contributes to achieving community-level sustainability goals. 	<ul style="list-style-type: none"> △ Supports global agreements such as the Paris Agreement and SDGs.
Financial Incentive and Investment Opportunities	<ul style="list-style-type: none"> △ Attracts green financing and public-private partnerships. Opens access to venture capital and ESG investments. 	<ul style="list-style-type: none"> △ Encourages innovation in sustainable solutions. 	<ul style="list-style-type: none"> △ Stimulates investments through green policies and incentives.

Source: Adapted from various sustainability and economic research frameworks.

Circular Economy in Kosovo: Challenges and Opportunities

Despite the growing global importance of the circular economy, Kosovo continues to predominantly follow a linear "take-make-waste" model.

Although a Waste Law was adopted in 2012, along with the development of accompanying waste management strategies, Kosovo's legal framework still lacks integration of circular economy principles. In 2019, the country generated approximately 452,000 tons of municipal waste, which equals 253 kg per capita, about half of the EU average of 502 kg per capita⁷. Furthermore, although 32% of Kosovo's waste is recyclable and 40% is biodegradable, only 5% is recycled.

According to the European Environment Agency (2022), key barriers to effective waste management in Kosovo include insufficient funding, poor infrastructure, informal waste handling, and weak enforcement of regulations. However, some progress has been made: the coverage of waste collection services has improved in recent years, reaching 95.2%, which has contributed to a reduction in illegal landfills⁸. The Kosovo Country Report (2024) indicates a significant decline in the number of illegal dumpsites, from 747 in 2022 to 373 in 2023, a reduction of 374 sites⁹.

In recent years, the private sector has shown increasing engagement in environmentally sustainable practices, aligning with global trends for ecological responsibility (USAID, 2021)¹⁰.

According to the US International Trade Administration (ITA, 2021)¹¹ the waste management and recycling sector in Kosovo is considered a promising area for investment. The sector's low maturity, combined with increasing waste generation and insufficient infrastructure, creates opportunities for businesses to offer services such as waste collection, recycling, and the supply of equipment and technology.

Nonetheless, Kosovo's policy focus should shift toward promoting circular economy business models, which are regenerative by design and aim to reduce or eliminate waste altogether¹². While there is a growing interest, business-led circular economy initiatives in Kosovo remain limited and require stronger institutional support and incentives. However, Kosovo's policy focus should increasingly shift toward adopting circular economy business models, which are regenerative by nature and aim to reduce or eliminate waste wherever possible¹³.

⁷ European Environment Agency. (2022). "Municipal waste management in Western Balkan countries" Briefing no.06.2022. Available at <https://www.eea.europa.eu/publications/municipal-waste-management-in-western>

⁸ Kosovo Agency for Environmental Protection (2024) REPORT OF THE MUNICIPAL WASTE MANAGEMENT IN KOSOVO (<https://ammk-rks.net/assets/cms/uploads/files/REPORT%20OF%20THE%20MUNICIPAL%20WASTE%202022.pdf> accessed May 2025)

⁹ https://enlargement.ec.europa.eu/document/download/c790738e-4cf6-4a43-a8a9-43c1b6f01e10_en?filename=Kosovo%20Report%202024.pdf

¹⁰ USAID. (2021). Private sector leading the charge for a greener Kosovo. USAID. Retrieved from <https://www.usaid.gov/kosovo/news-information/news/private-sector-leading-charge-greener-kosovo>

¹¹ ITA. (2021). Kosovo Waste Management and Recycling. ITA - International Trade Administration. Retrieved from <https://www.trade.gov/country-commercialguides/kosovo-waste-management-and-recycling>

¹² Krasniqi, B. (2022). "Analysis of the Recycling Value Chain in Kosovo" Kosovo Chamber of Commerce. Prishtine, Kosovo.

¹³ Krasniqi, B. (2022). "Analysis of the Recycling Value Chain in Kosovo" Kosovo Chamber of Commerce. Prishtine, Kosovo.

Decarbonization is another critical dimension of sustainability. In Kosovo, the transition to both a circular economy (CE) and decarbonization faces significant challenges, particularly in the heating and transportation sectors. The country's continued reliance on coal for heating, especially in urban areas such as Prishtina, intensifies air pollution and presents serious public health risks¹⁴. Research indicates that coal-fired power plants and the domestic use of coal for heating are major contributors to poor air quality in the region. These emissions are closely linked to an increase in respiratory and cardiovascular diseases among the population.

The environmental implications of Kosovo's continued reliance on coal are significant. The country's energy sector is predominantly coal-based, with approximately 91.43% of its installed electricity generation capacity dependent on coal¹⁵. This reliance not only hinders national decarbonization efforts but also has serious public health consequences due to the associated air pollution and emissions. Additionally, the transportation sector in Kosovo represents a major challenge in the broader context of circular economy (CE) and decarbonization, requiring urgent attention and strategic investment in cleaner and more sustainable mobility solutions.

The transportation sector in Kosovo remains heavily dependent on fossil fuels, significantly contributing to greenhouse gas emissions and air pollution. The urgent need for sustainable transportation solutions is further highlighted by the rapid urban population growth and the corresponding increase in vehicle usage, factors that intensify environmental degradation and pose serious public health risks¹⁶.

Transitioning to cleaner transportation solutions, such as electric vehicles and enhanced public transport systems, is essential to reducing emissions and fostering healthier urban environments. Tackling these challenges requires a comprehensive, multi-sectoral approach that includes improving energy efficiency, promoting the use of renewable energy sources, and advancing sustainable urban planning strategies. The integration of renewable energy technologies, notably solar and wind power, into Kosovo's energy mix could significantly reduce the country's reliance on coal and lead to notable improvements in air quality and public health outcomes¹⁷.

¹⁴ Bajčinovci, S. (2019). "Environmental and Climate Dilemma: Coal for Heating or Clean Air for Breathing: A Case of Prishtina." *Environmental and Climate Technologies*, 23(1), 1-10. doi:10.2478/rtuct-2019-0003.

Kittner, N., et al. (2018). "Trace Metal Content of Coal Exacerbates Air-Pollution-Related Health Risks: The Case of Lignite Coal in Kosovo." *Environmental Science & Technology*, 52(6), 3475-3483. doi:10.1021/acs.est.7b04254.

¹⁵ Lajqi, A., et al. (2020). "Analysis of the Potential for Renewable Utilization in Kosovo Power Sector." *Environments*, 7(6), 49. doi:10.3390/environments7060049.

¹⁶ Gjukaj, A. (2024). "Powering through Challenges: Analyzing the Energy Crisis in the Western Balkans during the Pandemic Context." *Hightech and Innovation Journal*, 5(1), 1-10. doi:10.28991/hij-2024-05-01-08.

¹⁷ Lajqi, A., et al. (2020). "Analysis of the Potential for Renewable Utilization in Kosovo Power Sector." *Environments*, 7(6), 49. doi:10.3390/environments7060049.

Kadriaj, A., & Jeminaj, A. (2023). "Challenges and dilemmas of the transformation of electrical energy from thermal to alternative energy in Kosovo." *International Scientific Journal Monte*, 3(2), 38-45. doi:10.33807/monte.20232838.

Furthermore, the development of sustainable buildings and infrastructure plays a vital role in enhancing energy efficiency and reducing the overall carbon footprint of the region¹⁸. Recent data reveals a significant lack of awareness about circular economy concepts among businesses. For example, even within the recycling sector, 64% of companies are unfamiliar with the concept of a circular economy (Krasniqi, 2022)¹⁹. Nearly half of the respondents (46%) perceive the implementation of circular economy (CE) practices as only moderately important in reducing the use of raw materials and energy. Moreover, there is notable uncertainty or limited commitment, with only 37% and 63% of respondents, respectively, recognizing the importance of these practices, highlighting a need for greater awareness and targeted engagement.

In conclusion, Kosovo faces major challenges in areas such as waste management, transport decarbonization, and renewable energy production. These are compounded by low recycling rates, limited implementation of circular economy (CE) initiatives, and a lack of awareness among businesses regarding the potential benefits of circular practices. The low prioritization of CE practices by firms underscores the urgent need for robust government incentives and targeted financial support to encourage businesses to adopt and invest in circular business models, paving the way for a more sustainable and resilient economy.

By establishing targeted funding mechanisms and supportive policy frameworks, the government can incentivize firms to adopt innovative and regenerative business practices, thereby accelerating the transition toward a sustainable and resource-efficient economy.

¹⁸ Hoxha, A., & Shala, A. (2019). *"The benefits and challenges of sustainable buildings in Prishtina, Kosovo."* *Facilities*, 37(5/6), 319-331. doi:10.1108/f-08-2018-0097.

Hoxha, A., & Lecaj, D. (2022). *"Regulatory barriers to implementing sustainable buildings in Kosovo."* *Property Management*, 40(1), 1-15. doi:10.1108/pm-01-2022-0008.

¹⁹ Krasniqi, B. (2022) *Analysis of the Recycling Value Chain in Kosovo*. Prishtina: Kosovo Chamber of Commerce.

Gender and Circular Economy

The transition to more innovative business models, such as the circular economy (CE), presents both challenges and opportunities for unlocking women's economic potential and building a more equitable future. However, the shift toward CE business models often demands advanced technical and digital competencies, which can pose disproportionate barriers for women due to existing gender gaps in access to STEM education and vocational training²⁰. Women working in informal and traditional sectors face significant barriers in accessing reskilling and upskilling opportunities, which limit their ability to benefit from emerging roles within the circular economy (CE) (ILO, 2022)²¹.

The transition to a circular economy (CE) and the broader decarbonization agenda carries significant implications for both men and women, particularly in relation to employment patterns, health risks, and family dynamics. Men are often overrepresented in carbon-intensive sectors such as mining, heating, and construction industries that are not only major contributors to environmental degradation but also known for substantial health and safety risks. Workers in these sectors face elevated exposure to respiratory illnesses and a range of other occupational hazards, highlighting the need for inclusive and gender-responsive approaches to economic and environmental transitions²².

The health risks associated with these sectors are further exacerbated by the environmental pollution they produce, which disproportionately affects communities located near such operations.

Women, who often carry the burden of caregiving responsibilities within families, are especially vulnerable to these health consequences. When children or elderly family members fall ill due to poor air quality or exposure to pollutants, women are more likely to withdraw from the workforce to care for them. This dynamic contributes to reduced female labour force participation and worsens gender inequalities in the labour market²³.

The broader economic impacts of environmental health risks are substantial. A workforce affected by pollution-related illnesses tends to exhibit lower productivity and imposes additional pressures on the healthcare system. These adverse effects ripple through the wider economy, highlighting the urgency of transitioning to sustainable and health-conscious industries.

In this context, the circular economy (CE) presents a compelling alternative by encouraging environmentally responsible practices and reducing reliance on harmful, high-emission sectors. When inclusively designed, the circular economy has the potential to foster a healthier, more equitable workforce and society²⁴.

Kosovo has adopted several laws and strategic frameworks to promote gender equality and support women's entrepreneurship. Notably, the Kosovo Program for Gender Equality 2020–2024 aims to mainstream gender across institutions, policies, and programs.

²⁰ Saliba, M., Glutting, J. R., & Brown, E. G. (2023). Decent work in the circular economy: An overview of the existing evidence base. *Circle Economy, Amsterdam*.

²¹ ILO (2022). World Employment and Social Outlook: trends 2023. Retrieved from: ILO website

²² ILO (2014). "Ensuring safety and health at work in a changing climate" ILO report.

²³ Castro et al. (2022). "Circular economy and its impact on environmental sustainability" doi:10.37955/cs.v6i4.286

²⁴ OECD (2023). "Joining Forces for Gender Equality" OECD Publishing, Paris, <https://doi.org/10.1787/67d48024-en>.

However, in practice, gender-related legislation is not sufficiently integrated with other key policy areas such as economic development and environmental sustainability. In addition, many financial instruments intended to support businesses often fail to prioritize women's specific needs or ensure equitable access to funding and resources.

Access to finance remains a persistent barrier for women entrepreneurs in Kosovo. Between 2022 and 2024, a total of 388 businesses benefited from KIESA's support schemes, of which 297 were male-led and only 91 were female-led, meaning women comprised just 23% of total beneficiaries²⁵.

Moreover, KIESA does not track funding distribution by gender. However, based on a simple proportional analysis, women-led businesses are estimated to have received less than 20% of the over €8 million disbursed in financial support. This significant gender gap in both access to and allocation of resources underscores the structural barriers that continue to limit women's economic participation and entrepreneurship.

Some efforts have been made to address gender disparities in access to finance. For example, the KIESA grant scheme for enterprise digitalization includes an affirmative measure by awarding an additional 10 points to women-owned businesses during the evaluation process²⁶.

Additionally, the Kosovo Credit Guarantee Fund (KCGF) has introduced a dedicated "Window for Women Loans", which offers tailored financial instruments that can be leveraged to support women's participation in circular economy sectors.

In conclusion, the intersection between circular economy (CE) initiatives and gender dynamics is complex and deeply interwoven. While men are predominantly employed in hazardous, carbon-intensive industries, women often bear the indirect burden, particularly through unpaid care work resulting from health impacts linked to environmental degradation.

Without intentional and inclusive policy design, the transition to a circular economy risks perpetuating or even deepening existing gender inequalities. However, with the right combination of targeted policies, support systems, and gender-sensitive approaches, the circular economy holds the potential to empower women, enhance public health outcomes, and contribute to a more inclusive, equitable, and resilient economy for all.

²⁵ KIESA. (2025). Grant beneficiary data 2022–2024. Provided by Zef Dedaj via email, April 29, 2025.

²⁶ KIESA. (2025). Grant beneficiary data 2022–2024. Provided by Zef Dedaj via email, April 29, 2025.

What is the problem?

Kosovo has demonstrated its commitment to the Green Agenda for the Western Balkans by adopting several strategic documents that outline a path toward sustainable development. The National Development Strategy (NDS) 2030 articulates a long-term vision for the country's progress, placing sustainability at its core²⁷.

Key strategic frameworks include the NDS, the Economic Reform Program, and the recently developed Circular Economy Roadmap for Kosovo. The Circular Economy Roadmap, in particular, marks a significant milestone, as it lays the groundwork for Kosovo's transition to a circular economy. It provides a comprehensive framework for recognizing the country's unique strengths, capabilities, and opportunities that can drive a successful circular transformation²⁸.

The strategic documents adopted by the Government of Kosovo (GoK) are aligned with key international and regional frameworks, including the European Green Deal²⁹ the Sustainable Development Goals (SDGs), and the European Integration Agenda. The GoK has emphasized that the implementation of these strategic goals will be carried out through sectoral strategies and institutional action plans, ensuring clear mechanisms for execution, oversight, and budget alignment. Specifically, the goals outlined in the National Development Strategy (NDS) will be translated into strategic objectives within sectoral strategies. These, in turn, will be broken down into operational activities with designated budget codes, enabling more effective planning, coordination, and accountability in implementation.

Although the Government of Kosovo (GoK) has incorporated several elements of the green and circular economy into its strategic framework, there remains a pressing need to operationalize these commitments by developing new policy instruments such as direct financial incentives for the private sector to effectively promote circular economy practices.

To ensure better implementation at the operational level, it is essential to amend the Regulation on Subsidies and Transfers, enabling both line ministries and municipalities to design and implement tailored green and circular economy initiatives. These initiatives should reflect local needs while aligning with national and supranational strategic frameworks.

Moreover, offering financial stimulus and grant support for private sector initiatives in the circular economy is critical to strengthening the capacity of SMEs to undertake complex green investments. Such support can act as a catalyst for transforming the private sector, enabling it to adopt more sustainable practices and better access green financing opportunities.

²⁷ Government of the Republic of Kosovo. National Development Strategy 2030. Available at <https://kryeministri.rks-gov.net/en/national-development-strategy-2030/>

²⁸ Ministry of Environment, Spatial Planning and Infrastructure. (2023). "Circular Economy Roadmap of Kosovo" Available at https://mmphi.rks-gov.net/MMPHIFolder/DocumentsFiles/2023_8171e270-643b-4de3-9387-91794084eb8b.pdf

²⁹ For more see the Clean Industrial Deal at https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal_en The European Commission has framed the Clean Industrial Deal as the follow-up to the European Green Deal. It will build on the EU's work to transition to a sustainable economy and focus on strengthening industry and increasing competitiveness within this context

In this context, the European Union's Green Agenda for the Western Balkans (GAWB), introduced in 2020, and its accompanying Economic and Investment Plan for the Western Balkans (EIPWB) provide important opportunities. A key pillar of the GAWB is enhancing private sector competitiveness, with a strong emphasis on innovation. However, Kosovo continues to face significant challenges in absorbing and effectively utilizing these funds, largely due to limited SME capacity to develop and implement circular and green investment strategies.

Recommended action: Amend the current legal framework for subsidies and transfers

The allocation of grants and subsidies in Kosovo is governed by Law No. 03/L-048 on Public Financial Management and Accountability (see Box 1). This law establishes strict parameters to ensure transparency, accountability, and fiscal discipline in the management of public funds.

Under this legal framework, grants and financial stimulus may only be provided if they are explicitly authorized by an Appropriations Law. All budgetary organizations are required to comply with the conditions stipulated in the legislation.

Moreover, the Minister of Finance holds exclusive authority to issue detailed rules and procedures for the selection of beneficiaries and the determination of grant amounts. These regulations are intended to guarantee that all financial support is aligned with the objectives approved by the Assembly, thereby promoting the effective, equitable, and responsible use of public resources.

Box 1. LAW NO. 03/L-048 ON PUBLIC FINANCIAL MANAGEMENT AND ACCOUNTABILITY

Article 53. Restrictions on Grants, Donations, and Subsidies

- 53.1 No budget organization or other public authority shall make any grant, donation, or subsidy to any person or undertaking except, and only to the extent, that an Appropriations Law specifically and explicitly authorizes such a grant, donation, or subsidy.
- 53.2 If an Appropriations Law authorizes a budget organization or other public authority to make a grant, donation or subsidy to one or more persons and/or undertakings, such budget organization or public authority shall fully comply with all conditions and requirements specified in the concerned Appropriations Law and the rules issued by the Minister under paragraph 3 of this Article when making such a grant, donation or subsidy.
- 53.3 The Minister shall have the exclusive authority to issue rules governing the process that shall be followed by the concerned budget organization or public authority when selecting the recipient or recipients and determining the amount or amounts to be provided as a grant, donation, or subsidy. Such rules shall ensure that the process is strictly aimed at achieving the intended purpose of the Assembly when it authorized such grant, donation, or subsidy in the concerned Appropriations Law.

According to the Regulation on Public Spending, *“every payment of subsidies or transfers must have a clear legal basis—meaning there must be a law, regulation, or decision from the respective institution authorizing the budgetary organization to execute such a payment from this category.”*³⁰

³⁰ Rregull Financiare nr.01/2013/– Shpenzimi i Parave Publike

Regarding the criteria for the allocation of subsidies, Article 6 – Criteria for Selection of the Administrative Instruction (MTI) No. 01/2018 on the Distribution of Financial Means from Economic Categories of Subsidies and Transfers, issued by the Ministry of Industry, Entrepreneurship and Trade (MIET), stipulates that support shall be provided to applicants registered in the Republic of Kosovo who, through their project proposals, demonstrate that the allocated subsidies will contribute to:

- △ Increasing investments within the Republic of Kosovo.
- △ Boosting domestic production.
- △ Expanding export capacities.
- △ Promoting tourism.
- △ Developing small and medium-sized enterprises (SMEs).
- △ Enhancing the competitiveness of SMEs.
- △ Creating new job opportunities.³¹

Although the seven selection criteria provided by the Ministry of Trade and Industry (MTI) are important for evaluating project proposals, we recommend the introduction of a dedicated criterion focused on circular economy and green business initiatives. Currently, while some circular economy actions may align indirectly with the existing criteria, they are not explicitly addressed, which limits their effectiveness in promoting sustainability and circular practices. To close this policy gap, we propose an amendment to the administrative instruction by adding a new criterion: 1.8. Promoting circular economy and green business initiatives. This addition would underscore the importance of sustainability and ensure targeted support for projects advancing circular business models and environmentally responsible practices.

In parallel, the Ministry of Regional Development (MRD) also operates a dedicated support scheme for start-ups, SMEs, and NGOs, aimed at fostering balanced regional development. Under Regulation (GRK) No. 21/2024 on Managing the Balanced Regional Development Program, Article 22 (Evaluation Criteria for Project Proposals) specifies that evaluation criteria will be outlined in detail in each public call for applications. The core evaluation areas include:

- △ Financial and operational capacity
- △ Relevance of the action
- △ Effectiveness and accessibility
- △ Sustainability of the project
- △ Budget and cost-effectiveness

We propose that additional evaluation criteria be introduced to explicitly recognize the circular economy and green initiatives. Projects incorporating circular economy principles should be awarded additional points during the grant evaluation process, incentivizing sustainable innovation. Furthermore, this proposal recommends the inclusion of a gender component to ensure that the evaluation process also supports gender equality, particularly by promoting the participation of women-led businesses and initiatives that advance the inclusive green transition³².

³¹ Udhëzimin Administrativ (nr. 01/2018 për Ndarjen e Mjeteve Financiare nga Kategoria Ekonomike e Subvencioneve dhe Transfereve

³² Regulation (grk) – no. 21/2024 On Managing Balanced Regional Development Program. Available at <https://gzk.rks-gov.net/ActDetail.aspx?ActID=55434>

At the local level, the Law no. 03/L-048 on Public Financial Management and Accountability³³ clearly defines municipal competencies as *“the areas of local competence specifically assigned to the concerned municipality by the applicable primary legislation on local self-government”*. In line with this framework, each budgetary organization, including ministries and municipalities, is required to adopt a regulation on the allocation of subsidies³⁴ grounded in:

- Law on Local Self-Government,
- Law No. 03/L-048 on Public Financial Management and Accountability
- Financial Regulation No. 01/2013/MF – Expenditure of Public Funds.

This regulatory structure mandates that each department define eligibility criteria for subsidy applicants. Importantly, municipalities retain the discretion to integrate circular economy (CE) and gender components into their grant criteria. Doing so would enhance the promotion of sustainable practices and gender inclusion at the local level, aligned with national and EU green transition priorities.

³³ For more, see Law no. 03/L-048 On Public Financial Management and Accountability.

³⁴ Here we use an example of the regulation for the allocation of subsidies in the Municipality of Gjakova, as an illustration (Regulation on Subsidies 2020, No. 3560, available at <https://kk.rks-gov.net/gjakove/wp-content/uploads/sites/2/2020/06/Rregulloreja-per-Subvencione-2020-nr.3560.pdf>)

Enhancing Financial Access for Women and Marginalized Groups

The Government should prioritize ensuring that women and other marginalized groups have equitable access to financial resources. This requires not only the development of inclusive financial programs but also the implementation of targeted measures to address existing gaps.

To achieve this, it is critical that the Government of Kosovo (GoK) actively engages with marginalized and disenfranchised communities, including women, to identify and remove barriers to access. Ensuring that these groups are well-informed and able to benefit from financial opportunities, particularly in the context of the transition to a circular economy, requires proactive outreach, tailored communication strategies, and simplified administrative procedures.

Additionally, to enhance inclusivity in government-led schemes, the relevant authorities should consider introducing specific incentives within existing schemes. For instance, awarding additional evaluation points to businesses owned by women or minority groups would promote greater participation and representation in economic development initiatives.

By implementing these measures, GoK can foster a more equitable and inclusive financial ecosystem, enabling all segments of society to contribute to and benefit from economic progress.

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