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FIRST REPORT ON THE IMPLEMENTATION AND RESULTS OF THE NATIONAL DEVELOPMENT STRATEGY 2016–2021

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CONTENTS

ACRONYMS	3
1. SUMMARY ASSESSMENT	4
1.1. Implementation of measures	4
1.2. Progress towards achieving NDS key objectives	6
1.3. Initial measure results	9
2. IMPLEMENTATION AND RESULTS OF NDS	10
2.1. Pillar 1: Human capital	10
2.2. Pillar 2: Good governance and rule of law	14
2.3. Pillar 3: Competitive industries	18
2.4. Pillar 4: Infrastructure	24
3. FINANCIAL PLANNING AND REPORTING	31
3.1. NDS measure costing process	31
3.2. Reporting on the implementation costs of NDS measures	31
4. SDG alignment with NDS	33
4.1. The 2030 Agenda for Sustainable Development: Global and national applications	33
4.2. Alignment of SDG targets with NDS	33
4.3. The availability of data to measure SDG progress	36
4.5. NDS contribution to the 2030 Agenda for Sustainable Development	37
5. THE WAY FORWARD	43
5.1. Improvement of implementation	43
5.2. Improving monitoring and reporting arrangements	46
5.3. Upgrading and restructuring existing NDS measures	47
ANNEX I. STRATEGIC MONITORING TABLE	53
ANNEX II. MONITORING TABLE ON IMPLEMENTATION	55
ANNEX III. DATA AVAILABILITY FOR ALIGNED SDGS AND TARGETS WITH NDS	62

ACRONYMS

ERP	Economic Reform Programme
FDI	Foreign direct investment
GAWP	Government's Annual Work Plan
GDP	Gross domestic product
NDS	National Development Strategy 2016–2021
NPISAA	National Programme for Implementation of the Stabilization and Association Agreement
SDG	Sustainable Development Goal
SME	Small and medium enterprise

1.

SUMMARY ASSESSMENT

This is the first report reviewing the implementation and results of the Kosovo National Development Strategy 2016–2021, hereafter referred to as ‘the NDS’. The NDS was approved by the Government of Kosovo in January 2016 and included 34 measures organized under four pillars, with up to seven concrete implementation activities for each measure. A more detailed implementation plan – the NDS roadmap – which includes a costing of measures and indicators for implementation and results, was prepared in the first half of 2017. This report is based on the NDS roadmap and the methodology for reporting on and monitoring NDS implementation, results and financing, which was developed by the Strategic Planning Office. It reports on the state of implementation at the end of 2017 and uses the indicator results values available through June 2018.

This chapter provides a summary assessment outlining the coverage of the Sustainable Development Goals (SDGs) within the NDS, the progress achieved during the first two years of NDS implementation. The summary assessment is followed by detailed reports for each NDS pillar (chapter 2); a discussion of the challenges of reporting on financial implementation (chapter 3); and a review of the progress made across various NDS measures towards the aligned SDG targets (chapter 4). The concluding chapter offers recommendations for improving the implementation and monitoring of the NDS and upgrading existing measures.

1.1. Implementation of measures

Implementation has begun for all but one NDS measure, though delays have been recorded for 25 per cent of all planned activities. These delays have affected the timeliness of 15 measures. Nevertheless, advanced progress has already been achieved on six measures and 24 per cent of all activities, with an additional 7 per cent of activities already completed. These are considered good results for the first two years of the six-year implementation period (2016–2021).

Pillar 1: Human capital

Pillar 1 measures focus on improving the quality of education and better linking education with the needs of the labour market. Strong progress has already been achieved in important areas, such as the professional development of teachers and the introduction of national student examinations that measure learning achievements. The development of an education information system is nearly complete. The upgrading of school inspections has also advanced, as have improvements in labour market inspections and related arrangements for reducing informal employment.

The delays observed under this pillar are primarily linked to systemic changes and institutional development. The Standards and Evaluation Agency has not been established, since the Government of Kosovo within wider public administration reform agenda will undertake a review of executive agencies, while the capacity and professional autonomy of the National Qualification Agency and the Kosovo Accreditation Agency need to be improved. The implementation of a teacher grading and licencing system was not started in 2017. Key tools for the development of professional education, such as for forecasting skills and reviewing the financing formula, are delayed. Finally, little has been done to date to attract experts and students from the diaspora to the national education system.

Pillar 2: Good governance and the rule of law

Under Pillar 2, advanced progress has already been achieved in important areas of judicial efficiency and public procurement. Registries of public services and administrative procedures were completed and will now be used to reduce administrative burdens for citizens and businesses.

Delays are linked to the comprehensive introduction of regulatory impact assessments and to the strengthening of the property rights system (including the simplification of property registration procedures, increasing the capacity of courts to decide on property rights issues, and ensuring the property rights of women and members of non-majority communities). Regarding inspections, progress has been achieved towards improving cooperation among inspections, tax and customs authorities. However, the preparation of legislation for a unified inspection system has been delayed, and the planned merger of the tax and customs authorities is no longer considered a government priority.

Pillar 3: Competitive industries

Pillar 3 measures are largely being implemented in line with the planned timeline. Many of the measure activities intended to support small and medium enterprises (SMEs) and industrial development (i.e., improving access to finance, supporting the development of high value-added SMEs and industrial clusters and attracting foreign direct investment (FDI) are already in the advanced implementation stage.

Nevertheless, stronger efforts will be needed to translate the improvements in framework conditions into actual increases in FDI and the effective formation of clusters. Support schemes for diaspora investments, innovative SMEs, and the information technology sector still need to be implemented or strengthened. Similarly, the chosen and legislated model for revitalizing Trepça and resolving its liabilities has not yet been implemented.

Pillar 4: Infrastructure

Implementation of Pillar 4 measures has begun, with delays recorded for most measures. Advanced progress has been achieved towards building road infrastructure and improving infrastructure for agricultural production and business. In the energy sector, good progress has been made on the legal frameworks for an open energy market, energy efficiency and the use of renewable resources, with some related projects already ongoing. While there are delays with the structural reform of the Kosovo Energetic Corporation and the establishment of ESCO companies, the agreement with the private investor for the new generation capacity (Kosova e Re) is now in the closing phase.

Activities related to improving the management of natural resources (i.e., water and forests) have started and some initial progress has been achieved. However, delays have been recorded for some water supply expansion projects and, most significantly, in waste management.

1.2. Progress towards achieving NDS key objectives

A set of macro-level indicators was selected to monitor progress towards key NDS objectives related to growth, employment and social cohesion. Table 1 presents baseline values, targets, the latest available figures and the status of the progress against these indicators.

During the first two years of NDS implementation, employment and social cohesion saw **the most improvement across macro-level indicators**. Out of eight indicators selected by the NDS in the employment and social cohesion domains, two indicators – one on labour force participation and the other on poverty rates – have been fully achieved;¹ one indicator is characterized as having advanced progress; and two others have evidenced average progress. On the other hand, out of three indicators selected in the economic growth domain, average progress was achieved for one indicator and limited progress was noted for two others. Finally, out of five indicators selected in the investment and trade domain, one indicator is characterized as having advanced progress, one has evidenced average progress, one has shown limited progress and one has shown no progress.

Growth, investment and trade: During the period of 2015–2017, gross domestic product (GDP) grew by approximately 4 per cent, per year, on average, yet with limited progress towards the 7 per cent target. Growth was largely driven by private consumption and investments (driven also by private sector investment, which grew from 17.9 per cent of GDP in 2015 to 19.7 per cent of GDP in 2017),² while government consumption had a negative impact on overall economic growth. Growth in private consumption was driven by the steady growth of remittances from workers and domestic lending. The growth in exports of goods and services has also picked up recently, albeit from a low baseline. The share of GDP devoted to the export of goods and services increased from 19.3 per cent in 2015 to 27.1 per cent in 2017, which is very close to the NDS target of 28 per cent by 2021. This increase can be largely attributed to the

¹ Please see Table 2 for instructions on the status of the progress for NDS indicators.

² Overall gross fixed capital formation increased from 25.8 per cent in 2015 to 27.3 per cent in 2017.

growth of tourism (i.e., income from travel services). However, the ratio of exports to imports has only improved slightly, from 12.3 per cent in 2015 to 13.3 per cent in 2017, with limited progress towards the target of 18 per cent. Nevertheless, the positive contribution of exports of goods and services to economic growth was significantly higher in 2016 than in 2017 due to the bigger increase of imports in 2017. On the other hand, net FDI declined meaningfully in 2016, compared with the baseline year of 2015, from €308 million in 2015 to €220 million in 2016. Although net FDI increased in 2017, it remained below the 2015 level.

Despite these mixed results in the domains of growth, investment and trade, the current growth pace appears to be contributing to improved results for key labour market and poverty indicators.

Poverty levels: Income poverty has decreased significantly based on the latest available data. A report on consumption poverty produced by the Kosovo Agency of Statistics found that in 2015, the percentage of the Kosovo population living below the poverty line³ and unable to meet human needs decreased from 30 per cent in 2011 to 17.6 per cent in 2015, though this rate remains significantly below the NDS target of 25 per cent by 2021. Similarly, the percentage of the population living below the extreme poverty line⁴ and unable to meet basic survival needs decreased from 10 per cent in 2011 to 5.2 per cent in 2015. The poverty gap, which measures the depth of poverty and considers both the percentage of the population below the poverty line and the size of the gap between the poverty line and the average consumption of those below the poverty line, also decreased. The depth of poverty based on the full poverty line declined from 7.8 per cent in 2011 to 3.7 per cent in 2015. A similar trend characterizes changes in the extreme poverty gap, which declined from 2.1 per cent in 2011 to 1.1 per cent in 2015.

Labour market: Labour market outcomes also improved compared with the baseline during these years. These improvements were much higher in the labour force participation rate⁵ and the employment rate,⁶ than in unemployment rates.⁷ The labour force participation rate increased from 37.6 per cent in 2015 to 42.8 per cent in 2017, exceeding the NDS target value of 42 per cent by 2021. Similarly, the employment rate improved from 25.2 per cent in 2015 to 29.8 per cent in 2017, though the rate remains under the NDS target of 34 per cent by 2021. Significant progress was also achieved towards reducing the share of youth outside of employment, education and training, from 31.3 per cent in 2015 to 27.4 per cent in 2017, exceeding the NDS target of 25 per cent by 2021. Nonetheless, very limited progress was achieved towards decreasing unemployment rates. In 2017, approximately 30 per cent of the labour force was estimated to be unemployed, down from 32.9 per cent in 2015, but still far from the NDS target of 20 per cent by 2021. The same is true for the rates of youth unemployment and labour force participation of women, which, although improved, are still far from achieving the NDS targets.

³ Living below the poverty line is defined as living on €1.82 or less per adult equivalent per day.

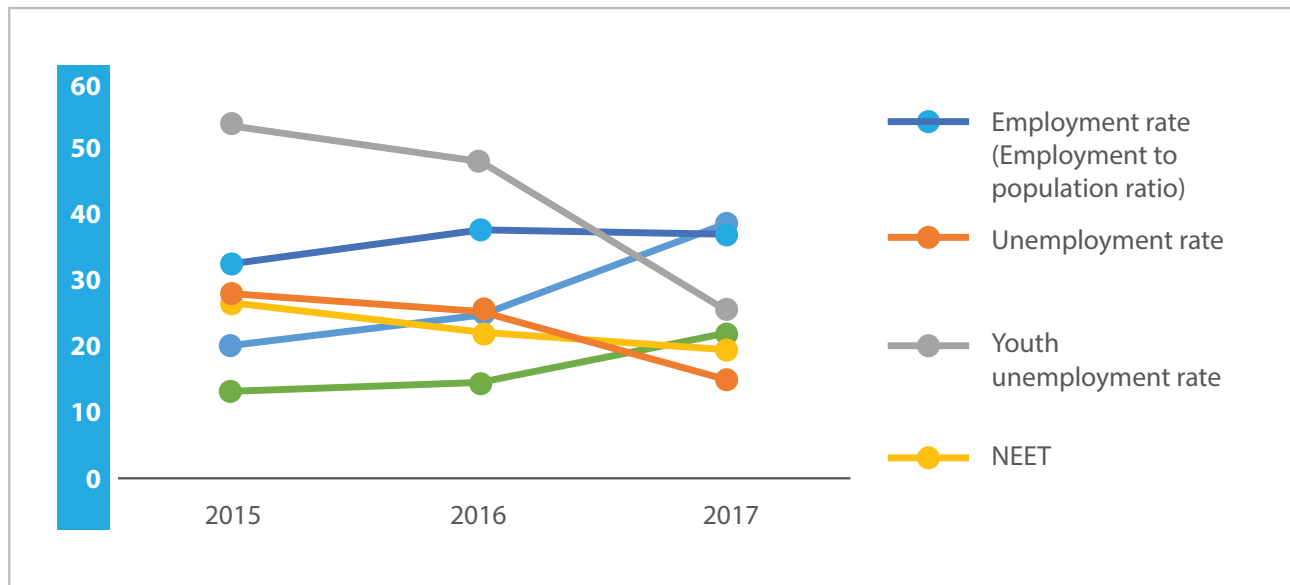
⁴ Living below the extreme (food) poverty line is defined as living on €1.30 or less per day.

⁵ The labour force participation rate is the ratio of employment and unemployment to the working age population.

⁶ The employment rate is the employment to working age population ratio.

⁷ The unemployment rate is the unemployed to labour force (employed and unemployed people) ratio.

FIGURE 1: Key labour market indicators for Kosovo



Source: Kosovo Agency of Statistics, labour force surveys for 2015–2017.

Despite improvements in these indicators, many vulnerabilities remain in the labour market.

Key indicators such as the labour force participation rate and the employment rate are low by international standards, while the unemployment rate remains high. During the period of 2015–2017, the unemployment rate was 30–33 per cent – two times higher than the average rate in the region and four times higher than the average for European Union countries. Similarly, the measures of labour resource utilization, such as the labour force participation rate and the employment rate, are the lowest in the Western Balkan region and significantly lower than the average for European Union countries. The same indicators for women are extremely low. Another worrying factor is the duration of unemployment. A significant share of the unemployed (71.5 per cent) reported that they have been unemployed for longer than 12 months. Furthermore, although there are varying definitions and estimates of the size of the informal sector in Kosovo,⁸ when the legal definition of informality⁹ is applied and data from the Labour Force Survey are used, it appears as if the share of those informally employed has increased from 15.5 per cent in 2015 to 21.5 per cent in 2017. For young adults aged 15 to 24 years, the percentage of those who worked without contracts was 46.2 per cent in 2017.

These results show that the implementation of NDS measures should continue and be accelerated to spur economic growth and sustain the gains in employment.

The planned increases in public investments, including private investment in new energy capacities, may create a short-term increase in economic growth rates. For this increase to be sustainable over the long term, NDS measures related to the competitiveness of the industrial, SME and agricultural sectors, and related to good governance and rule of law, must be strengthened and

⁸ See for example, 'European Informality: A study of Kosovo's shadow economy', a World Bank study that has yet to be published.

⁹ Informal work is defined as wage workers who do not have a labour or employment contract.

fully implemented. To sustain the gains in employment and achieve further improvements, NDS measures for bridging the gap between skills and labour market needs must be stepped up and complemented by increasing the scope, coverage and funding of active labour market measures.

TABLE 1: Key macro indicators

	Nr	Indicators	Base-line (2015)	2016	2017	Target value (2021)	Status of the indicator
I. Economic growth	1	GDP per capita (EUR)	3,277	3,386	3,385	5,000	Limited progress
	1.1	Annual real rate of GDP growth	4.1%	4.1%	4.2%	7.0%	Limited progress
	2	Gross fixed capital formation (% of GDP)	25.8%	25.5%	27.3%	32.0%	There is progress
II. Labour market	1	Employment rate (employment-to-population ratio)	25.2%	28.0%	29.8%	34%	There is progress
	2	Unemployment rate (total unemployed as % of total labour force)	32.9%	27.5%	30.5%	20%	Limited progress
	2.1	Youth unemployment rate (15-24 years)	57.7%	52.4%	52.7%	30%	Limited progress
	2.2	Share of youth not in education, employment or training, total, NEET (% of youth population)	31.4%	30.1%	27.4%	25%	Advanced progress
	3	Labour force participation rate (% of total population ages 15+)	37.6%	38.7%	42.8%	42%	Objective achieved
	3.1	Labour force participation rate of women (% of total population ages 15+)	18.1%	18.6%	20.0%	27%	There is progress
III. Social cohesion	1	% of people in poverty	29.9% (2011)	21.1% (2014)	17.6% (2015)	25%	Objective achieved
	2	Human Development Index	0.741	N/A		0.80	Nd

IV. Invest- ments and trade	1	Overall FDI Inflows (million EUR, net)	308.8	220	287.8	600	No progress
	1.1	Stock of FDI as a share in GDP (%)	56.0%			65%	Nd
	2	Private investment as a share in GDP / nominal value / Gross fixed cap- ital formation, private sector (% of GDP)	17.9%	17.3%	19.7%		There is prog- ress
	3	Export to import ratio (goods)	12.3%	11.8%	13.3%	18%	Limited progress
	4	Share of exports in GDP (goods and service)	19.3%	23.7%	27.1%	28%	Advanced prog- ress

Source: Kosovo Agency of Statistics, Gross Domestic Product of the Expenditure and Production Approaches, Q4 2017, Gross Domestic Product 2008–2016, Labour Force Survey (2015–2017), Kosovo Consumption Poverty Report (2012–2015); IMF Country Report for Kosovo No. 1830; Central Bank of Kosovo, Balance of Payments data; World Bank data on Gross Fixed Capital Formation, <<https://data.worldbank.org/indicator/NE.GDI.FTOT.ZS>>.

1.3. Initial measure results

The NDS roadmaps include a set of 61 indicators designed to monitor the results (outcomes) of the measures. The baseline values for the indicators are for 2015 and the targets are set for 2021, the final year of NDS implementation. At the time of finalizing this report, data were available for 38 indicators.

Advanced progress towards the targets was recorded for 11 available indicators (29 per cent). These include: inclusion in pre-school education (ages 5-6); number of days required to open a business; ratio of cases solved by courts to new cases filed during the year; average farm size; contribution of the mining sector to GDP; volume of trade in electricity compared to domestic production; and access of households to broadband.

There were some improvements observed for an additional 17 indicators (45 per cent). No improvements were recorded for 10 indicators (26 per cent), some of which even indicate a worsening of the situation, including the share of employed people working without a contract; volume and structure of FDI; revenues of the Trepça Company; and rate of return for state-owned enterprises. Decisive action is required to reverse these negative trends.

Available indicators allowed for the assessment of results for 23 measures. Most of these measures (15) recorded preliminary results. Four measures had already noted advanced progress towards the targets and another four have not yet recorded results.

2.

IMPLEMENTATION AND RESULTS OF NDS

2.1. Pillar 1: Human capital

Overall implementation of Pillar 1

Most of the NDS roadmap activities for the implementation of Pillar 1 are planned to end in 2021. As presented in Figure 2, 63 per cent of all planned activities have already started and are still in the implementation process. Overall, 3 per cent of planned activities have already been implemented, 13 per cent have already shown good performance, and 20 per cent have not yet started the implementation process.

FIGURE 2: Implementation rate of planned Pillar 1 activities

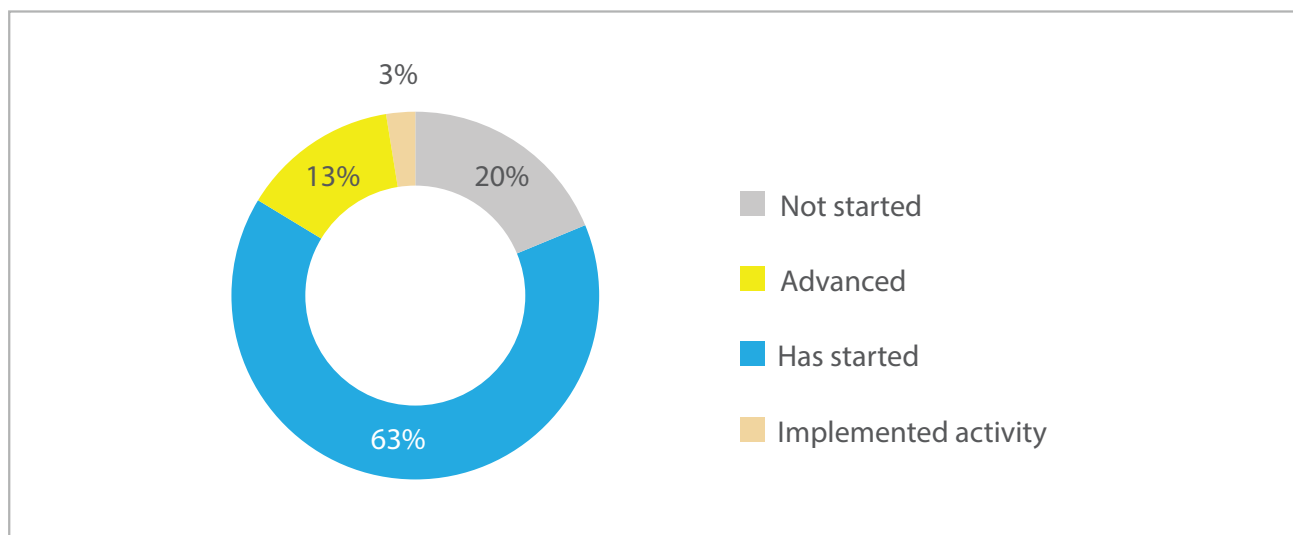
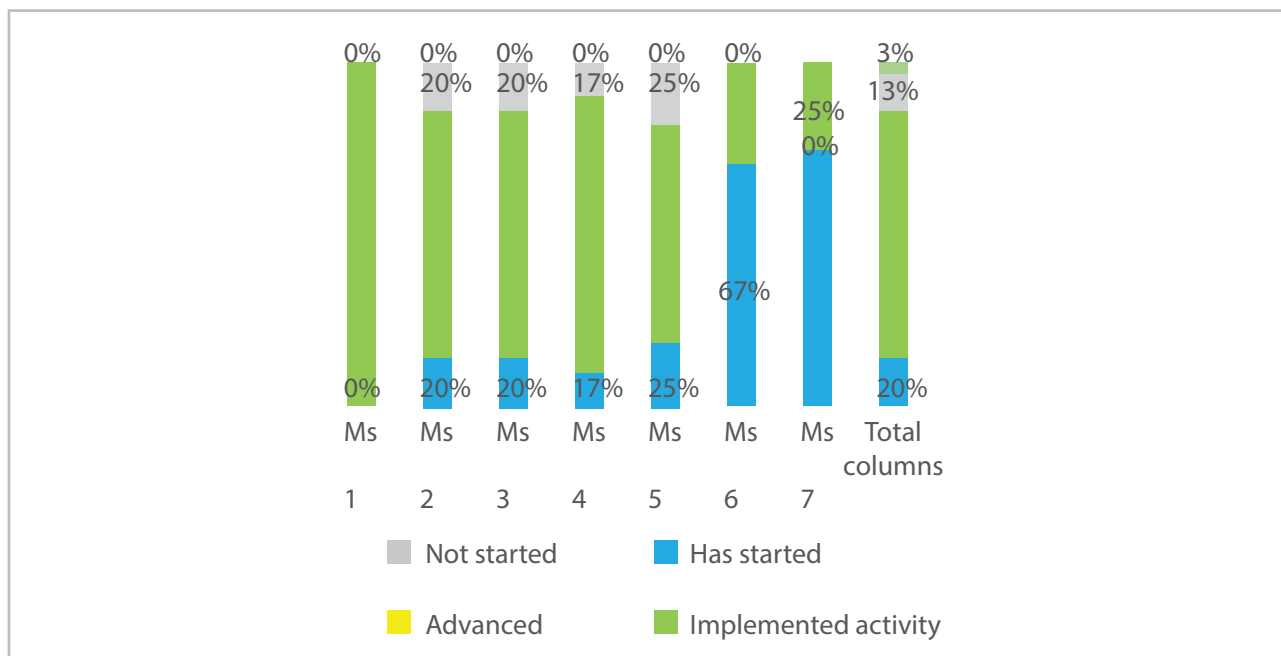


FIGURE 3: Implementation of Pillar 1 activities according to measures



NDS interventions under Pillar 1 are focused on the implementation of the following measures:

■ Measure 1: Enrolment in pre-school and pre-primary education

Most of the activities under Measure 1 are long term and planned to end in 2021. The progress made has been guided by the successful implementation of a number of activities:

- Activity 1.1 – Increase in the number of public kindergartens: Implementation has begun with the construction of nine kindergartens.
- Activity 1.2 – Increasing involvement in private institutions: Implementation has begun.
- Activity 1.3 – Optimization of teaching staff through reallocation from the highest levels (primary education): Implementation has begun. A total of 660 teachers have been trained out of the 3,750 targeted.

Two indicators have been identified to track Measure 1 progress: 1.1.1 – per cent of children enrolled in pre-school education; and 1.1.2 – per cent of children enrolled in pre-primary education. The latest data reported show progress with regard to increased enrolment in pre-school education, from 30.9 per cent in 2015 to 36 per cent in 2017. In two years of NDS implementation, advanced progress has been observed with regard to the enrolment of children in pre-primary education, with children’s enrolment increasing from 81.3 per cent in 2015 to 92.4 per cent in 2017.

■ Measure 2: Enhanced quality of teaching in pre-university education

Under Measure 2, out of all (five) planned activities, 60 per cent have begun implementation; 20 per cent have shown good performance; and 20 per cent have not yet begun implementation (*see Figure 3*). Most of the activities under this measure are long term and planned to end in 2021. The following progress has been observed:

- Activity 2.1 – Reviewing and completing the teaching qualification process prior to entering the service: Implementation is planned to start in 2018; thus, implementation data are not yet available.
- Activity 2.2 – Optimizing the number of existing teachers by having quality criteria: Implementation has begun.
- Activity 2.3 – Accelerate the process of professional development of teachers: Implementation is in an advanced stage and all sub-activities have been implemented on time.
- Activity 2.4 – Expanding the use of new curricula in all remaining schools: Implementation has begun.
- Activity 2.5 – Review existing texts and develop new texts: Implementation has begun.

Two indicators have been defined to track Measure 2 progress: 1.2.1 – teachers' qualification according to education level; and 1.2.2 – PISA test assessment. No data have been reported for these two indicators. The PISA test has already been implemented and the results are expected to be published at the end of 2018.

■ Measure 3: Better linkage between education and labour market

Under Measure 3, out of all (five) planned activities, 60 per cent have begun implementation; 20 per cent have shown good performance; and 20 per cent have not yet begun implementation (*see Figure 3*). In practical terms, the progress on implementation of activities is as follows:

- Activity 3.1 – Accelerate the process of developing professional standards: Implementation is in an advanced stage and on time.
- Activity 3.2 – Determination of top priority areas in vocational education and training and development and implementation of core curricula: Implementation has begun.
- Activity 3.3 – Implementation of vocational education and training combined pilot system with dual learning elements: Implementation has begun.
- Activity 3.4 – Development and implementation of the National System of Forecasting Skills Needs: The one sub-activity under this activity has not yet started.
- Activity 3.5 – Connecting research activities at universities with industry through access to smart specializations and research and development investment: Implementation has begun.

Two indicators have been identified to track Measure 3 progress: 1.3.1 – the number of profiles that have been updated according to professional standards; and 1.3.2 – unemployment rate among

young people who have completed vocational education. While no data have been reported on the number of profiles updated according to professional standards, limited progress has been observed towards the reduction of the unemployment rate among young people who have completed vocational education, from 35.9 per cent in 2015 to 33.8 per cent in 2017.

■ Measure 4: Strengthening the examination, inspection and accreditation functions in education institutions

Under Measure 4, out of all (six) planned activities, 66 per cent have begun implementation; 17 per cent have already shown good performance; and 17 per cent have not yet begun implementation (*see Figure 3*).

- Activity 4.1 – Increase the capacity of the National Quality Council: Implementation has begun.
- Activity 4.2 – Implementation of the reliable system of final exam for students: Implementation has begun.
- Activity 4.3 – Improvement of the final exam for regulated professions: No progress has been made on the operationalization of the Agency for Standards and Assessment and the State Council for Regulated Professionals.
- Activity 4.4 – Expanding and improving the system of inspections in the education system and aspects of teacher performance evaluation: Implementation is in an advanced stage and on time.
- Activity 4.5 – Improving the quality of accountability of accredited institutions: Implementation has begun.
- Activity 4.6 – Development of a system of assessment of teaching success as well as a teacher grading system: Implementation has begun.

One indicator has been identified to track Measure 4 progress: 1.4.1 – the average achievement in the final test for Grades 5, 9 and Matura. No data are available to track progress on Grade 5 student achievement. Based on the latest test results for Grade 9 students, no progress has been observed, with achievement scores decreasing from 64.7 per cent in 2015 to 58.4 per cent in 2017. Advanced progress has been observed for students taking the Matura test, with scores increasing from 74 per cent in 2015 to 83.5 per cent in 2017.

■ Measure 5: Optimize expenditures in education through data systems

Under Measure 5, out of all (four) planned activities, 50 per cent have begun implementation; 25 per cent have already shown good performance; and 25 per cent have not yet begun implementation (*see Figure 3*).

- Activity 5.1 – Building a master plan for the network of vocational education and training schools: The two sub-activities under this activity have not yet begun.
- Activity 5.2 – Creating an Information Management System in Higher Education and developing other systems: Implementation is in an advanced stage and on time.

- Activity 5.3 – Increasing funding for vocational education and higher education programmes: Implementation has begun.
- Activity 5.4 – Piloting of public-private partnership model: Implementation has begun.

Two indicators have been identified to track Measure 5 progress: 1.5.1 – per cent of pupils based on vocational education and training profiles; and 1.5.2 – per cent of students based on Higher Education profiles. Limited progress has been observed on the per cent of pupils based on vocational education and training profiles, which has increased from 43 per cent in 2015 to 52.1 per cent in 2017. No data have been reported on the per cent of students based on Higher Education profiles.

■ Measure 6: Short-term recruitment of experts and diaspora students

Under Measure 6, 67 per cent of all (five) planned activities have not yet begun implementation and 33 per cent of activities have started (*see Figure 3*).

- Activity 6.1 – Creating a database that uses the diaspora register to identify different diaspora profiles: Implementation of the one sub-activity under this activity has not yet begun and is planned to begin in 2018.
- Activity 6.2 – Creating the Homeland Engagement Programme: Implementation has begun.
- Activity 6.3 – Implementation of the German Government programme for the return of diaspora experts in 2016: No data have been reported.
- Activity 6.4 – Implementation of the TOKTEN programme: No data have been reported.
- Activity 6.5 – Creating an online curriculum (e-learning): This has not yet been developed.

One indicator has been identified to track Measure 6 progress: 1.6.1 – number of initiatives (projects or companies) initiated by members engaged by the diaspora. No data have been reported to date.

■ Measure 7: Addressing informal employment and creating adequate working conditions

Under Measure 7, 64 per cent of planned activities have begun implementation; 13 per cent have demonstrated good implementation performance; and 20 per cent have not yet begun (*see Figure 3*).

- Activity 7.1 – Strengthening institutional dialogue with the social partners through the development of structures and capacities and increased awareness: Implementation has begun.
- Activity 7.2 – Improving employee rights and ensuring minimum standards of safety and health at work: Implementation has begun.
- Activity 7.3 – Strengthening mechanisms and coordinating institutional actions to reduce informal employment: Implementation has begun.
- Activity 7.4 – Creating an information management system at the Labour Inspectorate: The activity has been implemented.

Three indicators have been identified to track Measure 7 progress: 1.7.1 – number of injuries and fatal injuries at the workplace per 10,000 workers; 1.7.2 – percentage of employees without a contract evidenced by inspections of the Labour Inspectorate; and 1.7.3 – percentage of employees without a contract according to the Labour Force Survey. According to the latest data available, no progress has been observed on the proportion of workers working without a contract, with a negative increase from 15.5 per cent in 2015 to 21.5 per cent in 2017 against the 2021 NDS target of 12 per cent. No data have been reported on the proportion of workers employed without a contract evidenced by inspections of the labour inspectorate and fatal and non-fatal occupational injuries.

2.2. Pillar 2: Good governance and rule of law

Overall implementation of Pillar 2

Pillar 2 has eight measures. Reporting data shows that 62 per cent of all planned activities have already begun and are in the process of being implemented; 8 per cent have already been implemented; 23 per cent have already shown good performance; and 8 per cent have not yet begun the implementation process (*see Figure 4*).

FIGURE 4: Implementation rate of planned Pillar 2 activities

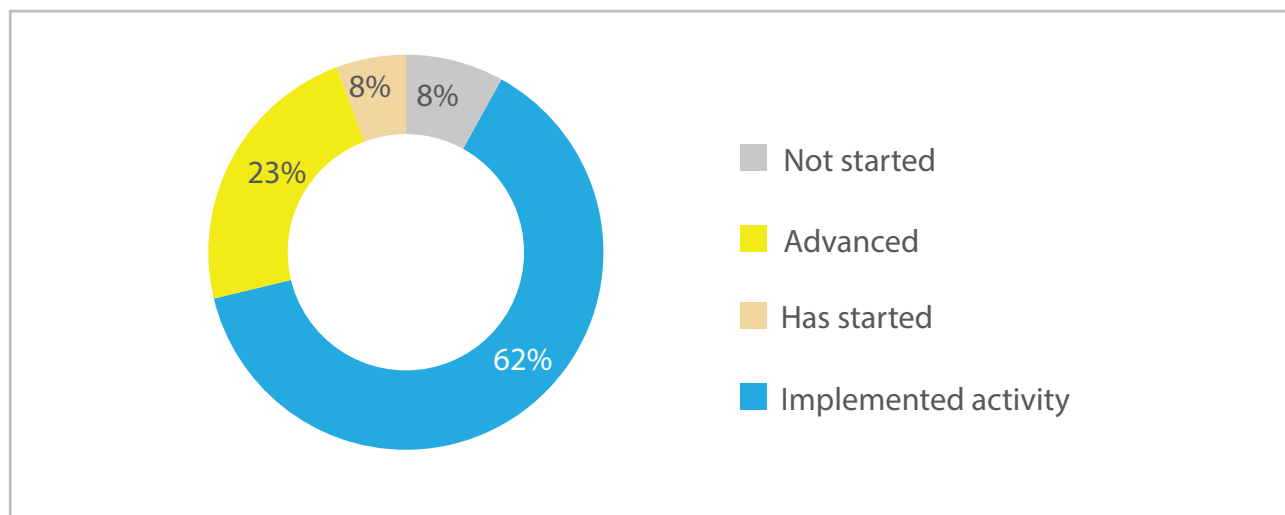
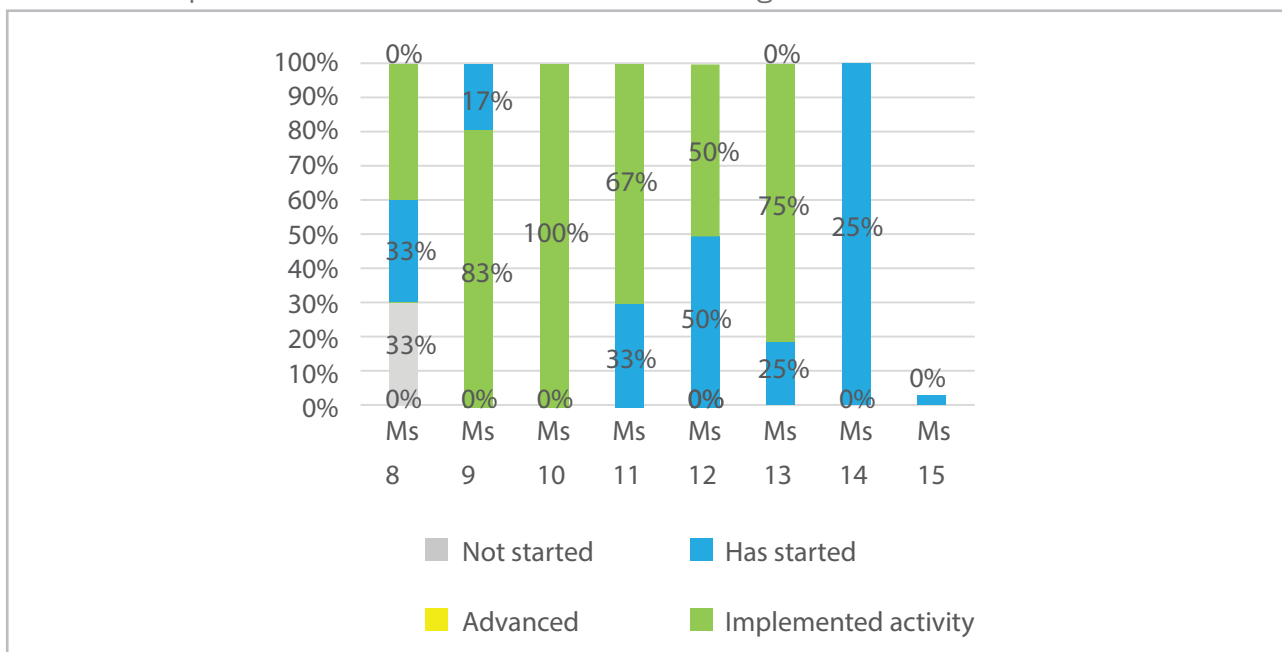


FIGURE 5: Implementation of Pillar 2 activities according to measures



Source: NDS Monitoring methodology based on inputs from ministries and other institutions.

NDS interventions under Pillar 2 are focused on the implementation of the following measures:

■ Measure 8: Further enhancement of customer-focused service delivery for businesses and the public

Under Measure 8, out of all (four) planned activities, 33 per cent have begun implementation; 33 per cent already show good performance; and 33 per cent have already been implemented (*see Figure 5*).

- Activity 8.1 – Creating a registry of all public services: The activity has been implemented.
- Activity 8.2 – Establish a central database for public services: Implementation is in an advanced stage and on time.
- Activity 8.3 – Setting up a system of regular updating of information regarding the provision of services within the Ministry of Public Administration: No data have been reported to track the progress made.
- Activity 8.4 – Further harmonization of legislation on services in accordance with the European Union Services Directive: Implementation has begun.

Two indicators have been identified to track Measure 8 progress: 2.8.1 – number of services provided from one centre for services to citizens; and 2.8.2 – time to establish a business. No progress has been recorded on 2.8.1, with five services in 2015 and five in 2017. The objective of indicator 2.8.2 has been reached, with time to establish a business decreasing from 10 days in 2015 to 5.5 days in 2017.

■ Measure 9: Decreased administrative barriers to licences and permits

Under Measure 9, out of all (six) planned activities, 83 per cent have begun implementation and 17 per cent show good implementation performance (see *Figure 5*).

- Activity 9.1 – Creating a register for special administrative procedures: Implementation is in an advanced stage and on time; 232 laws contain special administrative procedures and until now 66 laws have been analysed and recommendations have been made.
- Activity 9.2 – Setting up a system for reviewing and approving all administrative procedures: Implementation has begun.
- Activity 9.3 – Review and improve administrative procedures: Implementation has begun.
- Activity 9.4 – Adapt the „guillotine“ approach to shorten the number and harmonize the list of existing licenses: Implementation has begun.
- Activity 9.5 – Full implementation of online registration of all permissions and licenses and assuring that those that are not included in the registry will be void: Implementation has begun.
- Activity 9.6 – Preventing the creation of unjustified licensing requirements by ensuring that sectorial laws are aligned with the general framework law: Implementation has begun.

Two indicators have been identified to track Measure 9 progress: 2.9.1 – percentage of special administrative procedures that are in line with Law on General Administrative Procedures and 2.9.2 – at least 20 per cent of licences and permits simplified, merged or removed. The latest data reported show progress on the percentage of special administrative procedures that are in line with Law on General Administrative Procedures, from 0 per cent in 2015 to 20 per cent in 2017. Less progress has been observed on 2.9.2, however, with a decrease in scores from 480 in 2015 to 410 in 2017.

■ Measure 10: Improved efficiency of inspections system

Under Measure 10, 100 per cent of the four planned activities have begun implementation (see *Figure 5*).

- Activity 10.1 – Adopt a harmonized law on inspections: Implementation has begun.
- Activity 10.2 – Evaluation of all inspections followed by the elimination or merger of unnecessary activities: Implementation has begun.
- Activity 10.3 – Establishment of a mechanism that helps the coordination process between inspection bodies, including the establishment of an information exchange system between the inspectorates: Implementation has begun.

Two indicators have been identified to track Measure 10 progress: 2.10.1 – reduction of the cost of inspections for businesses annually; and 2.10.2 – average number of inspections carried out each year in firm. So far, no data have been reported for these two indicators.

■ Measure 11: Encouraging evidence-based policymaking

Under Measure 11, out of all (four) planned activities, 67 per cent have begun implementation and 33 per cent have not yet begun implementation (*see Figure 5*).

- Activity 11.1 – Creation of an institutional unit for Regulatory Impact Assessment and units within line ministries: Implementation has begun.
- Activity 11.2 – Implementing a better regulation strategy: Implementation has begun.
- Activity 11.3 – Establish a mechanism for systematic collection and storage of data: Implementation has not yet begun.
- Activity 11.4 – Use of the National Council for Economic Development and ad-hoc committees: There is not progress regarding this activity.

Two indicators have been identified to track Measure 11 progress: 2.11.1 – extent to which the policy development process makes the best use of analytical tools; and 2.11.2 – extent to which public consultation is used in developing policies and legislation. Based on the data reported for these two indicators, there has not yet been any progress.

■ Measure 12: Closing loopholes in the public procurement system

Under Measure 12, out of all (four) planned activities, 50 per cent have begun implementation and 50 per cent have shown good performance (*see Figure 5*).

- Activity 12.1 – Implementation of the amended law and existing regulations in the field of public procurement: Implementation is in an advanced stage and on time.
- Activity 12.2 – Accelerating the implementation of the electronic public procurement platform: Implementation has begun.

One indicator has been identified to track Measure 12 progress: 2.12.1 – level of Public Expenditure and Financial Accountability PI-19 indicator, competitiveness, value for money and control on procurement. This indicator has been difficult to track, as the Public Expenditure and Financial Accountability assessment is usually conducted every two years, and was last conducted in 2015. While the assessment can be performed at the Government's request, Ministry of Finance has not requested that the assessment be repeated since it was last conducted.

■ Measure 13: Strengthening the property rights system

Under Measure 13, out of all (four) planned activities, 75 per cent have begun implementation and 25 per cent have not yet begun implementation (*see Figure 5*).

- Activity 13.1 – Develop a legal framework for commercial property rights: Implementation has begun.
- Activity 13.2 – Promotion of the land market: Implementation has begun.
- Activity 13.3 – Strengthen the capacity and role of courts in relation to property rights: Implementation has not yet begun.

- Activity 13.4 – Ensuring protection of the respective property rights of members of non-majority communities and securing property rights for women: Implementation has begun.

Three indicators have been defined to track Measure 13 progress: 2.13.1 – cost of registering property (as a percentage of property value); 2.13.2 – total value of properties used as collateral for financing; and 2.13.3 – percentage of properties registered in a woman’s name. No data has been reported for indicators 2.13.1 and 2.13.2. Advanced progress has been observed on indicator 2.13.3, with an increase from 15.2 per cent of properties registered in a woman’s name in 2015 to 20 per cent in 2017.

■ Measure 14: Increased judicial efficiency

Under Measure 14, out of all (four) planned activities, 100 per cent have shown good performance (see Figure 5).

- Activity 14.1 – Changing the legal framework: Implementation is in an advanced stage and on time.
- Activity 14.2 – Stimulation of early payments of misdemeanour fines: The activity has been implemented.
- Activity 14.3 – Dismissal of the judicial system from the cases gathered through the creation of a special team of 100 people: Implementation is in an advanced stage and on time.
- Activity 14.4 – Optimization of the case management system: Implementation is in an advanced stage and on time.

Two indicators have been identified to track Measure 14 progress: 2.14.1 – reduction of the time needed for resolution of a court case; and 2.14.2 – cases solved against new cases. The latest data reported show limited progress on 2.14.1, with a reduction in the time needed for resolution of a court case from 414 per cent in 2015 to 361 per cent in 2017. However, significant progress has been observed and the objective has been achieved for indicator 2.14.2, with an increase in the score from 92 per cent in 2015 to 141 per cent in 2017.

■ Measure 15: Fight against informality through establishment of a single revenue collection agency

Measure 15 has foreseen two activities that would enable creation of a single revenue collection agency, however the Government of Kosovo in consultation with development partners has decided to review this priority. One of the options being considered is to merge some operational elements of the both organisations without changing their core business. Having in mind this, no data could be reported on implementation of this measure.

2.3. Pillar 3: Competitive industries

Overall implementation of Pillar 3

While a market economy is more efficient and better able to generate economic growth when state interference with private enterprises is minimal, the state also has an inevitable role to play in stimulating the creation of competitive enterprises in high value-added sectors. In this context, the NDS has planned a number of activities grouped under nine specific measures. Of these activities, 10 per cent are fully implemented, 38 per cent are on track, 48 per cent have begun implementation and 3 per cent have not yet begun implementation (see Figure 6).

FIGURE 6: Implementation rate of planned Pillar 3 activities

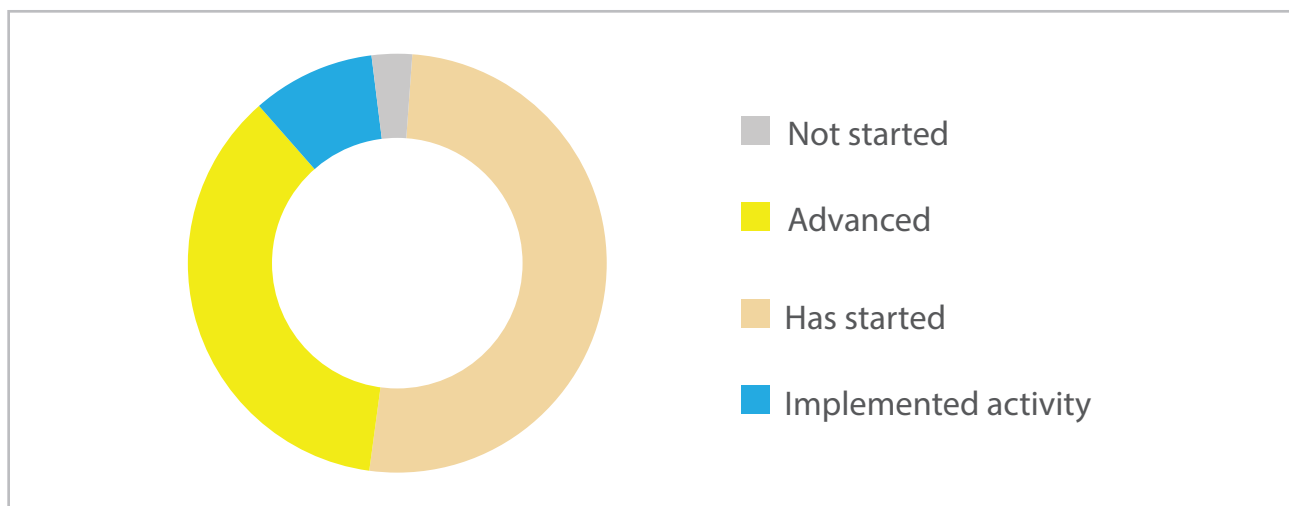
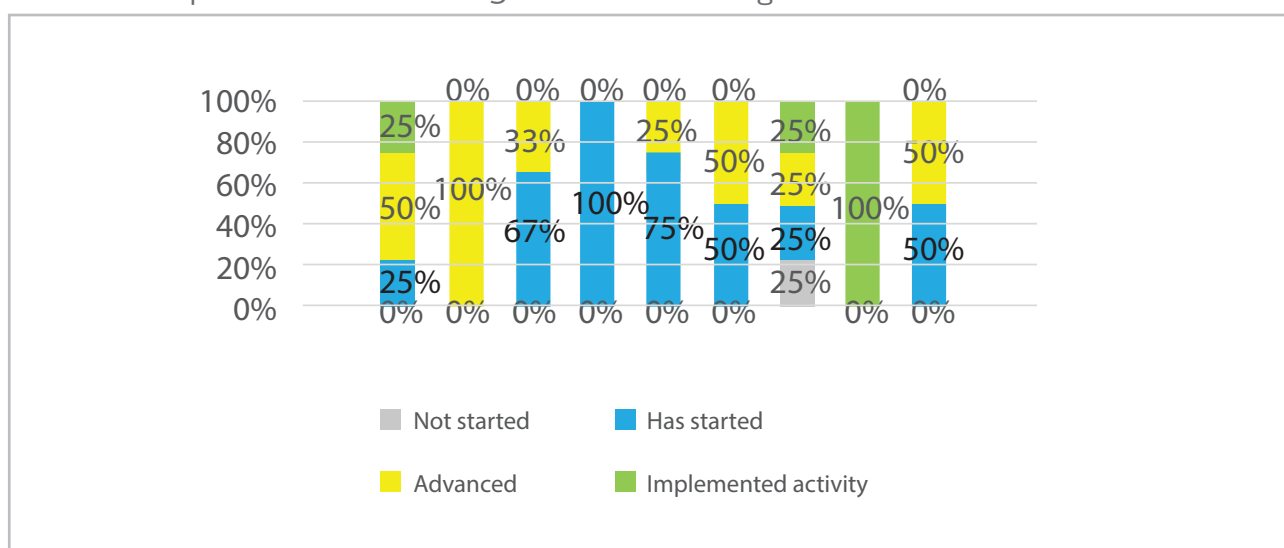


FIGURE 7: Implementation of Pillar 3 activities according to measures



Source: NDS Monitoring methodology based on inputs from ministries and other institutions

NDS interventions under Pillar 3 are focused on the implementation of the following measures:

■ **Measure 16: Increased access to finance for Kosovo SMEs**

Investing Privatization Fund resources into strategic assets of the economy will lead to the investment of funds from former state assets into new assets. Under Measure 16, 25 per cent of planned activities are being implemented; 50 per cent are on track; and 25 per cent have been fully implemented (*see Figure 7*). The activities under this measure are:

- Activity 16.1 – Operationalization of credit guarantee schemes: Implementation is in an advanced stage and on time.
- Activity 16.2 – Evaluate the operation of the scheme and explore opportunities for further expansion and optimization of the scheme: Implementation is in an advanced stage and on time.
- Activity 16.3 – Integration of database of credit registry system with tax administration: The activity has been fully implemented in line with the planned timeline.
- Activity 16.4 – Creating special facilities for the Voucher Scheme: Implementation has begun in line with the planned timeline.

Two indicators have been identified to track Measure 16 progress: 3.16.1 – the number of SME loans supported by the Fund; and 3.16.2 – report on the credits provided from the banking sector to the private sector, as a percentage of GDP. Limited progress has been made in the number of SMEs supported by the Fund, increasing from 0 SME in 2015 to 699 in 2017, but still far from the target of 4,150 SMEs supported by 2021. Limited progress has also been recorded on the credits provided from the banking sector to the private sector, which increased from 22.8 per cent of GDP in 2015 to 25.1 per cent of GDP in 2017, far below the target of 40 per cent by 2021.

■ **Measure 17: Network and cluster development of SMEs**

Supporting enterprises to network with related industrial groups will help strengthen the linkages between industries, create new enterprises and foster innovation through more connected research. The information shared through networking will help businesses produce or serve new products.

Under Measure 17, 100 per cent of planned activities are being implemented and are proceeding in line with the planned timeline (*see Figure 7*). The activities under this measure are:

- Activity 17.1 – Development of a National Competitiveness Strategy: Implementation is in an advanced stage and on time.
- Activity 17.2 – Establish the institutional framework to support the development of industrial clusters: Implementation is in an advanced stage and on time.
- Activity 17.3 – Establishing the network of suppliers and sub-contractors: The activity has been fully implemented on time.

One indicator was identified to track Measure 17 progress: 3.17.1 – level of contribution of the processing industry to the economy (% of the contribution of the industrial sector to GDP). There has been marked progress observed, with an increase from 10.8 per cent in 2015 to 11.5 per cent in 2017, and the contribution of the processing industry to the economy is projected to reach 15 per cent by the end of 2021.

■ Measure 18: Upgrading SMEs to activities with higher added values

Improving quality standards and switching to higher value-added activities will enable businesses to produce more sophisticated and more expensive products that are suitable for export, boosting income for themselves and for the economy.

Under Measure 18, 67 per cent of planned activities are being implemented and 33 per cent are on track in line with the planned timeline (*see Figure 7*). The activities under this measure are:

- Activity 18.1 – Establish an instrument to assist in the certification of quality standards for Kosovar enterprises: Implementation has begun and is on time.
- Activity 18.2 – Establish a support scheme for innovation: Implementation has begun and is on time.
- Activity 18.3 – Establish an information platform for the Integrated Agriculture Information System: Implementation is in an advanced stage and on time.
- Activity 18.4 – Creation of a fund for subsidizing innovation projects in the area of information and communication technology: Reporting is done under NDS measure 30.2.

Two indicators have been identified to track Measure 18 progress: 3.18.1 – Value Added Indicator for SMEs (versus GDP); and 3.18.2 – Index of Innovation Rate (according to Global Entrepreneurship Monitor). However, no data are available on the progress against these indicators. The baseline value for the Value Added Indicator for SMEs was 25.8 per cent in 2015, against the 32 per cent target for 2021. For the Index of Innovation Rate, the baseline value was 28.5 per cent in 2015, and the target is to have an increasing trend through 2021.

■ Measure 19: Promoting FDI and the increased role of the diaspora in economic development

Increased FDI and investments from the diaspora will help Kosovo's economy meet its financing needs, ensure technology transfer and skills, and reduce the trade deficit. Thus, foreign businesses and members of the diaspora will receive concrete support from the state to invest in Kosovo.

Under Measure 19, 100 per cent of the planned activities have begun implementation (*see Figure 7*). The activities under this measure are:

- Activity 19.1 – Strengthening capacities of the Kosovo Investment and Enterprise Support Agency and its reorganization: Implementation has begun and is on time.
- Activity 19.2 – Support investments of strategic investors: Implementation has begun and is on time.

- Activity 19.4 – Activate and expand diaspora business networks: Implementation has begun and is on time.
- Activity 19.5 – Cooperation between diaspora businesses, networks and institutions in the country: Implementation has begun and is on time.

Four indicators have been identified to track progress under Measure 19: 3.19.1 – FDI volume; 3.19.2 – FDI registered in Kosovo; 3.19.3 – number of investors from the diaspora carrying out economic activity in Kosovo; and 3.19.4 – FDI structure.

No progress has been recorded for indicator 3.19.1, with the value decreasing from €324.2 million in 2015 to €287.8 million in 2017, far below the target of €850 million by 2021. Strong progress has been observed for indicator 3.19.2, with FDI registered in Kosovo increasing from 307 mln in 2015 to 767 mln in 2017, reaching and exceeding the target of 460 mln by 2021. No progress has been observed for indicator 3.19.3, with the number of investors from the diaspora carrying out economic activity in Kosovo decreasing from 100 in 2015 to 43 in 2017, far below the target of 500 by 2021. There has also been no progress on indicator 3.19.4. For the sale and purchases and construction, the baseline value was 76.4 per cent in 2015 and 80.6 per cent in 2017; for trade, finance and services, the baseline value was 26.2 per cent in 2015 and 24.3 per cent in 2017; for industrial processing, agriculture and tourism, the baseline value was 7 per cent in 2015 and decreased to 1.1 per cent in 2017; and for energy, transport and mining, the baseline value was 9.6 per cent in 2015 and decreased to 3.8 per cent in 2017. Across these industries, the main goal is to see increases in percentage of the FDI in the sectors such as processing industry, agriculture and tourism by the end of 2021.

■ Measure 20. Regulating agricultural land

Solving the issue of fragmented agricultural lands will help increase the average size of farms and the area of parcels, as well as agricultural productivity, due to the economy of scale. This means that farmers will be able to produce more and the agro-processing industry will have more domestic raw materials.

Under Measure 20, 75 per cent of planned activities have begun implementation and 25 per cent are on track (*see Figure 7*). The activities under this measure are:

- Activity 20.1 – Develop and support land regulation projects and their subsequent integration into rural development projects: Implementation has begun but with delays.
- Activity 20.2 – Implement structural reforms: Implementation has begun and is on time.
- Activity 20.3 – Create parcels of regular geometric shape: Implementation is in an advanced stage and on time.
- Activity 20.4 – Establish field road networks that allow direct access to plots and eliminate seasonal servitude: Implementation has begun and is on time.

Two indicators have been identified to track Measure 20 progress: 3.20.1 – average size of parcels; and 3.20.2 – average farm size. Limited progress has been noted for indicator 3.20.1, with the average size of parcels at 0.3 hectares in 2015, and up to 0.3-0.5 hectares in 2017, against the target of 1.0 hectare by 2021. There is advanced progress on indicator 3.20.2, however, with average farm size increasing from 1.5 hectares in 2015 to 3.2 hectares in 2017, against the target of 4.0 hectares by 2021.

■ Measure 21. Utilization of Kosovo's mineral potential

Facilitating the use of Kosovo's mineral potential as part of its economic development will foster the growth of existing enterprises and the creation of new enterprises that will in turn enable economic growth. This means that a company will find it easier to research and develop mineral resource projects.

Under Measure 21, 50 per cent of planned activities have begun implementation and 50 per cent are on track (*see Figure 7*). The activities under this measure are:

- Activity 21.1 – Develop institutional modalities to support new strategic projects in the mining sector (through funding or technical assistance): Implementation is in an advanced stage and on time.
- Activity 21.2 – Support geological and mining researching programmes: Implementation has begun and is on time.
- Activity 21.3 – Regulate the project research and development market by strengthening the administrative capacities of the supervisory bodies and executive agencies: Implementation has begun and is on time.
- Activity 21.4 – Provide support in the development of support infrastructure for the mining sector, including transport and energy: Implementation is in an advanced stage and on time.

One indicator has been identified to track Measure 21 progress: 3.21.1 – the contribution of the mining sector to GDP. This indicator has registered advanced progress, with the contribution of the mining sector to GDP increasing from 2.0 per cent in 2015 to 2.3 per cent in 2017, against the target of 2.5 per cent by 2021.

■ Measure 22. Restructure and revitalization of Trepça

The full revitalization of Trepça is expected to help reduce Kosovo's trade deficit, generate revenue and positively impact many other industries.

Under Measure 22, 25 per cent of the planned activities have not yet begun implementation; 25 per cent have begun implementation; 25 per cent are on track; and 25 per cent have been fully implemented (*see Figure 7*). The activities under this measure are:

- Activity 22.1 – Final feasibility analysis: The activity has been fully implemented and is on time.

- Activity 22.2 – Drafting the concept document based on the feasibility study: Implementation has begun and is on time.
- Activity 22.3 – Regulate the issues about unsustainable assets and businesses for revitalization: Implementation has not yet begun and there are delays.
- Activity 22.4 – Decision to increase the further business / industrial production of Trepça: Implementation is in an advanced stage and is on time, in line with the planned timeline.

One indicator has been identified to track Measure 22 progress: 3.22.1 – share of the increase of revenues generated by Trepça. No progress has been made, with the share of the increase of revenues generated by Trepça falling from €32.5 million in 2015 to €29.5 million in 2017, against the target of €39.0 million by 2021.

■ Measure 23: Unlocking the Privatization Fund and using funds for development

Facilitating access to finance for Kosovar enterprises will help increase lending levels for manufacturing enterprises, investment levels and employment, while also reducing the trade deficit. This means that an enterprise will be able to get lower interest rate loans and lower collateral requirements through the loan guarantee mechanism.

Under Measure 23, 100 per cent of planned activities are being implemented and implementation is in line with the planned timeline (*see Figure 7*). The activity under this measure is:

- Activity 23.2 – Unlocking the fund and creating mechanisms for spending the funds: The activity has been fully implemented and is on time.

As regards the indicator, not indicator has been proposed to review the performance of implementation of this measure.

■ Measure 24: Improve corporate governance with state-owned assets

Increasing the effectiveness of state-owned enterprises will enable these enterprises to increase their contributions to the economy, increase their value and increase revenue for the state budget. This means that state enterprises will generate more profits and that these profits will be reinvested in society.

Under Measure 24, 50 per cent of planned activities have begun implementation and 50 per cent are on track (*see Figure 7*). The activities under this measure are:

- Activity 24.1 – Review the options for a sectorial approach to supervision and management of publicly-owned corporations: Implementation is in an advanced stage and in line with the planned timeline.
- Activity 24.2 – Develop the process of risk analysis by state enterprises on the state's budget and economy: Implementation has begun and is on time.

One indicator has been identified to track Measure 24 progress: 3.24.1 – Return on Asset indicator. No progress has been recorded; rather, there has been a regression, from -0.18 points in 2015 to -4.8 points in 2017, against the target of 2.50 points by 2021.

2.4. Pillar 4: Infrastructure

Overall implementation of Pillar 4

Economic activities cannot be developed without an adequate environment and infrastructure. Infrastructure development must be carried out within a sustainable environment and ecosystem, as nature is the main infrastructure of life. Under Pillar 4, 5 per cent of planned activities have been fully implemented; 24 per cent are on track; 57 per cent have begun implementation; and 14 per cent have not yet begun implementation (*see Figure 8*).

FIGURE 8: Implementation rate of Pillar 4 activities

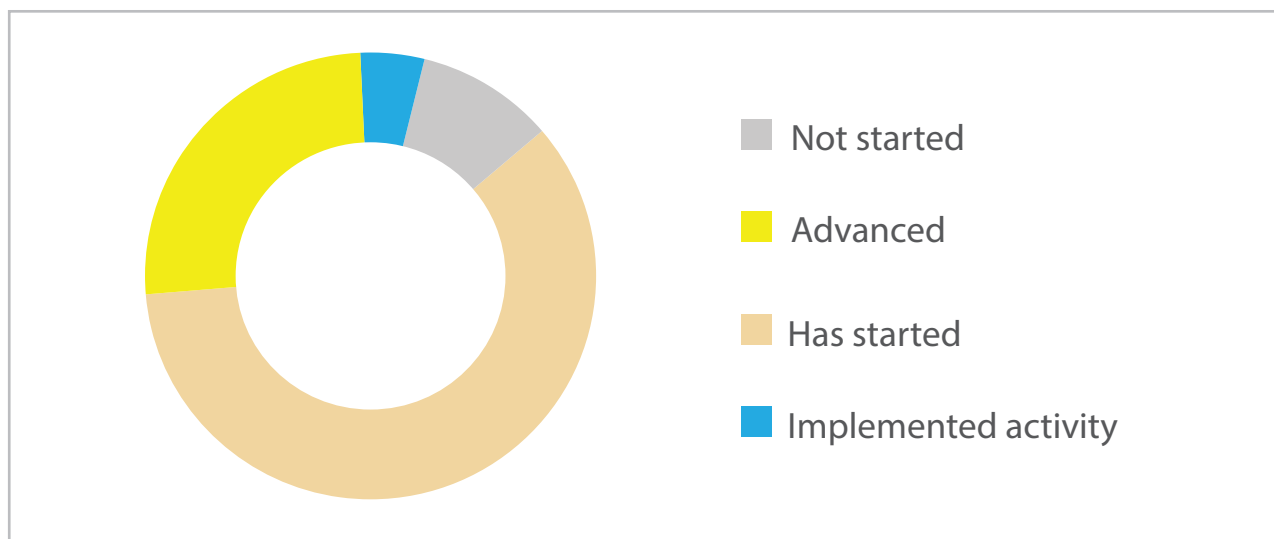
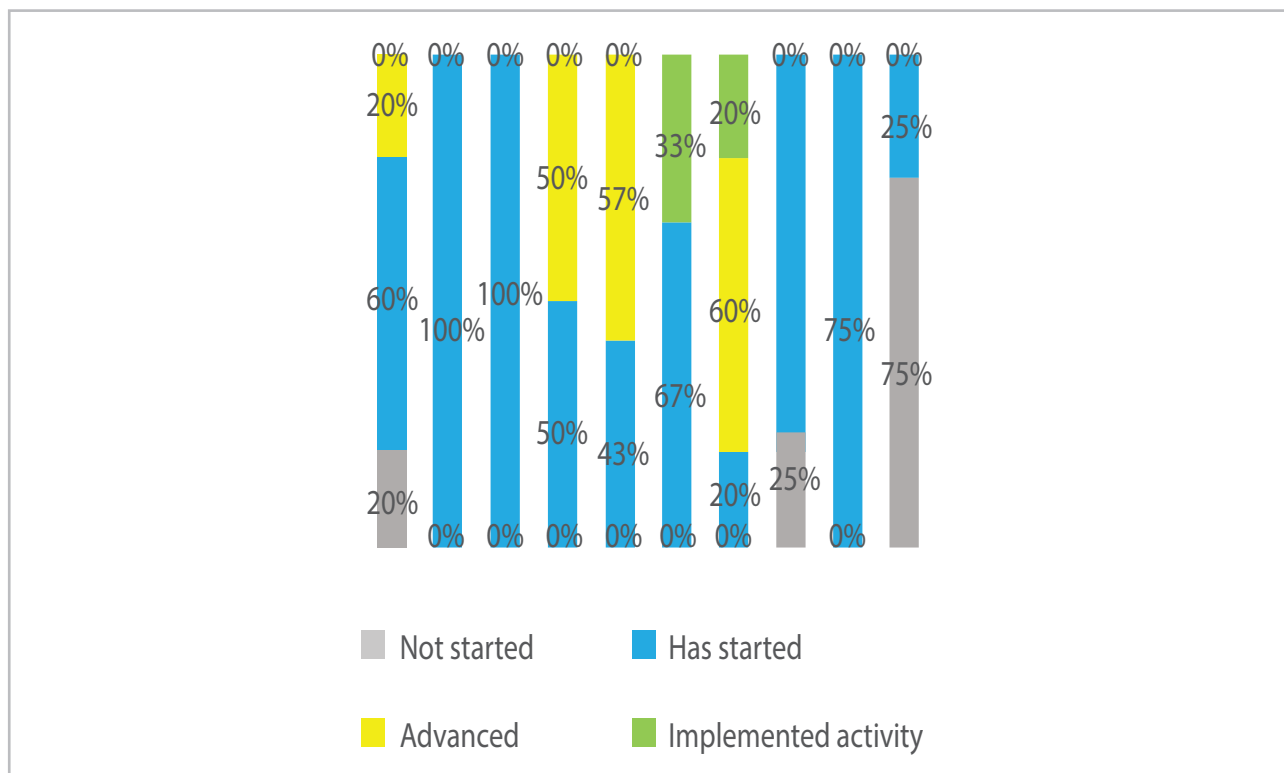


FIGURE 9: Implementation of Pillar 4 activities according to measures



Source: NDS Monitoring methodology based on inputs from ministries and other institutions.

NDS interventions within Pillar 4 are focused on the implementation of the following measures:

■ Measure 25. Build new and sustainable power generation capacities

Increased local capacity for power generation from both lignite and renewable sources will facilitate a more reliable power supply for citizens and businesses, creating a climate suitable for investment and reducing the trade deficit. In addition, the power supply will no longer be a concern for businesses interested in investing in Kosovo.

Under Measure 25, of all (five) planned activities, 60 per cent have begun implementation; 20 per cent are on track; and 20 per cent have not yet begun implementation (*see Figure 9*). The activities under this measure are:

- Activity 25.1 – Extend decommission process of PP Kosova A: Implementation has not yet begun and there are delays.
- Activity 25.2 – Rehabilitation of PP Kosova B: Implementation is in an advanced stage and on time.
- Activity 25.3 – Construction of New Kosova Power Plant: Implementation is begun in line with the planned timeline (closing of the first phase of the project „commercial closure“ is done).

- Activity 25.4 – Implementation of structural reforms at the Kosovo Energetic Corporation: Implementation has begun but with delays.
- Activity 25.5 – Opening of new coal mine (Sibofci Jugor): Implementation has begun and is on time.

Two indicators have been identified to track Measure 25 progress: 4.25.1 – reducing power outages; and 4.25.2 – generation of electricity. Both indicator targets have been met and exceeded. Regarding power outages, the number of hours per year has declined from 384 in 2015 to 100.98 in 2017, against the target of 192 hours per year. For generation of electricity, the number of kilowatts per hour per year increased from 3,550 in 2015 to 5,300 in 2017, against the target of 4,000 by 2021.

■ Measure 26. Establish an open and competitive energy market

Constructing a transmission line to diversify sources of energy import will allow for a more reliable and affordable power supply, especially during peak consumption times. This means that Kosovo will not import expensive power, which will decrease energy costs for citizens and businesses.

Under Measure 26, of all (two) planned activities, 100 per cent have begun implementation and progress has been good (*see Figure 9*). The activities under this measure are:

- Activity 26.1 – Integration of electricity market into the regional electricity market: Implementation has begun in line with the planned timeline.
- Activity 26.2 – Construction of a 400-kilovolt transmission line between Kosovo and Albania: Implementation has been implemented in line with the planned timeline.

One target was identified to track Measure 26 progress: 4.26.1 – the average ratio of traded energy to domestic production. The target for this indicator has been met, with the ratio increasing from 21.3 per cent in 2015 to 23.7 per cent in 2017, against the target of 23.5 per cent by 2021.

■ Measure 27. Decrease energy consumption through energy efficiency measures

Under Measure 27, of all (three) planned activities, 100 per cent have begun implementation and progress has been good (*see Figure 9*). The activities under this measure are:

- Activity 27.1 – Establishment of Energy Efficiency Fund: Implementation has begun in line with the planned timeline.
- Activity 27.2 – Commence implementation of performance contracts on energy savings: Implementation has begun but with delays.
- Activity 27.3 – Expansion of the district heating network: Implementation has begun and is on time.

One indicator has been identified to track Measure 27 progress: 4.27.1 – increasing energy savings. No data has been recorded for this indicator, which has a baseline value of 4 per cent in 2015 and a target of 9 per cent by 2021. While there has been limited progress, the number of users connected to the heating system was 14,886 in 2015, and increased to 1,850 in 2017, against the target of 20,000 by 2021.

■ Measure 28. Rational use of renewable energy sources

Investment in energy efficiency measures will decrease internal energy consumption and consequently, overall financial expenditures, enabling increased investment and diminishing environmental impacts. A business will pay less for power due to investment in insulation in industrial environments.

Under Measure 28, of all (two) planned activities, 100 per cent have begun implementation and progress is good (*see Figure 9*). The activities under this measure are:

- Activity 28.1 – Reviewing and negotiating lower targets for use of renewable energy sources: Implementation is in an advanced stage and in line with the planned timeline.
- Activity 28.3 – Possibility of long-term contracts for farmers for use of organic waste and ensuring better organization of the lumber and forest debris market: Implementation is in an advanced stage and in line with the planned timeline.

One indicator has been identified to track Measure 28 progress: 4.28.1 – percentage of energy produced from renewable sources. No data has been recorded for this indicator, which has a baseline value of 19.8 per cent in 2015 and a target of 25.0 per cent by 2021.

■ Measure 29. Further development of road and railway infrastructure

Completing the main international and regional road axes and the international railway will enable the faster movement of people and goods and decrease costs to businesses. This will allow businesses to more easily dispatch goods to both local and international markets.

Under Measure 29, of all (seven) planned activities, 100 per cent have begun implementation and progress is good (*see Figure 9*). The activities under the measure are:

- Activity 29.1 – Finalize remaining segments of Morina – Merdare Highway (R7): Implementation is in an advanced stage and in line with the planned timeline.
- Activity 29.2 – Finalize the priority segments of Prishtina – Hani i Elezit (R6) Highway to connect to the Corridor VIII of Southeast Europe: Implementation is in an advanced stage and in line with the planned timeline.
- Activity 29.3 – Continue the expansion of national road Prishtina – Peja (M9) and Prishtina – Mitrovica (M2): Implementation is in an advanced stage and in line with the planned timeline.

- Activity 29.4 – Expansion of the national road Prishtina – Podujeve: Preparation of project implementation and documentation for bidding and execution of work is in an advanced stage and on time.
- Activity 29.5 – Expansion of national roads Peje – Deçan – Gjakove – Prizren: Implementation has begun and is in line with the planned timeline.
- Activity 29.6 – Construction of Prishtinë – Gjilan – Dheu i Bardhe Highway: Implementation has begun and is in line with the planned timeline.
- Activity 29.7 – Modernization of the international railway – Line 10: Implementation has begun and is in line with the planned timeline.

One indicator has been identified to track Measure 29 progress: 4.29.1 – decrease average travel time in road transport; volume of passenger rail transport; and volume of rail freight transport. No data has been recorded for this indicator, which has a baseline value of 120 minutes in 2015; 0.183 million travellers per year in 2015; and 0.154 million net tons of goods per year in 2015.

■ Measure 30. Deployment of information and communication technology infrastructure

Increased use of information technology in business operations, schools and public institutions will decrease operational costs and facilitate increased investments and innovation. The use of information technology will help businesses save and use those savings to invest in new business lines.

Under Measure 30, of all (three) planned activities, 100 per cent have begun implementation and progress is good (*see Figure 9*). Activities under this measure are:

- Activity 30.1 – Establish National Information Technology Council: Activity has been fully implemented and is on time.
- Activity 30.3 – Adopt relevant international information and communication technology standards: Implementation has begun but with delays.
- Activity 30.4 – Implementation of the Kosovo Digital Economy Programme: Implementation has begun and is in line with the planned timeline.

One indicator has been identified to track Measure 30 progress: 4.30.1 – extension of information technology infrastructure. Advanced progress has been observed for this indicator, with the reach of information technology infrastructure increasing from 75 per cent population coverage in 2015 to 92.5 per cent in 2017, approaching the target of 100 per cent by 2021.

■ Measure 31. Agriculture infrastructure at the service of agro-business

Improving support infrastructure for agricultural production will help decrease the cost of agricultural products, increase farm productivity and revenues and facilitate agro-processing industry operations.

Under Measure 31, of all (three) planned activities, 100 per cent have begun implementation and progress is good (*see Figure 9*). Activities under this measure are:

- Activity 31.1 – Increase irrigation system coverage: Implementation has begun and is on time.
- Activity 31.2 – Increased number of storage facilities: Implementation has begun and is on time.
- Activity 31.3 – Increased number of laboratory units: Implementation is in an advanced stage and is on time.
- Activity 31.4 – Increased farm size and improved farm structure, as well as increased processing capacities of food industries: Implementation is in an advanced stage and on time.
- Activity 31.5 – Strengthening the information management system: Implementation is in an advanced stage and on time.

Two indicators have been identified to track Measure 31 progress: 4.31.1 – gross value added growth on agricultural production; and 4.31.2 – the surface of arable land with an irrigation system in the entire area of Kosovo. No data has been recorded for these indicators. In the first indicator, gross value added growth on agricultural production was 10.5 per cent in 2015, in 2016 is 17 per cent¹⁰ and the target is 60 per cent by 2021; and for the indicator the surface of arable land with an irrigation system was 21 per cent in 2015, and the target is 40 per cent by 2021, no data has been recorded.

■ Measure 32. Rational use and increase of capacities of water resources

Rationalization of water use and increased production and distribution capacities will ensure that the growth of Kosovo's industries and demand for water run in parallel with the increased availability of water resources. This means that businesses and citizens will enjoy a regular water supply.

Under Measure 31, of all (six) planned activities, 100 per cent have begun implementation and progress is good (*see Figure 9*). Activities under this measure are:

- Activity 32.1 – Decreased technical and commercial losses: Implementation has begun and is on time.
- Activity 32.2 – Expanding the water supply network and construction of new networks: Implementation has not yet begun but with delays.
- Activity 32.4 – Design the project for construction of 'Iber-Lepenc' water system: Implementation has begun and is on time.
- Activity 32.5 – Invest in expansion and increased efficiency of irrigation systems: Implementation has begun and is on time.
- Activity 32.6 – Renovate and construct protective infrastructure along rivers: There is no data available on activity progress.
- Activity 32.7 – Renovation and expansion of the potable water network: Implementation has begun but with delays.

¹⁰ Ministry of Agriculture, Forestry and Rural Development, Green Report 2017, page 72, accessed 16 of October 2018

Two indicators have been identified to track Measure 32 progress: 4.32.1 – reduce the level of loss; and 4.32.2 – network connections rate. Limited progress has been achieved on these indicators. The baseline for indicator 4.32.1 was 60 per cent in 2015, and decreased to 56 per cent in 2017, against the target of 30 per cent by 2021. The network connections rate was 76 per cent in 2015, compared with 79 per cent in 2017, against the target of 84 per cent by 2021.

■ Measure 33. Sustainable forest management and use

Ensuring the sustainable use of Kosovo's forests will prevent the degradation of forests and ecosystems and facilitate a steady and predictable supply of trees for industry.

Under Measure 33, of all (three) planned activities, 100 per cent have begun implementation and progress is good (*see Figure 9*). The activities under this measure are:

- Activity 33.1 – Forestation of stripped forest areas and recovery of fire-damaged forests: Implementation has begun and is on time.
- Activity 33.2 – Enforcement of tougher sanctions against illegal loggers: Implementation has begun and is on time.
- Activity 33.3 – Development of forest management plans: Implementation has begun and is on time.

Two indicators were identified to track Measure 33 progress: 4.33.1 – forest regeneration rate; and 4.33.2 – reducing the illegal exploitation of the public forest area. No data has been recorded for these indicators. For the forest regeneration rate, the baseline was 30 per cent in 2015 and the target is 60 per cent by 2021. Illegal exploitation of the public forest area was 30 per cent in 2015, and the target is 17.5 per cent by 2021.

■ Measure 34. Sustainable waste management

Sustainable waste management will prevent the negative environmental impacts of consumption waste and re-introduce sustainable practices into industrial production, generating employment and decreasing costs for production industries.

Under Measure 34, of all (four) planned activities, 100 per cent have begun implementation and progress is good (*see Figure 9*). Activities under the measure are:

- Activity 34.1 – Construction of infrastructure for management of municipal, solid, rubble, industrial and hazardous waste as well as wastewater sludge: Implementation has not yet begun.
- Activity 34.5 – Repair and construction of wastewater collection networks and construction of wastewater treatment plants in Prishtine, Gjilan, Ferizaj and Mitrovica: Implementation has begun and is on time.
- Activity 34.6 – Construction of transfer station and waste collection centre (Klinë, Istog, Skenderaj, Novobërdë): Implementation has not yet begun.

- Activity 34.7 – Improved technical and operational status in regional landfill of Prishtina in Mirash/Obiliq: Implementation has not yet begun.

Two indicators have been identified to track Measure 34 progress: 4.34.1 – per cent waste collection rate; and 4.34.2 – waste recycling level. Limited progress has been achieved on the per cent waste collection rate, which was 60 per cent in 2015 and 62 per cent in 2016, against the target of 90 per cent by 2021. No progress has been recorded for the waste recycling level, which was 25 per cent in 2015 and 25 per cent in 2017, against the target of 40 per cent by 2021.

3.

FINANCIAL PLANNING AND REPORTING

3.1. NDS measure costing process

The NDS costing process used a bottom-up approach, beginning with the costing of outputs/sub-activities, activities and measures, and then moving the costing of pillars and the overall implementation of the NDS. The underlying initial basis of cost calculation has therefore been the cost of sub-activities necessary to carrying out a planned activity, and the overall financial impact of the NDS was calculated as a total amount comprising the various elements of the NDS roadmap.

To facilitate the costing process, the Strategic Planning Office developed a spreadsheet-based costing model and guide. SPO also supported line ministries to ensure cost sustainability and comparability. The costing model includes a set of reference prices for the costs of typical items.

The same spreadsheet-based costing model has been used to collect information on expected funding. Line ministries have provided information on the funds already available in the budget, which were allocated by the Ministry of Finance through the Medium-Term Expenditure Framework. Line ministries also provided information on the external financial assistance that was already available, as well as on the measures and loans that were already approved or in the process of being agreed upon. Some line ministries also noted their expectations for private financing through public-private partnerships. The difference between the total estimated measure costs and the available funding represents the current funding gap. A larger funding gap, primarily related to infrastructure projects, was identified for Pillar 4.

The total implementation cost of each measure has been further broken down by the years of NDS implementation (i.e., 2017–2021). The NDS Roadmap provides information on the estimated annual costs of measures, the total costs of activities and sub-activities, and expected funding sources.

3.2. Reporting on the implementation costs of NDS measures

The NDS implementation reporting process is based on the NDS Roadmap, which set the timelines for the implementation of measures and the costs and funding sources of measures, and determine the appropriate indicators for monitoring measure implementation and outcomes. As part of this process, line ministries used a separate table to report the costs incurred through the implementation of NDS measures in 2017.

Reporting on the implementation costs of NDS activities has been more limited than reporting on activity progress. There has been a lack of reporting on the costs incurred to date, as well as on the remaining implementation costs for measure over the coming years. Accurate reporting within the planned ceilings was identified mainly in implementation of measures related to the realization of capital projects. Key challenges identified in reporting on NDS implementation costs can be categorized as follows:

- 1.** For a number of measures, reporting on measure implementation costs is limited and there are no mechanisms for verifying the accuracy of cost reporting.
- 2.** A significant number of measures have no cost reporting. In such cases, line ministries have not provided information on the costs of implementation, despite having reported on the progress achieved in the implementation of sub-activities.
- 3.** In another set of measures, line ministries reported the budgeted values as the costs for the measures. This indicates inaccurate and unreliable reporting.
- 4.** In the majority of measures involving donor funding, reporting on donor funding spending is missing.

Based on the cost reporting challenges, two main issues have been identified as problematic in qualitative reporting:

- 1.** The first issue is related to the lack of line ministry experience with reporting costs related to specific NDS programmes/activities in line with the reporting methodology requirements.
- 2.** The second issue is related to the current Medium-Term Expenditure Framework budgeting structure and the annual budget tables. Current planning and presentation in the budget tables make it impossible to identify costs directly related to certain policies/activities.

As noted, the problems identified in the reporting of NDS implementation costs preclude the correct estimation of the actual costs incurred in NDS implementation and the identification of the remaining costs for upcoming years. A number of recommendations will therefore be provided under the section 5 of this report, to further improve the cost reporting process.

4.

SDG alignment with NDS

4.1. The 2030 Agenda for Sustainable Development: Global and national applications

The 2030 Agenda for Sustainable Development was adopted by all United Nations Member States in 2015. The agreement marked a significant step forward in global collaboration and has become the main reference point for national and international efforts aimed at solving global challenges.¹¹ The global agenda is guided by the 17 SDGs, which frame the vision of sustainable development through a combination of social, economic and environmental objectives. While the 17 SDGs lay out the overall goals, 169 specific targets were set to guide the implementation of the agenda towards the ultimate goals of ending all forms of poverty, addressing environmental challenges and leaving no one behind.

Countries are translating this shared vision and blueprint for the prosperity of people and the planet into national development plans and strategies, with the aim of facilitating the full nationalization, implementation and achievement of the SDGs. The SDG nationalization process involves the integration of the SDG targets into the national strategic framework, sustainable budgeting, as well as the establishment of reporting and evaluation systems to monitor progress towards the globally agreed targets.¹²

In line with these efforts, the Kosovo Assembly confirmed the commitment of Kosovo's institutions to advance the Agenda for Sustainable Development with the unanimous adoption of the SDG Resolution in January 2018.¹³ To ensure a stronger political ownership, the Council for Sustainable Development- a Parliamentary Caucus- has been established to lead further integration and monitoring of implementation of the SDGs. While adoption of the SDG Resolution reflects the Parliament's overall engagement with the 2030 Agenda, alignment of the NDS with the SDGs represents the actual integration of the SDGs into the national agenda and signals the national commitment to achieving the SDGs. As part of the development of the NDS Implementation Roadmap, NDS measures were aligned with the SDGs to ensure that the overall contribution of the NDS to the SDGs is assessed. Aligning the NDS with the SDGs has set the stage for the SDG nationalization process and will enable effective monitoring and reporting of progress made towards a number of SDG targets.

¹¹ Sustainable Development Knowledge Platform, 'Transforming our world: The 2030 Agenda for Sustainable Development', United Nations, <<https://sustainabledevelopment.un.org/post2015/transformingourworld>>, accessed 3 October 2018.

¹² Ibid.

¹³ Republic of Kosovo Assembly, <www.kuvendikosoves.org/common/docs/2018_01_30_Resolution_06_R_001.pdf>, accessed 3 October 2018.




This chapter reviews the progress made across different NDS measures towards the aligned SDG targets. It outlines the coverage of the SDGs within the NDS, the progress within the first two years of NDS implementation and the SDGs that are not addressed by the NDS.





4.2. Alignment of SDG targets with NDS





Although the NDS was endorsed prior to the final definition of the SDGs and aspires to achieve its measures by 2021, it incorporates elements that will contribute directly to the achievement of SDG targets over the course of NDS implementation. While the NDS does not cover all aspects of the SDGs, its relatively good coverage of the SDGs and its targets set a promising precedent for framing future strategic planning from the SDG lens in the next years.

Out of all 17 SDGs and 169 SDG targets, 12 goals and 22 targets were found to be in line with the NDS. The 12 goals were in line with 27 NDS indicators. Of the 22 targets, 18 were in line with the predefined NDS measures and four were in line with NDS macro-level indicators. Table 2 shows how SDG goals and targets align with NDS measures.

TABLE 1. Alignment of Sustainable Development Agenda goals and targets with NDS measures



SDGs	SDG targets	NDS measures
 <p>2 ZERO HUNGER</p>	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment	31. Agriculture infrastructure at the service of agro-business
 <p>4 QUALITY EDUCATION</p>	4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education	1. Enrolment in pre-school and pre-primary education
	4.C By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing States	2. Enhanced quality of teaching in the pre-university education
	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes	2. Enhanced quality of teaching in the pre-university education
 <p>5 GENDER EQUALITY</p>	5.A Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws	13. Strengthening the property rights system

<p>6 CLEAN WATER AND SANITATION</p> 	<p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p>	<p>32. Rational use and increase of capacities of water resources</p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>7.1 By 2030, ensure universal access to affordable, reliable and modern energy services</p>	<p>25. Build new and sustainable power generation capacities</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p>3. Better linkage between education system and labour market</p>
	<p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p>	<p>7. Addressing informal employment and creating adequate working conditions</p>
	<p>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p>	<p>7. Addressing informal employment and creating adequate working conditions</p>
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>9.3 Increase the access of small-scale industrial and other enterprises, in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>	<p>16. Increased access to finance for Kosovo SMEs</p> <p>17. Network and cluster development of SMEs</p>
	<p>9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries</p>	<p>18. Upgrading SMEs to activities with higher added value</p>
	<p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p>	<p>29. Further development of road and railway infrastructure</p>

<p>10 REDUCED INEQUALITIES</p> 	<p>10.B Encourage official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programmes</p>	<p>19. Promoting FDI and increased role of diaspora in economic development</p>
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<p>34. Sustainable waste management</p>
<p>15 LIFE ON LAND</p> 	<p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p>	<p>33. Sustainable forest management and use</p>
<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<p>17.6 Enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge-sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism</p>	<p>30. Deployment of information and communication technology infrastructure</p>

In addition, four SDG indicators contributing to SDG-1 and SDG-8 are in line with NDS macro-level indicators. Table 3 shows how the SDG and NDS macro-level indicators align.

TABLE 3. Alignment of SDG indicators with NDS macro-level indicators

Goals	SDG Indicators	NDS Indicators
 <p>1 NO POVERTY</p>	1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions	Percentage of population living in poverty
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries	Annual growth rate of real GDP per capita
	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	Percentage of unemployment Youth unemployment rate
	8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training	Proportion of youth (aged 15-24 years) not in education, employment or training

4.3. The availability of data to measure SDG progress

In the first two years of NDS implementation, data to measure progress for all aligned SDGs (either fully or partially) have been reported, with the exception of data to measure progress towards SDG-2 (end hunger, achieve food security and improved nutrition and promote sustainable agriculture), for which no data have been reported. At the SDG target level, data for 11 out of 22 aligned SDG targets have been reported. Detailed information on SDG alignment with NDS pillars and data availability is presented in Annex 3.

4.5. NDS contribution to the 2030 Agenda for Sustainable Development

Overall, the first two years of NDS implementation showed improvements with regard to poverty reduction, women's empowerment and reductions in power outages, accounting for notable contributions to the achievement of SDGs 1, 5 and 7. The advanced progress observed towards the implementation of the NDS measures has also contributed to SDG-4 (inclusive and equitable quality education); SDG-8 (promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all); and SDG-17 (strengthen the means of implementation and revitalization of global partnership for sustainable development).

SDG-1. No poverty

SDG-1 calls for the eradication of poverty in all its dimensions by 2030, and SDG target 1.2 aspires to reduce, at least by half, the proportion of men, women and children of all ages living in poverty in all its dimensions by 2030. The NDS addresses income poverty at the macro level, aspiring to reduce income poverty from 30 per cent in 2015¹⁴ to 25 per cent by 2021. The most recent data available show significant progress towards this target, with income poverty declining to 17.6 per cent in 2015 below the NDS target of 25 per cent by 2021. The progress made on decreasing income poverty positively contributes to SDG target 1.2, accounting for the income dimension of poverty, which is measured by SDG indicator 1.2.1.

SDG-2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

SDG-2 calls for sustainable solutions to end hunger in all its forms and to achieve food security by 2030. Increased agricultural productivity is a key element that contributes to achieving this goal, with SDG target 2.3 aspiring to double agricultural productivity, in line with the NDS. The NDS addresses agriculture under Pillar 3, which focuses on agricultural infrastructure at the service of agro-business, and aspires to increase the gross value added of agricultural production from 10.5 per cent in 2015 to 60 per cent by 2021. The progress made towards the NDS target and its contribution in the context of the SDGs cannot be assessed due to lack of available data for this measure.

SDG-4. Ensure inclusive and equitable quality education and promote lifelong learning

SDG-4 calls for quality education for all, starting from very early in life and ensuring lifelong education and learning. Key to achieving this goal will be to ensure access to quality early childhood development, care and pre-primary education for all by 2030 (SDG target 4.2); substantially increase the supply of qualified teachers (SDG target 4.c); and enhance effective learning outcomes (SDG target 4.1). The importance of inclusive and quality education is addressed under NDS Pillar 1 on human capital. Its primary focus is to increase pre-school enrolment and improve the quality of education by improving accountability, certification and budget planning, in line with the SDG targets mentioned above.

The latest available data show a positive trend of increasing pre-school enrolment, with annual enrolment increases of 10 per cent in 2016 and 6 per cent in 2017. Pre-school enrolment saw slight progress towards the NDS target of 50 per cent by 2021, increasing from the baseline of 30.9 per cent in 2015 to 36 per cent in 2017. Advanced progress has been observed for pre-primary education enrolment, which increased from 81.3 per cent in 2015 to 92 per cent in 2017, towards the NDS target of universal (100 per cent) enrolment and in line with SDG target 4.2 for universal access to pre-primary education. Overall, the progress reported on measures related to education have contributed positively towards SDG target 4.2.

¹⁴ Based on data reported in 2011.

However, no data have been reported on teacher qualifications and student achievements, making it impossible to measure progress towards NDS targets or SDG targets 4.c. and 4.1.

SDG-5. Achieve gender equality and empower all women and girls

SDG-5 aspires to equal rights and the empowerment of all women and girls as a cross-cutting theme that is integral to all dimensions of an inclusive and sustainable development agenda. Property rights and ownership among all women and girls is, among others, a key element towards the achievement of this SDG. This is reflected in target 5.a, which calls for reforms to give women equal rights to economic resources and access to ownership and control over land including other forms of property. Gender disparities in Kosovo have left women in a disadvantaged position in society, especially in terms of labour market participation and access to economic opportunities, which are constrained by their low participation in property ownership.¹⁵ Given this context and in line with SDG target 5.a., NDS addresses gender equality and empowerment of women and girls as a cross-cutting issue, as well as more specifically under Pillar 2 – good governance and rule of law.

The NDS target to increase property ownership among women and girls by 25 per cent by 2021 has already been achieved, with women's property ownership increasing from 15.2 per cent in 2015 to 20 per cent in 2017. The progress made will positively contribute to the achievement of SDG target 5.a., though efforts should continue to further increase women's property ownership and ensure all women and girls can enjoy their rights to property ownership.

SDG-6. Ensure availability and sustainable management of water and sanitation for all

The Agenda for Sustainable Development recognizes access to safe water and sanitation, including the sound management of freshwater ecosystems, as essential to human health, environmental sustainability and economic prosperity. SDG target 6.1. aspires to universal and equitable access to safe and affordable drinking water for all by 2030. Similarly, the rationalization of water use and the increased capacities of water resources is addressed under NDS Pillar 4, which focuses on improved infrastructure as a pathway to economic development and environmental and ecosystem protection.

Based on available data, slight progress has been observed with regard to water connection network coverage, which increased from 76 per cent in 2015 to 79 per cent in 2017, approaching the NDS target of 84 per cent by 2021. This slight progress also represents a promising contribution towards the SDG target, which sets a more ambitious target for 2030, calling for universal and equitable access to safe and affordable water for all.

¹⁵ World Bank Group, 'Promoting Women's Access to Economic Opportunities', <<http://documents.worldbank.org/curated/en/602391521457602814/pdf/124362-PN-P144969-PUBLIC-KSVGGenderPolicyNote.pdf>>, accessed 3 October 2018.

SDG-7. Ensure access to affordable, reliable, sustainable and modern energy for all

Access to affordable, reliable and sustainable energy is crucial to achieving many of the SDGs, from poverty eradication via advancements in health, education, water supply and industrialization, to mitigating climate change. SDG targets 7.1. and 7.2. – universal access to energy services and substantially increasing the share of renewable energy within the energy production portfolio – are key to ensuring access to affordable, reliable, sustainable and modern energy for all, which will be crucial to future economic growth in Kosovo. The NDS addresses this component as part of Pillar 4 on infrastructure.

The NDS aims to reduce power outages from 384 hours per year in 2015 to 192 hours per year by 2021; and subsequently increase the share of electricity produced from renewable sources, from 19.8 per cent in 2015 to 25 per cent by 2021. The NDS target for the reduction of power outages has already been achieved and the positive trend represents progress towards SDG target 7.1. However, there is a lack of data on the share of energy produced from renewable services, making it impossible to assess progress towards this target. Efforts should continue towards the achievement universal access to affordable, reliable and modern energy services by 2030.

SDG-8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG-8 calls for increasing labour productivity, reducing the unemployment rate, especially for young people, and improving access to financial services and benefits as essential components of sustained and inclusive economic growth. Similarly, the NDS focuses on increasing employment opportunities, particularly among young people, who account for about half of the total population of Kosovo.¹⁶ The promotion of sustainable economic growth through productive employment and decent work for all is at the centre of the NDS.

Key targets guiding the achievement of SDG-8 that are in line with NDS objectives include: sustain per capita economic growth (target 8.1); promote development-oriented policies that support productive activities (target 8.3); full and productive employment by 2030 (target 8.5); substantially reduce the proportion of youth not in education, employment or training by 2020 (target 8.6); and protect labour rights and safe working environment (target 8.8).

In the second year of NDS implementation, Kosovo saw limited progress made towards increasing the overall annual growth rate of real GDP per capita and decreasing the overall unemployment rate. On the other hand, advanced progress has been observed towards decreasing the proportion of youth that are not in education, employment or training. For more detailed information, refer to section 1.2. Progress towards achieving NDS key objectives.

¹⁶v Kosovo Agency of Statistics, Population Census, 2011.

Unemployment among youth who have completed vocational education has also seen limited progress, with a slight decrease from 35.9 per cent in 2015 to 33 per cent in 2017. No progress has been observed on overall informal employment, indicated by the proportion of workers working without a contract, with a negative increase from 15.5 per cent in 2015 to 21.5 per cent in 2017, against the NDS target of 12 per cent by 2021. Security in the work place is still fragile, given that the number of fatal and non-fatal occupational injuries has increased in absolute numbers, from 54 in 2015 (9 fatal injuries and 45 non-fatal injuries) to 64 in 2017 (14 fatal injuries and 50 non-fatal injuries). The data indicate that though labour force participation and the employment rate have improved, this NDS component has seen limited progress overall with limited or no contribution to the related SDG.

SDG-9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG-9 addresses infrastructure, industrialization and innovation. Infrastructure provides the basic physical facilities essential to business and society; industrialization drives economic growth and job creation, thereby reducing income inequality; and innovation expands the technological capabilities of industrial sectors and fosters the development of new skills.

The NDS focuses on infrastructure and industrialization under Pillar 3 and 4– competitive industries. It aims to increase state support for the process of re-industrialization and strengthen public and private enterprises. Some of the targets guiding the achievement of SDG-9 and in line with the NDS are: increased access to financial services for small-scale industries and other enterprises (SDG target 9.3); by 2030 significantly raise industry's share of employment and GDP (SDG target 9.2); and developing quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure (SDG target 9.1).

The available data show limited progress towards increasing the number of credits for SMEs supported by the credit guarantee scheme, from 0 in 2015 to 699 in 2017, against the NDS target of 4,150 by 2021. However, slight progress has been observed on the contribution of industry to the economy, which increased from 10.8 per cent in 2015 to 11.5 per cent in 2017, against the 14 per cent target set for 2021, and with a minor contribution towards SDG target 9.3.

In terms of transportation, the volume of freight transport shows slight progress, increasing from 0.154 million net tons per year in 2015 to 0.434 million net tons in 2017, against the target of 1.433 million net tons by 2021. Rail transportation in Kosovo is not sufficiently utilized for the transportation of goods and passengers. The most recent available data show a negative trend, with passenger transportation decreasing from 0.183 million passengers per year in 2015 to 0.157 million passengers per year in 2017, against the NDS target of 0.432 million passengers per year by 2021.

The progress towards (gross) value added of SMEs (as a proportion of GDP) cannot be assessed due to lack of data.

SDG-10. Reduce inequality within and among countries

SDG-10 calls for reducing inequality within and among countries in all its forms, including income inequality and inequalities based on sex, age, disability, class, ethnicity, religion and opportunity. Key to achieving this goal is encouraging official development assistance and financial flows, including FDI for countries in need. NDS Pillar 3 – competitive industries – addresses FDI and contributes to SDG target 10.b. However, the available data show no progress has been made towards increasing the volume of foreign investments inflows, with an 11 per cent decrease from 2015 to 2017.

SDG-12. Ensure sustainable consumption and production patterns

SDG-12 calls for minimizing the natural resources and toxic materials used, including the waste generated, throughout the production and consumption processes. Waste management is addressed in NDS Pillar 4 on infrastructure, which aims to prevent waste from impacting the environment. SDG target 12.5, which is in line with the NDS, focuses on the substantial reduction of waste generation through prevention, reduction, recycling and reuse by 2030. While the NDS aims to increase waste recycling from 25 per cent in 2015 to 40 per cent by 2021, no progress has been observed to date.

SDG-15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

SDG-15 addresses managing forests sustainably, combatting desertification, halting and reversing land degradation and halting biodiversity loss. The NDS addresses forest management and use under Pillar 4 on infrastructure. Both the NDS and SDG-15 targets (SDG target 15.1) focus on the sustainable management and use of forests, among other elements. However, no data have been reported on the gross value added of agricultural production to date.

SDG-17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

The Agenda for Sustainable Development calls for enhanced global partnerships that bring together all actors and mobilize all resources towards the achievement of the SDGs. Similarly, the NDS recognizes the importance of partnerships in the context of deploying information and communication technology infrastructure. SDG-17 emphasizes the global technology facilitation mechanism as a means of enhancing international partnerships, in line with the NDS.

Over the last decade, Kosovo has increasingly and progressively used information technology for business development and integrated these technologies into the broader economy. The NDS recognizes the need to further leverage information and communication technology infrastructure to decrease the operational costs of business, increase investments and enhance

innovation. Information technology infrastructure is increasingly accessible to the population, with the percentage of residents who have access to a fixed broadband network increasing from 75 per cent in 2015 to 92.5 per cent in 2017, on track to reach the target of 100 per cent by 2021. This progress is contributing to SDG target 15.1, which aspires to universal access by 2020.

5.

THE WAY FORWARD

As documented throughout this report, progress has already been achieved on most NDS measures and initial results are emerging. There is still a long way to go to achieve full implementation, however, and implementation efforts need to be stepped up to accomplish all planned activities by 2021. NDS measures also need to be fully integrated into the budgetary planning framework and the Government's annual work plan (GAWP), and the functioning of the Integrated Planning System within line ministries must be improved. Monitoring reports, which the Strategic Planning Office provides regularly, must be followed by actions to reduce delays and ensure effective implementation. Some measures will require upgrading to improve their results and impact.

5.1. Improvement of implementation

Fully integrating NDS measures into the Government's annual work plan

Substantial efforts have been made to integrate activities and sub-activities planned in the NDS roadmaps into the GAWP for 2017 and 2018. Some discrepancies remain, however, and these will need to be addressed during the preparation of the GAWP for 2019 by the Office of Prime Minister (Government Coordination Secretariat and Strategic Planning Office) and the technical working groups, including the line ministries. Where needed, sub-activities planned in the NDS Roadmap for 2019 will need to be adjusted in the GAWP for that year to address implementation delays.

The information presented in this first report was collected directly from the line ministries implementing the NDS measures. However, once all NDS activities and sub-activities planned for the current year are included in the GAWP, existing reporting arrangements for the GAWP could be used for regular monitoring of progress with NDS implementation. This approach, which is intended to reduce the reporting burden for line ministries, would require that output indicators used for activities in the GAWP are the same as in the NDS roadmaps but broken down into annual targets. Ministries would need to provide information on progress towards these targets when reporting on GAWP implementation during the year.

The Government Coordination Secretariat has planned that the timeline for the strategic part of the GAWP will be extended to three years. This will significantly contribute to the consistency and continuity of planning and implementation. Most if not all NDS activities should be included in the strategic part of the GAWP to highlight their priority for the Government. Furthermore, if all (not only NDS-related) activities in the strategic part of the GAWP were costed, the sum of

their costs would inform the Ministry of Finance about the total budgetary funds that must be allocated for the implementation of the Government's key priorities.

Fully integrating NDS measures into the Medium-Term Expenditures Framework and the Budget

Difficulties in securing the link between costing and funding plans for NDS measures and the budgetary planning documents, as well as reporting the costs associated with the implementation of NDS measures derive from the current Medium-Term Expenditures Framework structure and the Tables of the Law on Budget. A significant number of Medium-Term Expenditures Framework objectives at the level of budget sectors already include most of the NDS measure objectives. However, the current format for presenting sector budget ceilings within the Medium-Term Expenditures Framework does not make the funding of priorities visible. This is because:

- a)** Sector budget planning is presented only at general levels and by economic categories, not in terms of programmes and policies;
- b)** Although the budget is formally presented at programme and sub-programme levels, the sub-programmes reflect the budgets of respective departments and not policy measures.

In this context, the current approach to budgeting is more based on the prioritization of institutions rather than the prioritization of policies/programmes. This means that budgeting does not allow for the direct measurement of inputs related to the realization of a policy/programme and respective cost. Such a situation questions the effectiveness of public expenses and hampers the measurement of success/performance of a given policy versus the funds spent on that policy. The presented structure also makes it difficult to correctly identify the funds spent on a given policy/priority.

The only exception to this is the capital budget listing all capital projects with their names and providing information on budget allocations and funds for each project. This was evident in line ministry reporting as well. Reporting on costs incurred was more accurate for infrastructure projects.

Given the legal constraints of the Law on Public Financial Management and Accountability, shifting from the current level of planning and budgeting to programme-level budgeting takes time and requires amendments to the Law. This shows the need for a structure that is in harmony with the existing legislation and does not present any obstacles to making amendments/supplements at the level of budget organizations to ensure improved linkage between policies and budgets, accounting for good budgeting standards. This would allow for more accurate and easier reporting on policy/programme implementation. Such improvements may be as follows:

- a)** Linkage between the budget structure and sector strategic objectives;
- b)** Further advancement of the sector strategic planning process.

As such, it is possible to improve the value of information presented in the budget without going through the programme-based budgeting forms, which is regarded as a difficult task even by the governments of developed countries. To address this challenge, it would be adequate to include, during the drafting of the annual budget, separate budget lines for NDS activities in the sub-programmes of line ministries that are implementing certain NDS activities. Similarly to the NDS measure costing process, line ministries could use the developed cost model.

This potential solution would make budget funding of NDS measures and activities more transparent and identifiable. This would enable the comparison of actual and planned budgets with the estimated costs of NDS activities. Such budget planning, which identifies the costs of NDS activities by individual lines, would enable easier cost reporting.

Integrating NDS measures into key documents related to European Union integration

The extent to which NDS measures can be integrated into the European Union accession documents depends on the purpose and structure of these documents. The document most closely related to the NDS is the annual Economic Reform Programme (ERP). There is already a high level of consistency between structural reforms in the ERP and those NDS measures that are related to the same policy area. The main area for improvement is the degree to which activities planned for implementation of related measures are aligned in the ERP and the NDS.

In addition, the analyses have shown that of the 20 ERP measures, 12 are aligned to the SDGs since those are directly connected to the NDS measures. Other 5 measures of the ERP are also aligned to the SDGs although they differ from the NDS. This showcases that the achievement of the ERP and the NDS will in itself contribute to the SDGs allowing for measurable evidence of this progress with collected data.

The most important European Union integration document is the National Programme for Implementation of the Stabilization and Association Agreement (NPISAA). The NPISAA provides a comprehensive plan for legal approximation and institution building in all chapters of the Acquis, as well as policies and measures to meet the Copenhagen membership criteria. The NPISAA chapter related to economic criteria must be closely aligned with the ERP and refer to relevant measures of the NDS.

In order to make full use of the SAA and all the opportunities it offers, the Government of Kosovo and European Union agreed to develop a European Reform Agenda, which includes short term priorities in the areas of (I) good governance and the rule of law, (II) competitiveness and investment climate and (III) education and employment. Thus, ERA would serve as a document that will priorities key economic reforms as set out in the ERP and NDS. The priority actions under the European Reform Agenda have been jointly identified by the Kosovo government and the European Commission in close consultation with IFIs, business sector, civil society and social partners.

Another important set of European Union integration documents are those related to programming of pre-accession financial assistance. Their priorities should incorporate objectives and activities of NDS measures, particularly those for which a funding gap was established in the NDS roadmaps.

Coordination of policy planning and budgeting processes within line ministries

Consistency of policy and budgetary planning documents coordinated at the level of the Government depend decisively on the quality and consistency of the inputs provided by the line ministries. Inputs for different documents (i.e., the NDS, the ERP, the Medium-Term Expenditures Framework, the NPISAA, IPA programming and the GAWP) are prepared in different ministry units, which often leads to inconsistencies among the priorities and measures articulated in these different documents. Most importantly, the priorities of line ministries, as presented in the NDS, are rarely prioritized in the ministries' budgetary requests or in their submissions for the Medium-Term Expenditures Framework.

The best way to address this issue is to strengthen existing coordination structures within line ministries, namely the departments of European integration and policy coordination and the strategic management groups. These departments should act as internal gatekeepers to secure consistency among ministries' submissions for various government documents.

5.2. Improving monitoring and reporting arrangements

Improving the monitoring of NDS implementation costs

The detailed cost reporting required by the NDS reporting methodology necessitates close cooperation between officials responsible for policy planning and those working in line ministry budget and financial planning departments.

In addition, there is a need to enhance the coordination between the Ministry of Finance and Strategic Planning Office on the reporting of costs against implemented activities. Further support and guidance should be provided to line ministries and other institutions to improve reporting on costs of measures implemented. Bilateral meetings between policymakers and line ministry financial officers would facilitate the identification of the cost implemented through consultation of budget documents compared to the planning made in the cost model.

To ensure the sustainability and consistency of the process, it is important to include the same actors involved in the NDS measure costing process in the cost reporting process, to the extent possible. This would help to harmonize the costing and cost reporting processes, which would improve the quality of reporting.

This approach would address some of the problems identified, including those related to: 1) the lack of cost reporting in cases when activity implementation is reported; 2) reporting of budgeted values against the funds spent; and 3) reported costs falling significantly below planned costs.

Improving results indicators for NDS measures

The process of identifying indicators for monitoring NDS results was restricted in some cases by the lack of highly relevant data. It has therefore become increasingly important to close the most pressing data gaps – not only to address NDS monitoring needs, but also to meet European Union requirements for the next ERP, which will include a set of performance indicators for each priority structural reform measure. Indicators used in this report could also be used for many of the ERP measures, and the availability of additional data could help improve the selection of indicators and increase their relevance and international comparability.

Given the importance of innovation, research and development to increasing the value added and export competitiveness of Kosovo's economy, there is an urgent need for reliable statistical data on these activities. Eurostat has developed a standardized set of indicators for research, development and innovation activities, and it would be of great help for policy development and decisions if the Agency of Statistics of Kosovo would implement this common methodology to produce comparable data for Kosovo. The most relevant indicators are public and private (business) expenditures for research and development, and the share of innovative enterprises in the economy.

Investment is another important driver of economic growth. Kosovo's growth has long relied on a high share of public investment in GDP, but private business investment will be equally important for sustained growth. Official data on private sector investment and its share of GDP would provide a better understanding of the drivers of growth and facilitate more effective monitoring of the effects of policy measures aimed at stimulating private investment.

The NDS prioritizes supporting the development of a dynamic, innovative and export-oriented SME sector. Data on business demography and the sectorial distribution of enterprises provide some insight into the dynamics of the small business sector, though more information on their performance is needed. Detailed data on the size of enterprise should be made available for some standard indicators, such as value added, employment or exports.

There are some methodological issues with specific indicators that will need to be solved before the next report. For example, the methodology for calculating energy savings (towards the target of 9 per cent) will need to be clarified. It is currently very difficult to document the savings achieved using a bottom-up methodology, as limited data are available. If a bottom-up approach is impossible, a top-down methodology can be applied, using the level of total final consumption in ktoe/GDP. If statistical data allows, the same indicator could also be used on sectors as households, transportation, industry and commercial sectors. The indicator of total

electricity production could be complemented by an indicator on installed energy production capacity. Similarly, the indicator for the share of energy production from renewable sources could be complemented by an indicator on the share of renewable sources in total generation capacity.

5.3. Upgrading and restructuring existing NDS measures

This report could serve as the basis for a mid-term review and subsequent adjustments to the NDS. While measures that are progressing well should be kept and continued, a small number of new measures should be added to account for emerging challenges and challenges that have not been adequately addressed in the NDS. To avoid increasing the total number of measures, those that are progressing well or have proved to be less relevant for achieving the NDS objectives could be removed from the revised version of the NDS. Specific recommendations are provided below for each NDS pillar.

Pillar 1 – Human capital: Add measures for employment, health and social welfare

Pillar 1 is now almost entirely focused on education and lacks measures for other aspects of human capital development and utilization. The following three measures could therefore be added:

- 1. A measure to increase employment and promote life and work skills.** The establishment of the Employment Agency – which is in the final stages – will allow for the development and implementation of a more ambitious set of active labour market policy measures. These measures should focus on the most critical issues, such as increasing youth employment and increasing the participation of women in the labour force. New NDS measures could be largely based on the existing Youth Employment Action Plan and the upcoming Employment and Social Welfare Strategy. Funding for labour market measures should also be substantially increased to achieve meaningful results.
- 2. A measure to improve health services and their accessibility based on the principle of leaving no one behind:** Access to health services will be improved by the planned introduction of universal health insurance, which will include provisions for subsidizing premiums for very low-income people and ensure the integration of leave no one behind principles in health, in line with the 2030 Agenda for Sustainable Development. This should be complemented by a programme for substantially improving the quality of services that the public health sector provides to the insured.
- 3. A measure for reducing poverty and improving the social welfare system:** The social welfare system should be reviewed to better target those with the lowest income and at risk of poverty. The level of benefits for these categories should be gradually increased. As already planned in the ERP, a new municipal grant for social services should be introduced to increase the provision of social services at the local level where the specific needs of people are easier to recognize and address.

Another measure that should be added to Pillar 1 is **improving the quality and competitiveness of higher education and scientific research**. The higher education measure that was introduced in the ERP in 2018 is a good starting point for developing a more comprehensive measure for the NDS.

With respect to existing measures, the following approaches are recommended:

- Measure 1 on pre-school enrolment is progressing well and should be continued. Another activity related to equal opportunities and the inclusion of children from marginalized groups could be added.
- Measure 2 on quality of teaching and Measure 4 on examination, inspection and accreditation could be merged into a comprehensive measure for improving the quality of pre-university education.
- Measure 3 on linking education with the labour market is progressing well and should be continued.
- Measure 5 on optimizing expenditures, which is mainly an organizational and management measure, and Measure 6 on involving diaspora teachers and students, which is delayed in implementation, could be removed from Pillar 1 to make space for the introduction of the new measures suggested above. Nevertheless, planned activities should continue as part of the regular activities of the responsible line ministries.
- Measure 7 on reducing informal employment has already achieved advanced progress. Remaining activities could be included in the new measure on the reduction of the informal economy under Pillar 2.

Table 4 illustrates the new structure of Pillar 1, should these recommendations be taken on board.

TABLE 4: Restructuring Pillar 1 with recommended measures

M1. Enrolment in pre-school and pre-primary education	Existing measure
M2. Improving quality of pre-university education	Merging existing measures 2 and 4
M3. Better linkage between education system and labour market	Existing measure
M4. Competitive higher education and research	New measure
M5. Increased employment and promoting life and work skills	New measure
M6. Leave no one behind in health, accessible and quality health services	New measure
M7. Effective social welfare system	New measure

Pillar 2 – Good governance and the rule of law: Add measures for improving the integrity of the public sector and reducing the informal economy

Although widespread informality and high levels of perceived corruption are widely recognized as important obstacles to the growth of Kosovo's economy, there are no specific measures for addressing these issues in the NDS. The following measures could be added:

- 1. A measure to reduce the informal economy:** This measure could be developed based on the new strategy for combatting the informal economy, which is already being prepared. It should also integrate the existing Measure 7 (reduction of informal employment) and Measure 15 (single revenue agency).
- 2. A measure to increase the integrity of the public sector:** This measure should include activities aimed at increasing transparency and reducing corruption risks in the public sector. It should integrate the existing Measure 10 (on inspections) and Measure 12 (on public procurement).

With respect to existing measures, the following approaches are recommended:

- Measure 8 on services for the business sector and the public should be continued.
- Measure 9 on licences and permits should be continued and enhanced with the new programme for the overall reduction of the administrative burden, which is planned to be prepared.
- Measure 10 on inspections and Measure 15 on single revenue agency should be merged into the new comprehensive measure on the reduction of the informal economy.
- Measure 11 on evidence-based policymaking should be continued.
- Measure 12 on public procurement should be merged into the new comprehensive measure for increasing the integrity of the public sector.
- Measure 13 on property rights should be continued.
- Measure 14 on judicial efficiency should be continued and enhanced with an activity aimed at improving the quality of court decisions, especially in regard to economic and social matters.

Table 5 illustrates the new structure of Pillar 2, should these recommendations be taken on board.

TABLE 5: Restructuring Pillar 2 with recommended measures

M8. Further enhancement of customer-focused service delivery for business and the public	Existing measure
M9. Decreased administrative barriers to licences and permits	Existing measure
M10. Reduction of informality	New measure
M11. Encouraging evidence-based policymaking	Existing measure
M12. Integrity of the public sector	New measure
M13. Strengthening the property rights system	New measure
M14. Increased judicial efficiency	Existing measure

Pillar 3 – Competitive industries: Add measures for innovation, export competitiveness and balanced regional development

This pillar provides a number of measures for SMEs, but lacks a strong measure for industrial development and the overall competitiveness of the economy. The following measures could be added to fill this gap:

- 1. A measure to increase export competitiveness:** This measure could include support schemes for industrial and service sectors with demonstrated potential to increase exports (e.g., wood manufacturing, tourism and information and communication technology) and could be based on the new strategy for private sector development that is now being prepared.
- 2. A measure to support innovation and technological development in the private sector:** This measure should be developed by the new Ministry of Innovation and can be based on the innovation measure introduced in the ERP in 2018.

Another measure that could be considered is **support for balanced regional development**. A set of specific regional development incentives should be combined with a horizontal approach that takes the regional factor in account when implementing any other general support schemes for the economy or employment, and with institutional changes such as fiscal decentralization. To support the planning and implementation of the measure, ASK should provide regional breakdowns for the most important economic and social development indicators.

With respect to existing measures, the following approaches are recommended:

- Measure 16 on access to finance has already achieved advanced implementation and should now be enhanced with activities to develop alternatives to bank financing (e.g., venture and seed capital funds, equity market, microfinance and similar).
- Measure 17 on SME clusters and Measure 18 on higher value-added of SMEs could be merged and upgraded into a comprehensive measure on SME development, based on experience with the implementation of existing measures and support schemes.
- Measure 19 on FDI and diaspora investment should be continued and strengthened to improve results.
- Measure 20 on agricultural land regulation could be merged with Measure 31 on agricultural infrastructure and upgraded into a comprehensive measure on the development of competitive agricultural and food-processing sectors.
- Measure 21 on utilization of mineral resources should be continued.
- Measure 22 on revitalization of Trepça could be removed, as the legal framework is now in place and the agreed solutions can be implemented as part of the Government's regular activities.
- Measure 23 on the Privatization Fund could be removed as the law on using privatization funds was approved, but funds will be directed towards capital investments and not into a separate employment and growth fund as was envisioned in the NDS.
- Measure 24 on governance of state-owned enterprises should be continued.

Table 6 illustrates the new structure of Pillar 3, should these recommendations be taken on board.

TABLE 6: Restructuring Pillar 3 with recommended measures

M15. Increasing export competitiveness of industrial and service sectors	New measure
M16. Access to finance	Existing measure
M17. Innovation and technological development	New measure
M18. Development of competitive and growing SME sector	Merging current measures 17 and 18
M19. Promoting FDI and increased role of diaspora in economic development	Existing measure
M20. Regulating agricultural land	Existing measure; to be combined with the current Measure 31
M21. Utilization of Kosovo's mineral potential	Existing measure
M22. Improve corporate governance of state-owned assets	Existing Measure 24
M23. Balanced regional development	New measure

Pillar 4 – Infrastructure: Add measures for environmental quality and use of natural gas

Energy infrastructure measures are now mostly related to electricity infrastructure and the market; these should be complemented by a measure on natural gas infrastructure and use. Pillar 4 already includes measures for the better management of natural resources (i.e., water and forests) and waste management, but there is no overall measure related to environmental quality despite growing environmental concerns. The following measures could be added:

- 1. A measure for building the natural gas infrastructure and market:** While Kosovo currently has no supplies of natural gas, a feasibility study for the construction of the TAP natural gas system is underway. Natural gas could be utilized both for power generation and for heating. It is a more environmentally-friendly solution compared with the current plants, which operate on lignite, and could provide a balancing capacity that works faster than coal-fired plants. A full natural gas network will be costly, however, so an initial focus could potentially be on power plants and industrial customers.
- 2. A general measure for improving the quality of the environment:** This measure should sketch out the development of environmental regulations and standards and the inclusion of the 'polluter pays' principle in the legislation. Special attention should be paid to improving air quality, which has become a pressing issue in recent years and is not addressed by existing measures.

With respect to existing measures, the following approaches are recommended:

- Measure 25 on power generating capacities should be continued, although the contracting arrangements with the private investor for Kosova e Re are now being finalized. The implementation of the investment needs to be monitored closely, and the activity for opening a new coal mine will take several years to be fully implemented.
- Measure 26 on open energy market should be continued and, if needed, enhanced with an activity on the open natural gas market.
- Measure 27 on energy efficiency should be continued and upgraded with activities targeted at the residential and private business sector, implemented through the Energy Efficiency Fund (e.g., soft loans, direct subsidies and energy audits).
- Measure 28 on renewable energy sources should be continued.
- Measure 29 on roads and railways should be continued.
- Measure 30 on information and communication technology infrastructure should be continued.
- Measure 31 on agricultural infrastructure could be merged with Measure 20 on agricultural land and upgraded into a comprehensive measure on the development of competitive agricultural and food-processing sectors under Pillar 3.
- Measure 32 on water management should be continued.
- Measure 33 on forest management should be continued.
- Measure 34 on waste management should be continued.

Table 7 illustrates the new structure of Pillar 4, should these recommendations be taken on board.

TABLE 7: Restructuring Pillar 4 with recommended measures

M24. Natural gas infrastructure and utilization	New measure
M25. Build new and sustainable power generation capacities	Existing measure
M26. Establish and open and competitive energy market	Existing measure
M27. Decrease energy consumption through energy efficiency measures	Existing measure
M28. Rational use of renewable energy sources	Existing measure
M29. Further development of road and railway infrastructure	Existing measure
M30. Deployment of information and communication technology infrastructure	Existing measure
M31. Improving environmental quality	New measure
M32. Rational use and increase of capacities for water management	Existing measure
M33. Sustainable forest management and use	Existing measure
M34. Sustainable waste management	Existing measure

ANNEX I.

STRATEGIC MONITORING TABLE

NDS 2016–2021				
No.	Measure	Implementation	Timeline	Results
1	Enrolment in pre-school and pre-primary education	HS	OT	WP
2	Enhanced quality of teaching in the pre-university education	HS	WD	ND
3	Better linkage between education and labour market	HS	OT	LP
4	Strengthening the examination, inspection and accreditation functions in education institutions	HS	WD	LP
5	Optimize expenditures in education through data systems	HS	OT	WP
6	Short-term recruitment of experts and diaspora students	HS	WD	ND
7	Addressing informal employment and creating adequate working conditions	HS	OT	NP
8	Further enhancement of Customer-Focused Service Delivery for businesses and the public	HS	OT	WP
9	Decreased administrative barriers to licences and permits	HS	OT	WP
10	Improved efficiency of inspections system	HS	WD	ND
11	Encouraging evidence-based policymaking	HS	WD	NP
12	Closing loopholes in the public procurement system	ADV	OT	ND
13	Strengthening the property rights system	HS	WD	WP
14	Increased judicial efficiency	ADV	OT	WP
15	Fight against informality through establishment of a single revenue collection agency	NS	WD	WP
16	Increased access to finance for Kosovo SMEs	ADV	OT	LP
17	Network and cluster development of SMEs	ADV	OT	WP
18	Upgrading SMEs to activities with higher added values	HS	OT	ND
19	Promoting FDI and increased role of diaspora in economic development	HS	OT	LP
20	Regulating agricultural land	HS	OT	WP

21	Utilization of Kosovo's mineral potential	HS	OT	AP
22	Restructure and revitalization of Trepça	HS	WD	NP
23	Unlocking Privatization Fund and using funds for development	HS	OT	
24	Improve corporate governance with state-owned assets	HS	OT	NP
25	Build new and sustainable power generation capacities	HS	WD	AO
26	Establish an open and competitive energy market	HS	OT	AO
27	Decrease energy consumption through energy efficiency measures	HS	WD	ND
28	Rational use of renewable energy sources	HS	WD	ND
29	Further development of road and railway infrastructure	ADV	OT	ND
30	Deployment of information and communication technology infrastructure	HS	WD	AP
31	Agriculture infrastructure at the service of agro-business	ADV	OT	ND
32	Rational use and increase of capacities of water resources	HS	WD	WP
33	Sustainable forest management and use	HS	WD	ND
34	Sustainable waste management	HS	WD	LP

ANNEX II.

MONITORING TABLE ON IMPLEMENTATION

Pillar 1 - Human Capital				
M	A	Activity	Implementation	Timeline
1	1	Increasing the number of public kindergartens	HS	OT
	2	Increasing involvement in private institutions	HS	OT
	3	Optimization of teaching staff through reallocation from the highest levels (primary education).	HS	OT
2	1	Reviewing and completing the teaching qualification process prior to entering the service	NS	WD
	2	Optimizing the number of existing teachers by having quality criteria	HS	OT
	3	Accelerate the process of professional development of teachers	ADV	OT
	4	Expand the use of new curricula in all remaining schools	HS	OT
	5	Review existing texts as well as develop new texts	HS	MV
3	1	Accelerate the process of developing professional standards	ADV	OT
	2	Determination of top priority areas in vocational education and training and development and implementation of core curricula	HS	OT
	3	Implementing a vocational education and training combined pilot system with dual learning elements	HS	OT
	4	Development and implementation of the national skills development forecasting system	NS	WD
	5	Connecting research activities at universities with the Industry through access to specialization and investment in research and development	HS	OT
4	1	Increase the capacity of the National Quality Council	HS	OT
	2	Implement a more reliable system of final exam for students	HS	OT
	3	Improvement of the final exam for regulated professions	NS	WD
	4	Expansion and improvement of the system of inspections in the education system as well as aspects of teacher performance evaluation	ADV	OT
	5	Improve the quality of accountability and accountability of accredited institutions	HS	WD
	6	Develop a teaching success assessment system and a teacher grading system	HS	WD

5	1	Building a master plan for the vocational education and training network	NS	WD
	2	Creation of Information Management System in Higher Education (SMIAL)	ADV	OT
	3	Increase funding for vocational education and higher education programmes	HS	OT
	4	Piloting the model of public-private partnerships	HS	OT
6	1	Creating a database that uses the diaspora database to identify different profiles	Not planned to be implemented during the reporting period	
	2	Creating a Home Engagement Programme (PAA)	HS	WD
	3	Kosovo will become part of the programme for returning experts to the German Government in 2016	Not planned to be implemented during the reporting period	
	4	Kosovo and the United Nations Volunteers will implement the TOKTEN programme	Not planned to be implemented during the reporting period	
	5	Creating an online learning program (e-learning)	Not planned to be implemented during the reporting period	
7	1	Strengthen institutional dialogue with social partners	HS	OT
	2	Improving the rights of workers and guaranteeing the minimum standard of safety and health at work	HS	OT
	3	Strengthening mechanisms and co-ordination of institutional actions to reduce informal employment	HS	OT
	4	Creating an information management system at the Labour Inspectorate	IA	WD

Pillar 2: Good governance and rule of law				
M	A	Activity	Implementation	Timeline
8	1	Creating a registry of all public services	IA	OT
	2	Creating a central database for public services	ADV	OT
	3	Establish a regular information update system related to the provision of services	Not planned to be implemented during the reporting period	
	4	Further harmonization of legislation on services	HS	OT
9	1	Creating a register for special administrative procedures	ADV	OT
	2	Establish a system for reviewing and approving all administrative procedures	HS	OT
	3	Review and improve administrative procedures	HS	OT
	4	Adapting the “guillotine” approach to shorten the number and to harmonize the list of existing licenses	HS	OT
	5	Full implementation of online registration of all permissions and licenses and providing those that are not included in the records will be void	HS	OT
	6	Full implementation of online registration of all permissions and licenses and providing those that are not included in the records will be void	HS	MV
10	1	Adopting a harmonized law on inspections	HS	MV
	2	The assessment of all inspections followed by the elimination of unnecessary activities or merging there where is the space	HS	WD
	3	Establishment of a coordination mechanism between inspection bodies, including the establishment of an information exchange system for information exchange between inspectorates	HS	OT
11	1	Creation of an institutional unit for Regulatory Impact Assessment and units within line ministries	HS	WD
	2	Implementing the Strategy for Better Regulation	HS	OT
	3	Creating a mechanism for systematic collection and storage	NS	WD
	4	Use of the National Council for Economic Development and ad-hoc committees	HS	OT

12	1	Implementation of the amended law and existing regulations in the field of public procurement	ADV	OT
	2	Accelerating the implementation of the electronic public procurement platform	HS	OT
13	1	Development of a legal framework for commercial property rights	HS	OT
	2	Promoting the land market	HS	OT
	3	Empowering the Court's capacity and role in property rights	NS	WD
	4	Ensuring the protection of the respective property rights of non-majority community members and securing property rights for women	HS	WD
14	1	Changing the legal framework	ADV	OT
	2	Stimulation of early payments of misdemeanour punishments	IA	OT
	3	Dismissal of the judicial system from the cases gathered through the creation of a special team of 100 people	ADV	OT
	4	Maintaining a positive rate of cleansing accompanied cases through optimization of case management system	ADV	OT
15	1	The necessary actions to achieve the gradual convergence of the processes and the subsequent integration of the two institutions	Not planned to be implemented during the reporting period	
	2	Establishment of the Agency for the Collection of Revenues	Not planned to be implemented during the reporting period	

Pillar 3: Competitive industries				
M	A	Activity	Implementation	Timeline
16	1	Operationalization of credit guarantee schemes	ADV	OT
	2	Evaluate the operation of the scheme and explore opportunities for further expansion and optimization of the scheme	ADV	OT
	3	Integration of database of credit registry system with tax administration	ZB	OT
	4	Creating special facilities for the voucher scheme	HS	OT
17	1	Development of a National Competitiveness Strategy	ADV	OT
	2	Establish the institutional framework to support the development of industrial clusters	AVA	OT
	3	Establishing the network of suppliers and sub-contractor	AVA	OT
18	1	Establish an instrument to assist in the certification of quality standards for Kosovar enterprises	HS	OT
	2	Establish a support scheme for innovation	HS	OT
	3	Establish an information platform for the Integrated Agriculture Information System	ADV	OT
19	1	Strengthening capacities of the Kosovo Investment and Enterprise Support Agency and its reorganization	HS	OT
	2	Support investments of strategic investors	HS	OT
	3	Establish matching grant schemes for diaspora	Not planned to be implemented during the reporting period	
	4	Activate and expand the diaspora business networks	HS	OT
	5	Cooperation between diaspora businesses networks and institutions in the country	HS	OT
20	1	Develop and support land regulation projects	HS	WD
	2	Implement structural reforms	HS	OT
	3	Create parcels of regular geometric shape	ADV	OT
	4	Establish field road networks	HS	OT
21	1	Develop institutional modalities to support (through funding or technical assistance) new strategic projects in the mining sector	ADV	OT
	2	Support geological and mining researching programmes	HS	OT
	3	Regulate the project research and development market by strengthening the administrative capacities of the supervisory bodies and executive agencies.	HS	OT
	4	Provide support in development of support infrastructure for mining sector	ADV	OT

22	1	Final feasibility study	IA	OT
	2	Drafting the concept document based on the feasibility study	HS	OT
	3	Regulate the issues about unsustainable assets and businesses for revitalization	NS	WD
	4	Decision to increase the further business/ industrial production of Trepça	ADV	OT
23	1	Independent evaluation of the available tools and decision-making on the use of tools	Not planned to be implemented during the reporting period	
	2	Unlocking the fund and creating mechanisms for spending the funds	IA	OT
	3	Implementation of concrete projects and initiatives using funds from the Privatization Fund	Not planned to be implemented during the reporting period	
24	1	Review the options for sectorial approach to supervision and management of publicly-owned corporations	ADV	OT
	2	Develop the process of risk analysis by state enterprises	HS	OT
	3	Train officials in relevant sectors/departments on corporate governance.	Not planned to be implemented during the reporting period	
	4	Introduce Management by Objectives (MBO) system	Not planned to be implemented during the reporting period	
	5	Review potential for eliminating bureaucracy and interference in commercial enterprises operating in competitive markets	Not planned to be implemented during the reporting period	

Pillar 4: Infrastructure				
M	A	Activity	Implementation	Timeline
25	1	Extend decommission process of PP Kosova A	NS	WD
	2	Rehabilitation of PP Kosova B	ADV	OT
	3	Construction of New Kosova Power Plant	HS	OT
	4	Implementation of structural reforms at KEK	HS	WD
	5	Opening of new coal mine (Sibofci Jugor)	HS	OT
26	1	Integration of electricity market into the regional electricity market	HS	OT
	2	Construction of 400 kilovolt transmission line between Kosovo and Albania	ZB	OT
27	1	Establishment of Energy Efficiency Fund	HS	OT
	2	Commence implementation of performance contracts on energy savings	HS	WD
	3	Expansion of the district heating network	HS	OT
28	1	Reviewing and negotiating lower targets for use of renewable energy sources	ADV	OT
	2	Analyse of Zhur Hydro Power Plant feasibility study	Not planned to be implemented during the reporting period	
	3	Possibility of long-term contracts for farmers for use of organic waste and ensure better organization of lumber and forest debris market	HS	MV
29	1	Finalize remaining segments of Morina – Merdare Highway (R7)	ADV	OT
	2	Finalize the priority segments of Prishtina – Hani i Elezit (R6)	ADV	OT
	3	Continue expansion of national road Prishtina – Peja (M9) and Prishtina – Mitrovica (M2)	ADV	OT
	4	Expansion of national road Prishtina - Podujeve	ADV	OT
	5	Expansion of national roads Peje – Deçan – Gjakove – Prizren	HS	OT
	6	Construction of Prishtinë – Gjilan – Dheu i Bardhe Highway	HS	OT
	7	Modernization of the international railway Line 10	HS	OT

30	1	Establish National Information Technology Council	ZB	OT
	2	Support to Kosovar information technology businesses	Not planned to be implemented during the reporting period	
	3	Adopt relevant international information and communication technology standards	HS	WD
	4	Implementation of the Kosovo Digital Economy Programme	HS	OT
31	1	Increase irrigation system coverage	HS	OT
	2	Increased number of storage facilities	ZB	OT
	3	Increased number of laboratory units	ADV	OT
	4	Increased farm size and improved farm structure, as well as increased processing capacities of food industries	ADV	OT
	5	Strengthening the information management system	ADV	OT
32	1	Decreased technical and commercial losses	HS	OT
	2	Expanding the water supply network and construction of new networks	HS	WD
	3	Implementation of the feasibility study for potential locations for construction of surface water accumulations	Not planned to be implemented during the reporting period	
	4	Design the project for construction of 'Iber-Lepenc' water system	Not planned to be implemented during the reporting period	
	5	Invest in expansion and increased efficiency of irrigation systems	HS	OT
	6	Renovate and construct protective infrastructure	HS	
	7	Renovation and expansion of the potable water network	HS	WD
33	1	Forestation of stripped forest areas, recovery of fire-damaged forests	HS	WD
	2	Enforcement of tougher sanctions against illegal loggers	HS	OT
	3	Development of forest management plans	HS	OT

34	1	Construction of infrastructure for management of municipal, solid, rubble, industrial and hazardous waste as well as wastewater sludge	NS	WD
	2	Consolidation of public waste collection companies and contracting economic operators through public-private partnership	Not planned to be implemented during the reporting period	
	3	Increased public awareness and gradual reduction of quantity of waste	Not planned to be implemented during the reporting period	
	4	Implement projects for reducing environmental and health risks from waste	Not planned to be implemented during the reporting period	
	5	Repair and construction of wastewater collection networks	HS	OT
	6	Construction of transfer station and waste collection centre	NS	WD
	7	Improved technical and operational status in regional landfill of Prishtina in Mirash/Obiliq	NS	WD

Evaluation criteria for the progress of implementation of activities and respective codes

Timeframe

Code	Status	Evaluation on the sub-activity level	Evaluation on the activity level
OT	On time.	Sub-activity is being implemented according to the timeline planned in the Roadmap.	Most of the sub-activities are being implemented according to the timeline planned in the Roadmap.
WD	With delays.	At least 2 sub-activities are not being implemented according to the timeline planned in the Roadmap, since it has not started yet or started a year later from the planned time.	Sub-activity is not implemented according to the timeline planned in the Roadmap, since it has not started yet or started a year later from the planned time.

Implementation rate

Code	Status	Evaluation on the sub-activity level	Evaluation on the activity level
NS	Not Started.	None of the sub-activities has started.	It has not started.
HS	Has started.	Sub-activity is being implemented but indicators have not yet been achieved.	Sub-activities are being implemented but indicators have not yet been achieved.
ADV	Advanced.	Performance is good and a good part of the indicators are achieved.	Performance is good and a good part of the indicators are achieved.
IA	Implemented activity.	The planned output is realized.	All the planned outputs have been realized.

Results	
ND	No Data
NP	No Progress
LP	Limited Progress
WP	With Progress
AP	Advanced Progress
AO	Accomplished Objective

ANNEX 3.

DATA AVAILABILITY FOR ALIGNED SDGS AND TARGETS WITH NDS

NDS Pillars:	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
1. Human capital				3				3									
2. Good governance and rule of law					1												
3. Competitive industries								3	1								
4. Infrastructure									1			1					1
Macro-level indicators	1																

*The numbers presented under each goal represents the number of SDG targets aligned for each specific NDS pillar and NDS macro level indicator

Table legend:

No alignment of SDG with NDS

Partially reported data for the SDG targets

No data reported for the SDG targets

Data reported for the SDG targets