

# Investments through Public-Private Partnerships (PPPs) in Kosovo and the Way Forward



Investments through  
Public-Private Partnerships  
(PPPs) in Kosovo and the  
Way Forward

June 2024

— **Contents**

Executive Summary	3
1. Introduction	4
2. PPP Contracts in Kosovo	6
2.1 Active Projects and PPP Requests	7
2.2 Sectors with Potential for PPP in Kosovo	13
3. Practices of PPPs in the EU and Regional Countries	15
4. Conclusions and Recommendations	18
5. Appendices	19

**Disclaimer:**

This report was made possible with the support of the United Nations Development Programme (UNDP) through the Support to Anti-Corruption Efforts in Kosovo (SAEK) III project, financed by the Swiss Development Agency (SDC) and the Swedish International Development Cooperation Agency (SIDA) to promote institutional and budgetary transparency and accountability. Its contents are the sole responsibility of GAP Institute and do not necessarily reflect the views of UNDP, SDC or SIDA.

Supported by:



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Cooperation Office Kosovo



Sweden  
Sverige

## Executive Summary

A Public-Private Partnership (PPP) is a contractual agreement between the public sector and the private sector to provide a public service. Globally, PPPs have been utilized as an effective tool for developing infrastructure and promoting investments in various sectors such as transport, energy infrastructure, tourism, mining, education, and healthcare, thereby contributing to the economic growth of countries and community well-being. However, PPPs have often faced challenges such as corruption scandals, project deviations, implementation delays, and other legal violations.

PPPs in Kosovo are regulated by the Law on Public-Private Partnerships, adopted in 2011. This law outlines the sectors where such partnerships can be applied, the procedures for establishing a PPP, and the institutional duties and responsibilities for managing and developing these partnerships. Currently, the entire process for initiating a PPP project is long and bureaucratic. However, a new draft law on PPPs, aiming to ease processes for PPPs by eliminating procedural bureaucracies and harmonizing legislation with the European Union, has remained unpassed and unapproved in the Assembly since 2019, despite having passed the public consultation phase. Such delays pose obstacles and institutional lack of coordination, especially since some government institutions plan to initiate significant and strategic investments through PPPs, such as in the energy sector, which will face numerous procedures due to current legislation.

In the context of Kosovo, the practice of PPPs is not yet widespread. Currently, there are only five active PPP projects, with a total projected investment value of 133 million euros, of which only three are in the operational phase. As a stock, PPP projects in Kosovo are about 1.37% of the Gross Domestic Product (GDP), a much lower value compared to the region's countries. Currently, the Department for PPP within the Ministry of Finance, Labor, and Transfers (MFLT) has 23 active requests to start public-private partnerships, which are in the review process. These requests are mostly at the local level. For municipalities, this option is seen as an additional form to realize investments, especially considering their budgetary limitations to undertake numerous capital investments and the limitations to incur debt. The Prishtina International Airport "Adem Jashari" is the largest PPP project in value. Investments that must be made in this airport by the concessionaire exceed 100 million euros, and from the concession to 2023, the state of Kosovo has collected over 143 million euros in revenue from the concession fee of this project. On the other hand, the longest-term PPP is the construction of the underground parking in the city of Prishtina, which is contracted for a concession of 35 years.

Despite the small number of active projects in the country, there is a large number of sectors considered to have high potential for such partnerships, and the legal framework also foresees and encourages them. However, in the case of Kosovo, it is important that PPP projects focus on sectors that bring sustainable economic development, do not degrade the environment or other resources, and do not harm the public interest. For example, the Law on Trepça/Trepča, among others, encourages and regulates PPPs as a tool for the development of the enterprise and to secure necessary investments that would bring its revitalization. On the other hand, the Law on Strategic Investments does not exclude the possibility of using PPPs to achieve the country's public interest. Moreover, even in the energy sector, the need for involving private investments in the construction of new renewable energy capacities is observed to meet the objectives set by the Government in building energy capacities.

To ensure the successful implementation of PPP contracts in Kosovo, it is important to have a clear and appropriate legal framework as well as effective oversight and risk management of projects. This will help improve the conditions and mechanisms for the functioning and implementation of such partnerships in the country.

# 1. Introduction

A public-private partnership (PPP) is a collaboration model between the public and private sector to provide a public service. <sup>1</sup>The public sector comprises of government institutions such as ministries, municipalities, and public enterprises, while private partners can be domestic or international companies, respectively, investors with experience in a specific field. <sup>2</sup>This form of collaboration allows both parties to benefit from each other's resources and experience, making this model not only an effective solution for managing projects but also an efficient tool to stimulate the country's growth and economic development.

Collaboration between the public and private sectors in implementing investments offers many advantages such as the possibility to realize large investments that cannot be fully financed by public sources, leveraging the private partners' experience for efficient project management, and risk-sharing between the parties to facilitate their financing and implementation. Besides, PPPs can bring innovation in public services and ensure better cost and project deadlines control. To better understand the advantages of PPPs, it is important to distinguish them from traditional public investments.

Through these contracts, the public sector can benefit from the knowledge and experience of the private sector, while the private sector benefits from the security of government-backed investments. This form of collaboration in many countries has helped increase the efficiency and effectiveness of public services and has positively impacted the lives and well-being of citizens. However, the implementation of PPP contracts comes with various challenges, and experiences from other countries have shown that these contracts have often deviated from initial goals. <sup>3</sup>Consequently, to ensure the successful implementation of PPP contracts in Kosovo, it is important to have a clear and appropriate legal framework as well as effective oversight and risk management of projects. This will help improve the conditions and mechanisms for the functioning and implementation of such partnerships in the country.

Traditional public investments and PPPs differ in several key aspects such as the method of project financing, where traditional public investments are directly financed by the government, while PPPs are financed through public and private sector collaboration. Also, there are differences in risk distribution - the government takes on the risks in traditional public investments, while in PPPs, the risks are shared between the two sectors. Similarly, there are other differences in ownership, efficiency, innovation, etc., as shown in Table 1.<sup>4</sup>

Usually, the main forms of realizing PPPs are either through the option where the government pays for the availability of the infrastructure or service, the option where the private investor makes the investment and then collects revenues through different fees (concession), or a mix of the first two options. Usually, in all three cases, an additional government presence is needed through investment support in some form, in order to make the project more attractive to investors.<sup>5</sup>

1 World Bank. [PPP REFERENCE GUIDE : MODULE 1 – PPP BASICS](#), 2021.

2 Asian Development Bank. [Public-Private Partnership Handbook, ADB, 2008](#).

3 Hall. [Why public-private partnerships don't work – The many advantages of the public alternative](#), 2015.

4 Akitoby, Hemming, Schwartz. [Public Investment and Public-Private Partnerships](#), IMF, 2007.

5 International Monetary Fund. [The Future of PPPs in the Western Balkans](#).

**Table 1.** Comparison of Traditional Public Investments and PPPs

Operation	Traditional Public Investments	Public-Private Partnerships
Funding Mechanism	Direct Government Funding	Collaboration between public and private sectors
Risk Distribution	On the government and taxpayers	Shared between both sectors
Ownership and Control	Government or respective public authorities	On the private sector in case of concessions
Efficiency and Innovation	Mostly limited	Higher due to profit maximization incentive
Long-term Sustainability	Limited by fiscal aspects and public priorities	Potentially long-term development
Flexibility and Adaptability	Influenced by political changes and budget cycles	Greater flexibility in project design, financing structures, and risk-sharing agreements

Source: IMF 2007

In various countries, interest in such partnerships has increased, especially after the 2007–2009 economic and financial crisis. This crisis led to a reassessment of project financing approaches due to countries' limited budgets, prompting many to see these partnerships as an alternative to traditional borrowing.<sup>6</sup>

Despite the mentioned advantages, there are also many drawbacks and criticisms of PPPs. According to some studies, PPPs tend to have higher costs and do not necessarily result in more efficient operations.<sup>7</sup> They also come with additional transaction costs and potential risks for the public sector, including incomplete contracts, possible renegotiations, and public obligations in case of bankruptcy. Moreover, PPPs can negatively impact public services, the environment, and workers due to cost minimization or project selection that aligns more with profit needs.<sup>8</sup> Also, according to one form of PPP implementation, the public sector pays a certain fee throughout the contract's life.<sup>9</sup> This impacts governments and future generations by burdening them with paying for infrastructure or a project they might not have chosen themselves.<sup>10</sup>

In Kosovo, PPP contracts, although small in number, have primarily been used as tools to stimulate investments in infrastructure and improve public services. The goal is for the private sector to actively participate in infrastructure project development, thereby contributing to increased investments, job creation, and consequently economic growth.

In this report, GAP Institute also analyzes the regulation of PPPs in Kosovo, PPP practices in Europe and the region, the performance of current PPP projects in Kosovo, the requests of Kosovo institutions for new PPPs, and the areas where the utilization of PPPs as a mechanism could be positive for the country.

6 European Commission. [Communication From The Commission Europe 2020. A strategy for smart, sustainable and inclusive growth.](#)

7 Hall. [Why public-private partnerships don't work – The many advantages of the public alternative.](#) 2015.

8 Ibid.

9 EPSU & Eurodad. [Why public-private partnerships \(PPPs\) are still not delivering.](#) 2020.

10 Ibid.

## 2. PPP Contracts in Kosovo

In Kosovo, PPPs are regulated through the Law on Public-Private Partnership, adopted in 2011.<sup>11</sup> This law, through Article 2, outlines the sectors where this form of collaboration can be applied, which are: transport, energy infrastructure, healthcare, education, tourism, telecommunications, and others. The law also specifies the procedures for establishing a public-private partnership and the institutional duties and responsibilities for managing and developing this partnership.

According to the law, PPPs can be implemented in two forms: 1) contractual form or 2) institutional form. A contractual PPP is an agreement that can be in the form of a concession or public contract, where the private partner provides a public service or public infrastructure on behalf of the public authority, taking over the risk and financial, technical, construction, and operational responsibilities. An institutional PPP can be established by a municipality through the purchase of municipal shares by one or more private partners in an existing public enterprise, whose sole function is to perform a public service or provide public infrastructure, provided the private partner also participates in the management of the public enterprise or in performing the public service or providing public infrastructure. If the establishment of an institutional public-private partnership requires the sale of shares in a public enterprise owned by the Republic of Kosovo, the establishment of this institutional PPP is subject to approval by the Government and the Assembly of Kosovo in accordance with the Law on Public Enterprises.<sup>12</sup>

Recently, in the legislative program for 2024, the Government of Kosovo foresees a new draft law on PPPs. This draft law is finalized and has passed the public consultation phase since 2019, but it has not yet been submitted to the Assembly of Kosovo for review and approval procedures.<sup>13</sup> The draft law has been prepared to address the necessary changes in the current law to align the legislation with that of the EU as determined by the Stabilization and Association Agreement (SAA). More specifically, this draft law transposes the new EU Directive on concessions<sup>14</sup> and aims to eliminate bureaucracy and facilitate procedures for contracting authorities, as well as harmonize with the Public Investment Program (PIP).<sup>15</sup>

Institutionally, the review, approval, and oversight of PPP project requests are the responsibility of the Ministry of Finance, Labor, and Transfers (MFLT). More specifically, the review and issuance of opinions regarding the sustainability of proposed projects and the preparation of recommendations for the Committee for Public-Private Partnerships are the responsibilities of the Department for Public-Private Partnerships within MFLT. Furthermore, this department coordinates activities related to PPP projects and maintains the PPP registry. Meanwhile, the approval of requests, oversight, and coordination of PPP projects across all economic and social sectors is the responsibility of the Committee for Public-Private Partnerships (CPPP). This Committee has five members: one permanent member who is the Minister of Finance and chairs the Committee, and four other members appointed by the government and must be at the rank of deputy prime ministers or ministers.<sup>16</sup>

11 Official Gazette of the Republic of Kosovo. [Law No. 04/L-045 for Public-Private Partnership](#)

12 Ibid.

13 Data from the interview conducted with the officials of the Department for Public-Private Partnership, MFLT.

14 Eur-Lex. [Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts Text with EEA relevance.](#) 2014

15 MFLT. [Consultation document for the Draft Law on Public Private Partnership.](#) 2019

16 Ibid.

According to an IMF report, a problematic aspect of the institutional design of the bodies approving and monitoring PPPs in Kosovo is the lack of alignment of PPPs with investment priorities, which the new PPP law in Kosovo is expected to address. Another concern related to the Department of PPPs in Kosovo is the potential conflict of interest, as being within the Ministry of Finance, the opinions this department issues are then voted on by a committee chaired by the Minister of Finance. Kosovo also has a low rating in the IMF report regarding the creation of conditions and mechanisms for the functioning and implementation of such partnerships, as well as the effective oversight and management of the risk of these projects. Similarly, the Department of PPPs needs to improve the sharing of more comprehensive information regarding the progress of PPPs, including the cost of investments made and detailed information on concession fees.<sup>17</sup>

## 2.1 Active Projects and PPP Requests

Currently, in Kosovo, there are five active PPP projects implemented by four public authorities, with a total projected investment value of 133 million euros. The largest project in value is the Prishtina International Airport (PIA) "Adem Jashari" with an investment of 100,015,000 euros, while the smallest project is the infrastructure repair of high schools in the Municipality of Gjilan/Gnjilane with an investment of 800,000 euros. Three projects are in the operational phase, one in the construction phase, and one in the tendering phase. Regarding the duration, the project of the Municipality of Prishtina for the underground parking has the highest one with 35 years, while the one with the schools in Prishtina has the lowest with 10 years. As for the types of contracts, four of them are implemented in the contractual form with a concession, and only one is implemented through the contractual form with a public contract.

**Table 2.** List of active PPP projects

Contracting Authority	Project Name	Submission Date	Contract Duration	Contract Type	Phase	Estimated Investment
Ministry of Finance, Labor, and Transfers	PIA "Adem Jashari"	06/2009	20 years	Concession	In operation	100,015,000 €
Municipality of Gjilan/Gnjilane	Infrastructure regulation of high school complex	22/05/2013	15 years	Concession	In operation	800,000 €
Municipality of Prishtina	Underground parking project at Faculty of Philology	17/01/2017	35 years	Concession	In operation	12,000,000 €
Municipality of Prishtinë/Priština	Three schools in Prishtina	29/11/2019	10 years	Public Contract	Under construction	16,644,552 €
Municipality of Podujevë/Podujevo	Underground parking in Podujevo	24/03/2022	30 years	Concession	In tendering phase	2,922,335 €

Source: MFLT

17 International Monetary Fund. [The Future of PPPs in the Western Balkans](#).

The number of requests from public authorities to initiate a PPP can vary based on their specific needs, capacities, and priorities. The Municipality of Prishtina and Gjilan are the two public authorities with the highest number of requests to initiate a PPP, followed by the Municipality of Ferizaj and Peja. The total number of proposals/projects submitted to the PPP Department by public authorities to initiate a partnership is 23. All these are requests in review or requests expected to be reviewed in the future.

**Figure 1. Number of Requests Submitted by Public Authorities**

Public Authority	Number of Projects
PPP Committee	1
Municipality of Pejë/Peć	3
Municipality of Suharekë/Suva Reka	1
Municipality of Lipjan/Lipljane	1
Ministry of Infrastructure	2
Municipality of Gjilan	4
Municipality of Prishtina	4
Municipality of Prizren	2
Municipality of South Mitrovicë/Mitrovica	1
Municipality of Ferizaj/Uroševac	3
Municipality of Podujeva	1
<b>Total</b>	<b>23</b>

Source: MFLT

### 2.1.1 Prishtina International Airport "Adem Jashari"

Since 2011, the company 'Limak Kosovo International Airport J.S.C' (LKIA) began the operation and management of PIA "Adem Jashari". Based on the public-private partnership contract,<sup>18</sup> the consortium committed to modernizing and expanding Prishtina International Airport (PIA), planning to invest over 100 million euros<sup>19</sup> for this purpose.<sup>20</sup> This investment includes the construction of a new terminal with a surface of 25,000 square meters, a new control tower, related buildings, and a new platform. In addition, based on the signed contract, it was planned to build a new parking lot for vehicles and a new area for buses and taxis. The airport would also benefit from the construction of a new runway, a new water treatment plant, and new equipment including bridges for sending passengers to the plane. Another part of this modernization was the expansion of the runway arms to accommodate code 'E' aircraft and other accompanying spaces.

In exchange for its rights, the airport concessionaire, according to the contract, would pay the Government of Kosovo an average of 39.42% of PIA's gross revenue for the next 20 years in the form of an annual variable concession fee.<sup>21</sup> Based on the agreement, the consortium initially paid the government two fixed concession fees worth two million euros in 2011 and two million euros in 2012, followed by variable concession fees that include a certain percentage of gross revenue based on the calendar year (appendix 1). Recently, due to the difficulties and limitations PIA "Adem Jashari" had during the COVID-19 pandemic situation, the Ministry of Finance, Labor, and Transfers (MFLT) announced

<sup>18</sup> Republic of Kosovo and 'Limak Kosovo International Airport'. [PPP Public Procurement Number PPP-09-001-611](#). 2010

<sup>19</sup> Whereas, the total value of the investments made by the winning consortium has not been made public so far, nor has it been provided in detail by the Central Department of PPP in MFLT.

<sup>20</sup> Ibid.

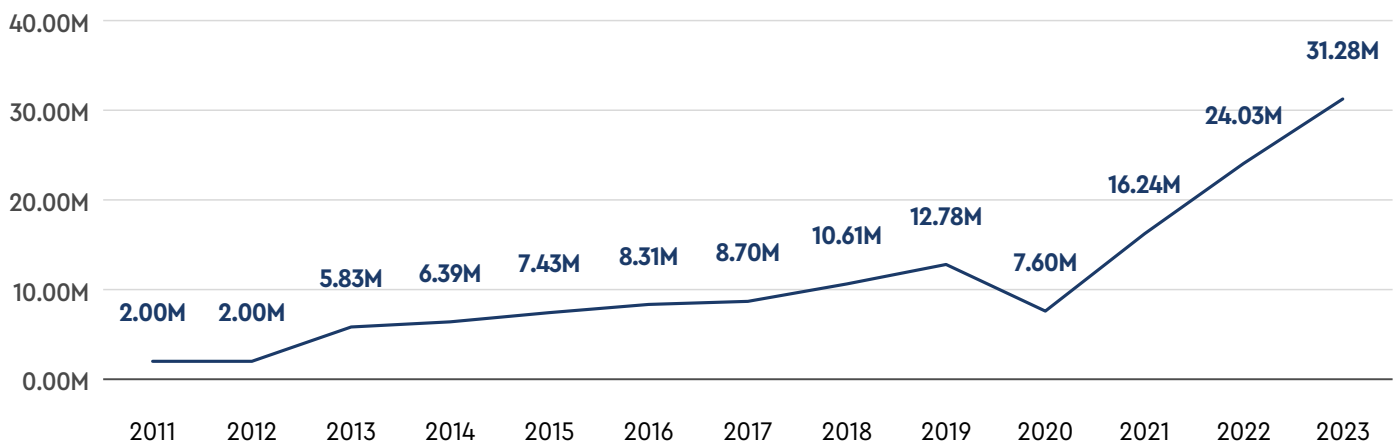
<sup>21</sup> Ibid.



that an amendment to the concession agreement was signed. According to the announcement, the amendment foresees that the company 'LKIA' will be compensated for the pandemic period and the concession contract for the airport will be extended by 20 months. In the predicted compensation period, the concession fee for the Republic of Kosovo will be 55%, marking a substantial increase compared to the percentage predicted during the pandemic in 2020 and 2021, which was 34% and 37%, respectively.<sup>22</sup>

Based on this agreement, since 2013, excluding 2020, government revenue generated from the concession fee<sup>23</sup> has increased to reach a record annual value of 31 million euros in 2023. In total, during this 13-year period, government revenue from this fee is estimated to be over 143 million euros.

**Figure 2. Government Revenue from Concession Fee (in million euros)**



\*Government revenue from the concession fee for 2023 is calculated by the GAP Institute based on PIA 'Adem Jashari's gross revenue.

Source: MFLT

Regarding planned investments, although the contract foresaw the construction of a new terminal with a surface of 25,031 square meters, the winning consortium 'LKIA' has doubled this investment area to 42,000 square meters.<sup>24</sup> Besides, in recent years, several other investments have been made such as increasing conventional control counters and ground handling equipment, the "touchless" project for passenger travel without touch, expanding cargo depot capacity, reconfiguring aircraft stands, and building anti-icing/de-icing facilities on the platform, renewing the explosive detection system, constructing additional space for car rental shops, biometric application and hardware installation for the touchless passenger travel system, and extending the gates on the north and south sides, including relevant infrastructure and equipment for this purpose. Further investments are also planned to be done by the private partner in the future.<sup>25</sup>

In terms of financial performance, PIA "Adem Jashari" at the beginning of the concession seems to have encountered difficulties in generating revenue as the gross revenue of 36.3 million euros generated in 2013 was not surpassed until 2017. However, in 2017, PIA "Adem Jashari" managed to have gross revenue of 37.7

<sup>22</sup> Ministry of Finance, Labor and Transfers. [The amendment of PPP notes was signed with Limak Kosovo International Airport](#). 2024.

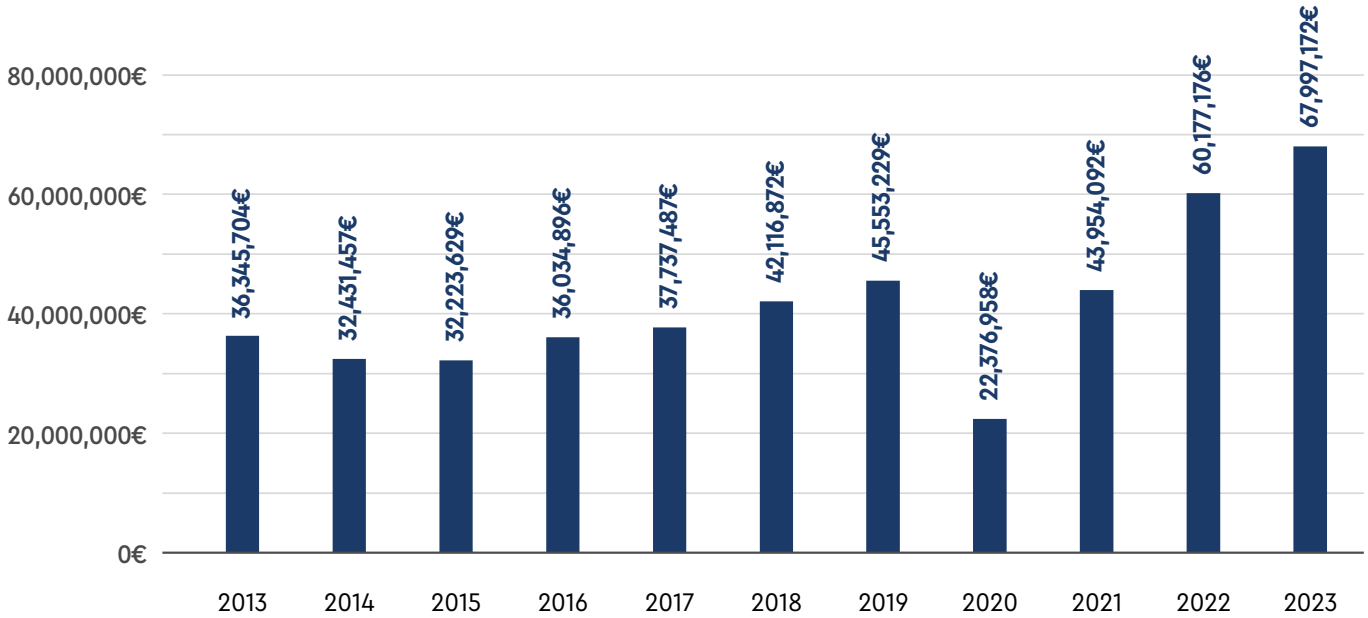
<sup>23</sup> Income from concession tax = (Gross income of ANP + income from bank interest – access fee – Civil Aviation Authority fees – Cost of services) \* the percentage determined based on the calendar year

<sup>24</sup> Data provided by DPPP, MFLT

<sup>25</sup> Ibid.

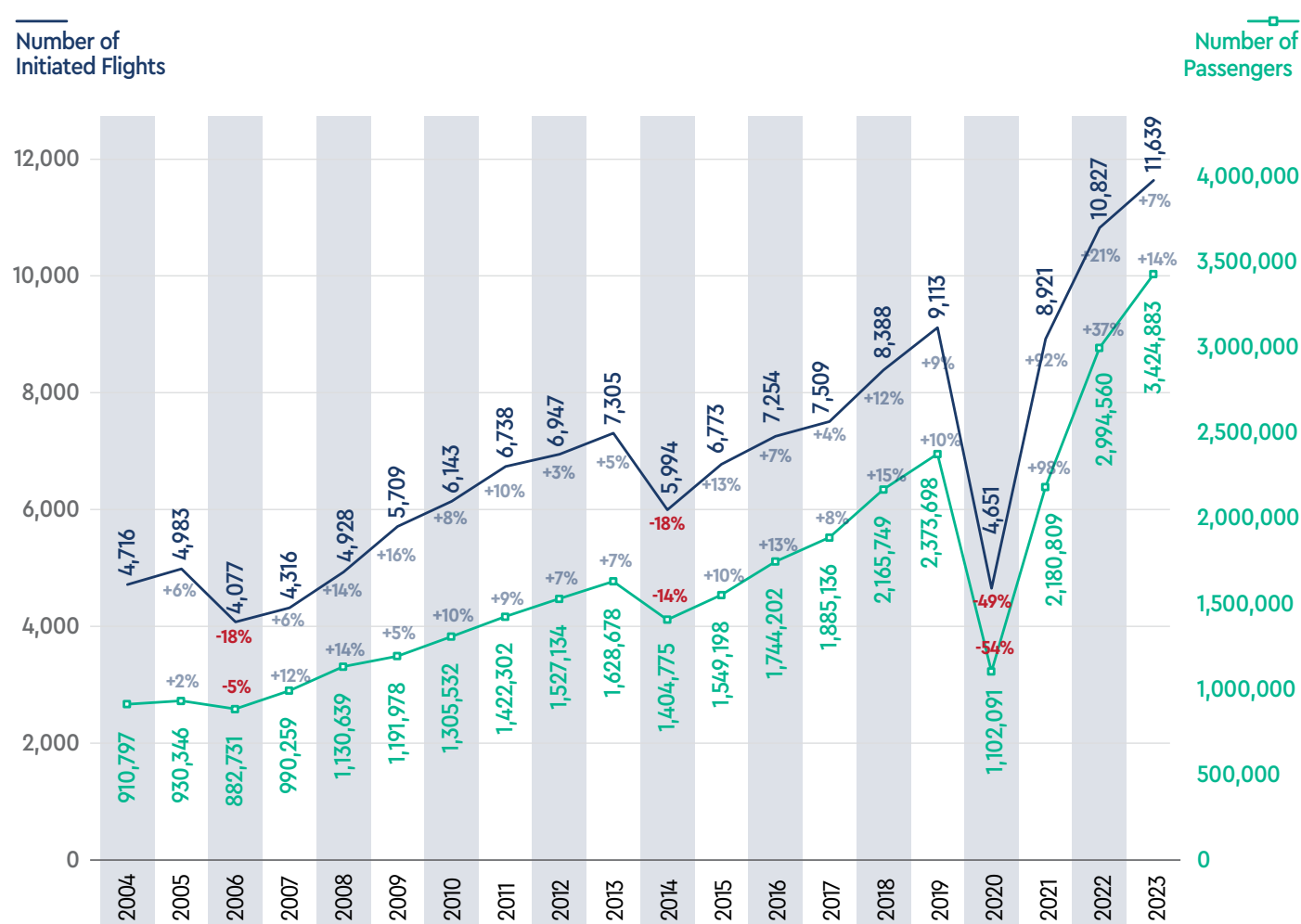
million euros, a positive growth trend that continued until 2020, then stagnated during the COVID-19 pandemic, and recovered again in 2021. Meanwhile, in 2023, PIA 'Adem Jashari' achieved a record gross revenue generation of approximately 68 million euros.

**Figure 3.** Gross Revenue of PIA "Adem Jashari"



Source: MFLT, Audit Reports

The following table shows the annual changes in the number of passengers and flights initiated at PIA 'Adem Jashari' from 2004 to 2023. It is clear that during this period there is an upward trend indicating that the number of passengers and flights has gradually increased, except for the years 2006, 2014, and 2020. Starting from 2021, there has been a rapid recovery with an increase of 98% in the number of passengers and 92% in the number of initiated flights compared to 2020. The increase continued in 2022, while in 2023, there was a record for the highest number of passengers and initiated flights since the airport's establishment.

**Table 3.** Number of Passengers and Initiated Flights – PIA "Adem Jashari"

Source: Civil Aviation Authority of Kosovo (CAA)<sup>26</sup>

## 2.1.2 Underground Parking in Prishtina

Traffic problems and the need for larger parking spaces are among the main challenges of the citizens of the Municipality of Prishtina. In an effort to address these concerns, at the end of 2019, the Municipality of Prishtina signed a concessionary contract with 'Parking Center Sh.P.K', although it remains a question whether this project is in full harmony with Prishtina's mobility plan.<sup>27</sup> This contract gave the concessionaire the responsibility to design, finance, and build the underground parking at the Faculty of Philology. Currently, the value invested in the construction of this parking is 10,166,891 euros out of the planned 12,000,000 euros.<sup>28</sup> Regarding this investment, based on the contract, the concessionaire is given the right to operate, manage, maintain, and provide parking services, thus generating revenue from offering these services. These revenues are based on the fees set in appendix 9 of the contract and are expected to be indexed once every 3 years based on the accumulated price index published by the Kosovo Agency of Statistics (KAS).<sup>29</sup>

<sup>26</sup> Civil Aviation Authority. [Statistics of passengers, flights and cargo in ANP "Adem Jashari"](#) . 2023

<sup>27</sup> Municipality of Prishtina. [Public-Private Partnership Underground Parking at the Faculty of Philology in Pristina, Republic of Kosovo](#), 2019.

<sup>28</sup> Data sent by the Municipality of Pristina.

<sup>29</sup> Ibid.

According to the contract, the concessionaire is also allowed to build underground commercial buildings but only below the 0.00 quota (ground floor) and must necessarily include the construction of a minimum of 500 parking spaces with a surface area of 25 m<sup>2</sup> each. The duration of this contract is expected to be 35 years from the date of the parking operation release. Meanwhile, in exchange for its rights, the concessionaire is obliged to pay the Municipality of Prishtina concession fees of 15% of gross revenue for each calendar quarter after the first 25 months.<sup>30</sup> The generation of these revenues by the Municipality of Prishtina is expected to begin in November 2024, respectively 25 months after the technical acceptance of the project.<sup>31</sup>

Besides the underground parking, the Municipality of Prishtina currently has four other active project proposals to initiate PPPs such as: "Prishtina Center Sh.P.K" and the construction of three new schools in the Sofali, Mat, and New Prishtina neighborhoods.<sup>32</sup>

### 2.1.3 Infrastructure Regulation of High School Complex in the Municipality of Gjilan

In December 2015, the Municipality of Gjilan signed a PPP contract with "Adea Fast Food Sh.P.K" for financing, constructing, maintaining, and managing high schools' campus in this municipality.<sup>33</sup> The contract foresees that the concessionaire will build and manage the open sports grounds (four handball fields and four volleyball fields), a closed-type sports ground, four school buffets, and green areas within the school complex. The concessionaire will also build the road with sidewalks, car parking spaces for school staff, and a local bus station, although these investments will be managed by the municipality. As a reward for these investments, the concessionaire is granted the right to collect revenue for the service and commercial activities it offers. Meanwhile, it is obliged that on the effective date of this contract, it pays the transaction fee of 3,000 euros and the project supervision fee of the same amount.<sup>34</sup>

Depending on the amount collected from service provision, after the sixth year of the contract, the concessionaire is obliged to pay the municipality a certain percentage of gross revenue twice a year.<sup>35</sup> These payments according to the concession fee until the sixth year are 0%, and from the sixth to the fifteenth year, it must be 1% of the annual gross revenue. The contract duration is 15 years, and there is a possibility to extend it if both parties agree.<sup>36</sup> Based on the PPP agreement signed between the concessionaire and the Municipality of Gjilan, the revenue generated from the concession contract from 2017 to 2022 was approximately 11,000 euros.

Besides the high school campus, the Municipality of Gjilan currently has four other active project proposals to initiate PPPs such as: the creation of the industrial economic zone, the construction of the innovation center (ICT), the regulation of public lighting in the city, and the regulation of the Livoq Lake dam.<sup>37</sup>

<sup>30</sup> Ibid.

<sup>31</sup> Data sent by the Municipality of Pristina.

<sup>32</sup> Ibid.

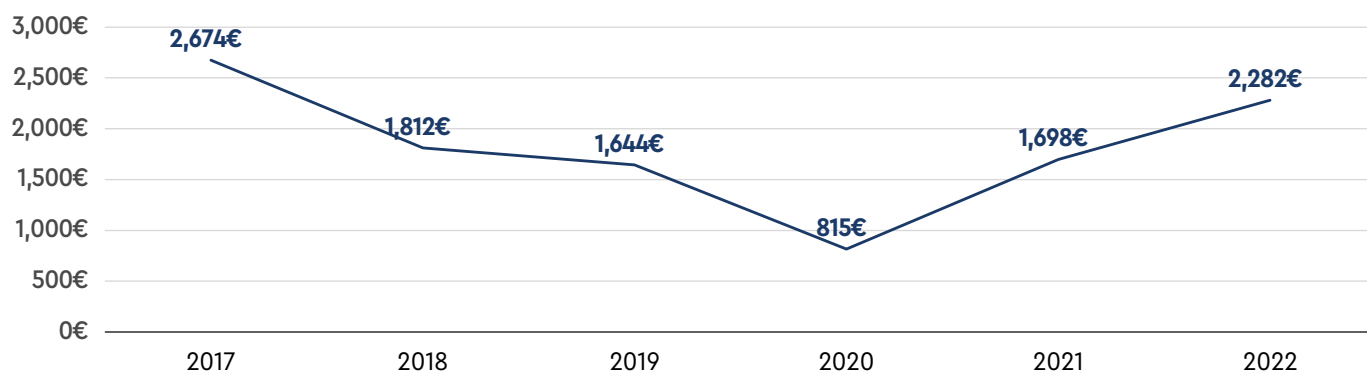
<sup>33</sup> Municipality of Gjilan. Concession Contract No. 1687. 2015

<sup>34</sup> Ibid.

<sup>35</sup> Payment twice means from 50% of the annual payment of the concession fee.

<sup>36</sup> Municipality of Gjilan. Concession Contract No. 1687. 2015

<sup>37</sup> Data sent by the Municipality of Gjilan.

**Figure 4. Municipality of Gjilan Revenue from the Concession Contract**

\*Data for other years are missing

Source: Municipality of Gjilan

## 2.2 Sectors with Potential for PPP in Kosovo

In Kosovo, there are several sectors with PPP potential that represent a good opportunity to improve infrastructure and stimulate the country's economic development. For example, the transport and road infrastructure sector has significant investment potential as easing access and movement of people and goods is a key factor for economic growth and the development of other sectors, including trade and tourism. This could be realized through the construction and improvement of roads, highways, and public transport infrastructure. Additionally, the healthcare and education sectors are two other sectors with high PPP potential. Investments in these sectors can help improve the quality and access to healthcare and education services. This could be realized through the construction of new health centers and schools that offer better services to citizens. In the education sector, as mentioned earlier, the implementation of some PPP projects in municipalities has already begun, such as the construction and maintenance management of primary and secondary schools for a certain period. Similarly, to reduce the financial burden on the government, infrastructure projects such as construction/maintenance management in family medicine centers or hospitals could be implemented in the healthcare sector.

In Kosovo, the mining sector and renewable energy sector also show great potential for PPPs. Investments in the mining sector would help in the exploration and utilization of mineral resources, which could have an impact on economic growth and job creation. On the other hand, investments in the renewable energy sector would contribute to diversifying energy sources and reducing dependence on traditional energy production sources. This could be achieved through the construction and operation of renewable energy plants such as wind farms or solar panels. As highlighted in the Kosovo Energy Strategy 2022–2031, Kosovo needs significant investments in the energy sector to improve security of supply and efficiency, which requires a considerable budget. Moreover, decarbonization and promoting renewable energy is the second strategic objective of the Energy Strategy, demonstrating the government's focus on energy transition. One of the main targets of this objective is the development of new capacities from renewables (600 MW wind, 600 MW photovoltaic, 20 MW biomass, and 100 MW capacity from self-producing consumers). Considering the high cost of these investments, besides government budget financing and donor grants, there is a need to mobilize private investments. Specifically, private investments could be mobilized in the construction component of new

generating capacities from renewable sources, energy efficiency investments, and distribution network investments.<sup>38</sup>

Regarding investments in new capacity generation, in March 2024, an agreement was signed between the Ministry of Economy and the International Finance Corporation (IFC). This agreement was signed for the development of Kosovo's first Wind Auction with a capacity of 150 MW. The goal of this agreement, according to the Ministry of Economy, is to attract private investments for wind projects, starting from their design, financing, construction, and operation. On the other hand, the government provides security to investors, whether through obligations to purchase the produced energy for a certain period, providing basic accompanying infrastructure, etc. An important factor is that in this agreement, the Ministry of Economy has envisaged a component for public-private partnerships (PPP).<sup>39</sup> This can be considered an important step by the Government for the realization of such projects towards a green transition and a precedent for similar projects in the near future.

### 2.2.1 The Mining Sector

With rich natural mineral resources such as lead, zinc, other mineral rocks, and heavy metals, PPPs could bring significant investments in the research, development, and utilization of these minerals. The largest mine working with the extraction and processing of these minerals in Kosovo is Trepça/Trepča. Currently, Trepça/Trepča is in a difficult financial situation, and the existing equipment is in poor condition.<sup>40</sup> It has also left considerable environmental pollution and minimal production, negatively affecting Kosovo's industrial production as most of Trepça/Trepča's products are exported. Consequently, according to the Municipality of South Mitrovica, to reactivate Trepça/Trepča, immediate investments and interventions in the main equipment and facilities that have suffered damage due to lack of regular professional maintenance in recent years are needed.<sup>41</sup>

In the absence of a clear strategy by the governments in Kosovo for the development of Trepça/Trepča since the post-war period, budget constraints, but also due to the expertise and efficiency brought by private investors, PPPs could be an attractive form for the revitalization of Trepça/Trepča. The Law on Trepça/Trepča provides provisions related to PPPs in the context of the company's transformation and restructuring.<sup>42</sup> Article 12 of the law specifies that "Trepça/Trepča J.S.C." will create opportunities to be attractive for domestic and foreign private investors through PPPs, direct private investments, joint investments, or the issuance and sale of shares. This provision specifies that the Law on Trepça/Trepča encourages and regulates PPPs as a tool for the development of the enterprise and to secure necessary investments that would bring its revitalization.

Furthermore, the Law on Strategic Investments through Article 2 specifies that: "strategic investment projects in the Republic of Kosovo must be in priority sectors of public interest for the country's economic and social development." These sectors, according to this article, must contribute to economic growth, employment, the implementation of new technologies, increasing competitive

<sup>38</sup> Ministry of Economy. [Energy Strategy of the Republic of Kosovo 2022–2031](#). 2022

<sup>39</sup> Ministry of Economy. [The agreement for the development of the Wind Energy auction is signed between ME and IFC](#). 2024

<sup>40</sup> Municipality of South Mitrovica. [Draft Municipal Development Plan of South Mitrovica](#). 2019.

<sup>41</sup> Ibid.

<sup>42</sup> Official Gazette of the Republic of Kosovo. [Law No. 05/L-120 For Trepça/Trepča](#).

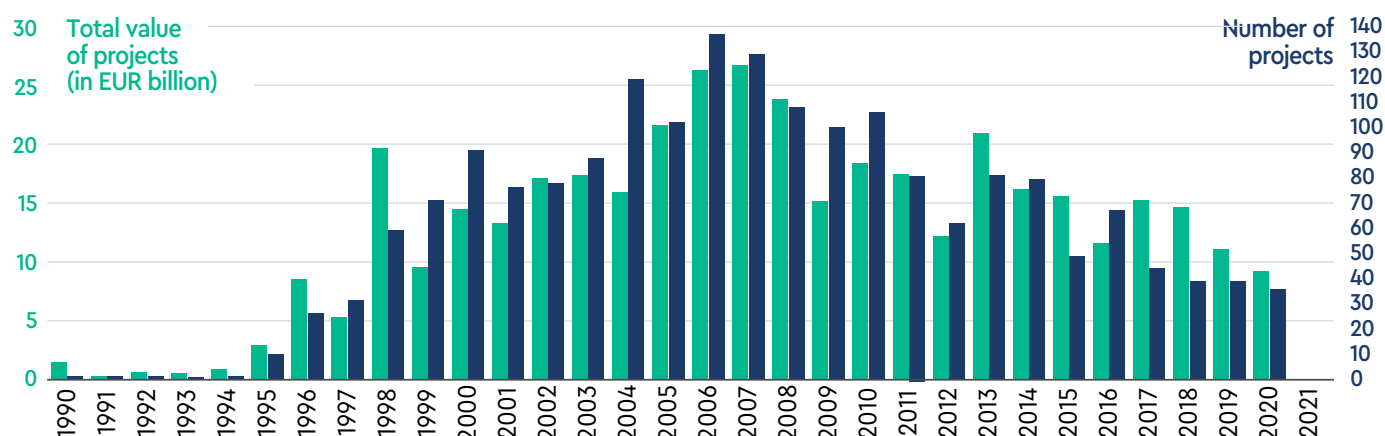
capacity, export growth, reducing the trade deficit, and generally improving the well-being and living conditions of Kosovo's citizens.<sup>43</sup> Although the law does not directly mention the role of PPPs, Article 4 emphasizes that the government can invite investment entities to apply for strategic projects if it assesses that the public interest can be realized through tendering procedures according to the Law on PPPs or the Law on Public Procurement.

In a PPP model, the government could open a tender for private companies interested in investing in the modernization of the mine's infrastructure and sharing the revenue from mineral production. In this way, the government would ensure favorable conditions for investors, while private companies would contribute with their capital and experience in managing and modernizing the mine.

### 3. Practices of PPPs in the EU and Countries in the Region

Overall, in Europe, PPPs have been used to address financing challenges, meet infrastructure project needs, and improve the quality and efficiency of public services. In this context, many sectors have identified opportunities to benefit from using PPPs to meet their development goals and provide better services to citizens. PPPs in Europe became widespread in the mid-2000s. From 1990 to 2021, around 2,000 PPP projects were implemented in Europe with investment values of 403 billion euros. From 2023, a downward trend in investments through PPPs in Europe is observed, which may also be due to the reduced need for large infrastructure investments. Based on sectors, transport is the dominant sector with PPPs in terms of the number of financed projects, followed by healthcare, education, environment, telecommunications, and urban development. Meanwhile, by countries, a greater spread of PPPs is observed in the UK, France, and Germany.<sup>44</sup> The main form of investment implementation through PPPs in Europe has been where governments pay for the availability of infrastructure or services.<sup>45</sup>

**Figure 5.** PPP market in Europe based on total value of projects, number of projects and countries



<sup>43</sup> Official Gazette of the Republic of Kosovo. [Law No. 05/L-079 For Strategic Investments in the Republic of Kosovo](#).

<sup>44</sup> EPEC. [Data Portal](#). 2021.

<sup>45</sup> International Monetary Fund. [The Future of PPPs in the Western Balkans](#).



Source:(EPEC)

In the region, the Krnovo wind park is the most important renewable energy project in Montenegro. The project was developed by the Austrian company 'Ivicom Consulting' and the French company 'Akuo Energy', and was supported by the European Bank for Reconstruction and Development (EBRD), KfW (German Development Bank), and Proparko (French Development Finance Institution). The total project financing amount is around 140 million euros, and the concession period includes a 20-year period.<sup>46</sup> In the concession agreement, the land of 219,097 m<sup>2</sup> leased by the government is included, which has undertaken that the purchase price of the electricity produced in the wind park will be guaranteed and fixed for the first 12 years of operation at no less than 95.99 euros per MWh. With an installed capacity of 72 MW, the farm has the potential to produce about 200–230 GWh of electricity annually, which is enough to supply around 50,000 families. The Krnovo park began trial operation in 2017 and has since contributed to increasing Montenegro's renewable energy capacity, representing 6% of the country's total electricity production.<sup>47</sup>

Also, the "Istrian Y" Highway project in Croatia was the initial PPP initiative in this country. This project included a concession agreement signed in 1995 between

<sup>46</sup> ISSP. [Krnovo Wind Farm Pilot Case Analysis](#). 2018.

<sup>47</sup> Ibid.



the Republic of Croatia and "Bina-Istra d.d" to finance, develop, construct, and operate a 141 km road network.<sup>48</sup> The agreement has a duration of 32 years, after which the highway is expected to be transferred to the Croatian state without additional compensation. The project financing includes private capital, financing from commercial banks, and government support. Revenue from the project is generated through tolls (mainly from the use of the Učka tunnel). Meanwhile, as part of the agreement, the government guaranteed minimum revenue levels when traffic fell below projections. The project's success led Croatia to use PPPs in other central-level financing, such as the Zagreb-Macelj highway, the Zagreb wastewater treatment plant, or Zagreb Airport.<sup>49</sup>

In Albania, PPPs are quite widespread and have been used to develop important infrastructure projects, ranging from highways to alternative energy projects through hydropower plants. The number of active concession projects according to the Draft Budget Law for 2024 is 219 projects with a total value of 635 billion lek (6.3 billion euros), of which 182 projects, or 83% of them, are in the energy sector.<sup>50</sup>

The 'Ashta' Hydropower Plant built on the Drin River is an important energy project developed through a public-private partnership between the Government of Albania and 'Verbund' (the largest electricity company in Austria).<sup>51</sup> During a three-year period, the project mobilized 262 million private investments, while the realized fiscal return was 26.2 million euros, showing a positive economic result for both investors and the government. Among other things, the project enabled access to improved electricity services for 170,000 people, representing approximately 5% of the population, and increased electricity production capacity by 53 MWh, contributing to the country's energy security and reducing dependence on imported electricity.<sup>52</sup>

However, one of the most notorious PPPs in Albania remains the incinerators. An incinerator is a plant that produces electricity from waste combustion. In Albania, the idea of using waste to produce energy began in 2014 but has been contested from the beginning as it deviated from the national waste recycling strategy and was criticized in the European Commission's 2018 progress report as it did not align with the directive aimed at waste recycling, considering incineration as the last option.<sup>53</sup> To realize this idea, three companies submitted unsolicited offers for waste management.

Since then, three incinerators have been built in Albania, respectively in Elbasan, Fier, and Tirana. These incinerators have received around 122 million euros from the state budget since 2017, but only 4.4% of the waste generated in 2022 was eliminated by combustion.<sup>54</sup> Waste management costs for the Municipality of Tirana have doubled in 2024 compared to 2017. Meanwhile, waste processing is costing the Municipality of Durrës more, which spends over half of its revenue only on environmental protection.<sup>55</sup> Besides, major cities are facing high waste treatment costs and an environmental emergency with increasing landfills.<sup>56</sup> Numerous legal violations, document falsifications, and corruption scandals in the establishment of these incinerators led the Special Structure Against Corruption and Organized

48 Metaxas, Theodore & Preza, Elisavet. "[Public- Private Partnerships in Southeastern Europe: The case of Croatia](#)," 2012. MPRA Paper.

49 Ibid.

50 Open Data Albania. [PPP Concessions Active on January 1, 2024](#).

51 World Bank. [Public-Private Partnerships Briefs Albania: Ashta Hydropower](#). 2015.

52 Ibid.

53 European Commission. [Albania 2018 Report](#), 2018.

54 Revista Monitor. [Incinerators are "burning" only public funds \(120 million euros\); Eurostat: 4% of waste in Albania was processed in 2022](#). 2024

55 Ibid.

56 Voice of America. [Albania: Incinerators that do not burn risk a new environmental crisis](#). 2023

Crime (SPAK) to initiate investigations and issue arrest warrants for a large number of officials from the Ministry of Environment and the respective companies involved in contracts.<sup>57</sup>

## 4. Conclusions and Recommendations

PPPs are important for the development of infrastructure and public services due to their potential to bring significant investments and improve service quality. Many countries have seen these partnerships as a key tool to address infrastructure and public needs by integrating the knowledge and resources of the private sector in promoting innovation and efficiency in the public sector. However, the experience of other countries has shown that not every PPP contract has been successful and has positively impacted the country's development. In some cases, PPPs have faced major challenges due to a lack of proper preparation before project initiation, lack of proper oversight during implementation, and unequal representation of partner interests. Similarly, PPPs should be utilized only in sectors or projects that promote sustainable economic development and do not bring other costs such as environmental ones.

In Kosovo, PPPs are not very widespread mainly due to the limited practice of public authorities for such investments, causing the country to miss out on opportunities to benefit from private investments. Currently, there are only five active PPP projects in Kosovo, three of which are in the operational phase. Recently, to further promote these partnerships, a new draft law on PPPs is foreseen, which has not yet been sent to the Assembly of Kosovo for approval.

GAP Institute recommends further steps to promote and facilitate PPP practices in Kosovo:

- Reviewing and approving the new draft law on PPPs in the Assembly so that new PPP initiatives are harmonized with the new legislation, which should be less bureaucratic and with proper oversight mechanisms;
- Identifying strategic assets of the country that have potential and need investments to improve efficiency and increase their capacities;
- Directing PPPs towards alternative sources of energy production such as solar and wind energy technologies;
- Ensuring that every PPP contract contains the necessary conditions for protecting public interests, including criteria for service quality that should be offered, financial transparency, and accountability;
- Creating proper frameworks and strengthening oversight mechanisms for these projects;
- Increasing transparency for PPP projects: greater transparency would prevent legal violations and increase trust among private partners interested in partnerships;
- Properly costing PPP projects and including them and the obligations they bring in the budget document as well as in the medium-term plan; in case of widespread PPPs, thinking about limits or caps of PPP value or stock in relation to economic growth or institutional budgets;
- Creating campaigns or information portals where private parties could understand the possibility of such partnerships; and
- Identifying private potential that could be utilized for public interest. This implies selecting private partners with experience, financial capacity, and a good reputation to manage and operate the project efficiently.

<sup>57</sup> Gazeta Shqip. [SPAK signs 13 arrest warrants for Incinerators, the State Police begins the operation, the former administrator is arrested](#). 2022.

## 5. Appendices

### Appendix 1. Variable Concession Fee of PIA 'Adem Jashari'

Calendar Year	Concession Fee (as a percentage of gross revenue)	
2013	2 <sup>nd</sup>	18%
2014	3 <sup>rd</sup>	22%
2015	4 <sup>th</sup>	23%
2016	5 <sup>th</sup>	23%
2017	6 <sup>th</sup>	23%
2018	7 <sup>th</sup>	25%
2019	8 <sup>th</sup>	28%
2020	9 <sup>th</sup>	34%
2021	10 <sup>th</sup>	37%
2022	11 <sup>th</sup>	40%
2023	12 <sup>th</sup>	46%
2024	13 <sup>th</sup>	51%
2025	14 <sup>th</sup>	52%
2026	15 <sup>th</sup>	53%
2027	16 <sup>th</sup>	54%
2028	17 <sup>th</sup>	55%
2029	18 <sup>th</sup>	55%
2030	19 <sup>th</sup>	55%
2031	20 <sup>th</sup>	55%

### Appendix 2. Variable Concession Fee of Underground Parking in the Municipality of Prishtina

Calendar Year	Concession Fee (as a percentage of gross revenue)	
1 <sup>st</sup>		0%
2 <sup>nd</sup>		0%
3 <sup>rd</sup>		15%
4 <sup>th</sup>		15%
5 <sup>th</sup>		15%
6 <sup>th</sup>		15%
7 <sup>th</sup>		15%
8 <sup>th</sup>		15%
9 <sup>th</sup>		15%
10 <sup>th</sup>		15%
11 <sup>th</sup>		15%
12 <sup>th</sup>		15%
13 <sup>th</sup>		15%
14 <sup>th</sup>		15%
15 <sup>th</sup>		15%
16 <sup>th</sup>		15%
17 <sup>th</sup>		15%
18 <sup>th</sup>		15%
19 <sup>th</sup>		15%
20 <sup>th</sup>		15%
21 <sup>st</sup>		15%
22 <sup>nd</sup>		15%
23 <sup>rd</sup>		15%
24 <sup>th</sup>		15%
25 <sup>th</sup>		15%
26 <sup>th</sup>		15%
27 <sup>th</sup>		15%
28 <sup>th</sup>		15%
29 <sup>th</sup>		15%
30 <sup>th</sup>		15%
31 <sup>st</sup>		15%
32 <sup>nd</sup>		15%
33 <sup>rd</sup>		15%
34 <sup>th</sup>		15%
35 <sup>th</sup>		15%

**Appendix 3. Variable Concession  
Fee of the High  
School Complex in the  
Municipality of Gjilan**

<b>Calendar Year</b>	<b>Concession Fee (as a percentage of gross revenue)</b>
1 <sup>st</sup>	0 %
2 <sup>nd</sup>	0 %
3 <sup>rd</sup>	0 %
4 <sup>th</sup>	0 %
5 <sup>th</sup>	0 %
6 <sup>th</sup>	1 %
7 <sup>th</sup>	1 %
8 <sup>th</sup>	1 %
9 <sup>th</sup>	1 %
10 <sup>th</sup>	1 %
11 <sup>th</sup>	1 %
12 <sup>th</sup>	1 %
13 <sup>th</sup>	1 %
14 <sup>th</sup>	1 %
15 <sup>th</sup>	1 %



GAP Institute is a Think Tank established in October 2007 in Kosovo. GAP's main goal is to attract professionals to create an environment of professional development and research, as seen in similar institutions in Western countries. This also provides Kosovars with opportunities to research, develop and implement projects in order to advance the Kosovo society. Priority for this Institute is the mobilization of professionals to address the country's economic, political and social challenges. GAP's main goals are to fill the gaps between government and citizens, and between problems and solutions.

[www.institutigap.org](http://www.institutigap.org)

Sejdi Kryeziu, Blloku 4, Nr. 4, 10000 Prishtinë

Tel.: +383 38 609 339

[info@institutigap.org](mailto:info@institutigap.org)

The GAP Institute is supported by:



Rockefeller  
Brothers Fund

Philanthropy for an Interdependent World

This project is supported by:

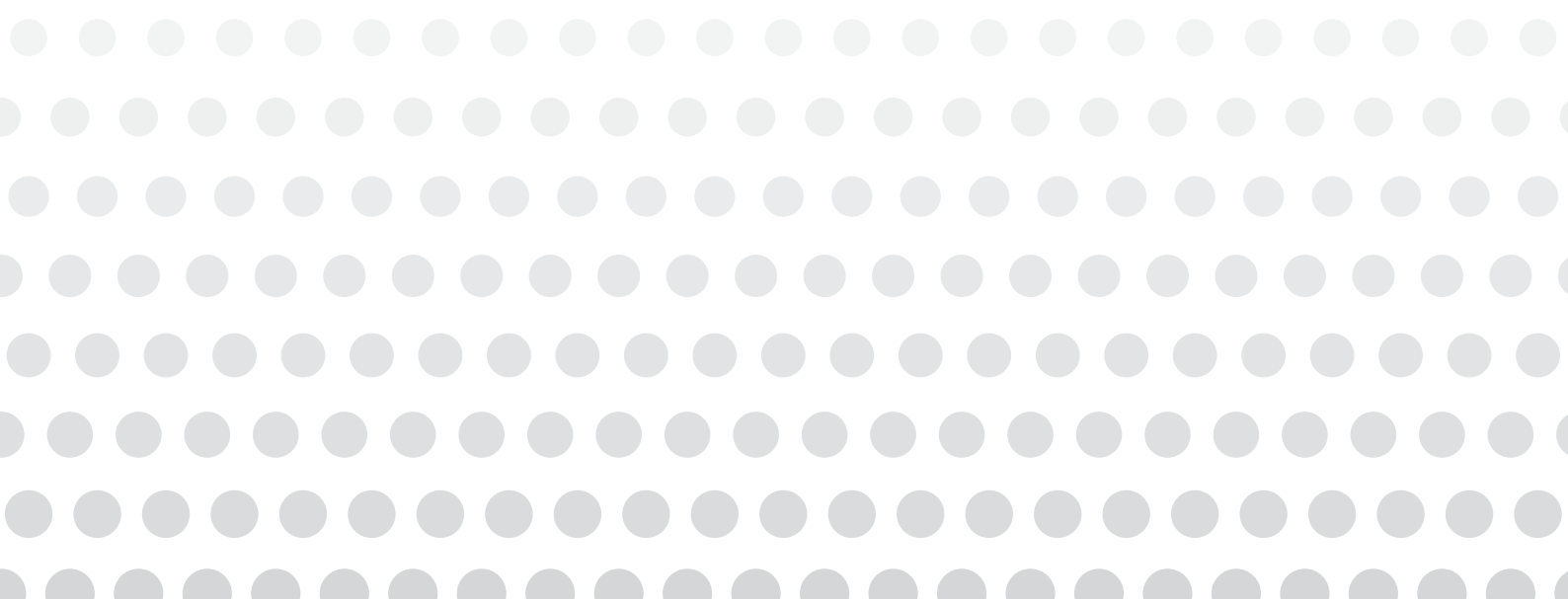


Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Cooperation Office Kosovo



Sweden  
Sverige



**Investments through  
Public-Private Partnerships (PPPs)  
in Kosovo and the Way Forward**