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Ministria e Administrimit të Pushtetit Lokal

Ministarstvo Administracije Lokalne Samouprave

Ministry of Local Government Administration

Strategy for Local Economic Development 2019-2023

Prishtina, 2018

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2. LIST OF ABBREVIATIONS

MLGA	Ministry of Local Government Administration
OPM-SPO	Office of PM – Strategic Planning Office
MEI	Ministry of European Integration;
MF	Ministry of Finance;
MH	Ministry of Health;
MEST	Ministry of Education, Science and Technology;
MED	Ministry of Economic Development;
MTI	Ministry of Trade and Industry;
MLSW	Ministry of Labor and Social Welfare;
MAFRD	Ministry of Agriculture, Forestry and Rural D;
MESP	Ministry of Environment and Spatial Planning;
MI	Ministry of Infrastructure;
KAS	Kosovo Agency of Statistics;
AKM	Association of Kosovo Municipalities;
M	Municipalities
GCS	Government Coordination Secretariat
GP	Government Program
GAWP	Government Annual Work Plan
MTEF	Medium Term Expenditure Framework
NDS	National Development Strategy
PI	Public Investment
NAO	National Audit Office
LSGS	Local Self-government Strategy
NDS	National Development Strategy
NPER	National Program for Economic Reform
NPISAA	National Program for the Implementation of the Stabilization and
SEPK	Association Agreement Strategic Education Plan in Kosovo

3. EXECUTIVE SUMMARY

The Strategy for Local Economic Development presents a strategic document based on the action plan aimed at drafting and coordinating policies for local economic development.

This document defines the way how to make real the vision for municipalities with efficient governance, quality education, clean environment, health and social welfare, suitable business environment and developed agriculture in order to enhance the quality of life.

The strategy supports the governance capacity building, by improving law enforcement, creating partnership climate with businesses, opportunities for youth activities and space for marginalized groups, civil society and citizens, which directly affect local governance improvement.

Municipalities put before themselves goals and objectives, in which they rely on fulfilling citizens' demands for a better welfare and, of course, in line with the defined budget. These goals are expressed through strategic objectives, as follows:

- *Strategic Objective No.1: Increasing Financial Sustainability of Municipalities*
- *Strategic Objective No. 2: Attracting Foreign Investments*
- *Strategic Objective No. 3 Strengthening the local economy by investing in human capital*
- *Strategic objective No.4: Utilization of resources in function of sustainable economic development.*

Drafting the strategy for local economic development is not something new for the municipalities of the Republic of Kosovo. In general, municipalities have their own strategies for local economic development.

Although, local governance is built on the principle of the European Charter for Local Governance, the financial sustainability of municipalities is not yet achieved. Kosovo municipalities continue to be dependent on the central level. In most municipalities, over 80% of the budget comes from government grants.

Financial sustainability itself is one of the key criteria to be assured that the local level, respectively the municipalities to have a sustainable development, in order to create well-being for the citizens.

4. INTRODUCTION

Taking into account strategic developmental orientations, municipalities will make efforts through local economic development to improve and increase the quality of life of citizens by creating new opportunities for economic and social welfare. This strategy addresses aspects of local economic development that are oriented towards partnership with all stakeholders, aiming to enhance employment, reduce poverty and increase living qualities. Economic development can only be achieved when municipalities show better governance and provide necessary services to the public through improvement and advancement of local self-government in the economy field. To achieve these goals, municipalities should pay special focus on improving and developing local infrastructure, creating the appropriate development conditions, promoting small and medium-sized local businesses, developing the agricultural sector, promoting the creation of new jobs through new investments both from the country and from abroad.

The Strategy is related to a series of strategic documents of the Government of the Republic of Kosovo, such as: Strategy for Local Self Government 2016-2026 (SVL); National Development Strategy 2016-2021 (NSDI); National Program for Economic Reform (NRP) 2015 and the Medium Term Expenditure Framework 2018-2020 (MTEF); The National Program for the Implementation of the Stabilization and Association Agreement (NPISAA) 2016.

A country's economic development requires a system in which property rights are fully respected, and where the property is commercial or marketable. Today, low property market development affects negatively in many sector of the economy, including agriculture, where land consolidation and relevant economies of scale should be encouraged in order to increase competitiveness. Unsolved property rights are also essential for access to finance, as properties may be used for collateral.¹

5. METHODOLOGY

Drafting of the Strategy for Local Economic Development is assigned as one of the priorities of the Government of the Republic of Kosovo, based on the Action Plan

¹ National Development Strategy 2016-2021 (NDS)

2015-2018, on the implementation of the Government Program, the work plan of the Government of the Republic of Kosovo for 2017, and the concept document for local economic development approved by the Government Decision no. 07/144 dated 04.05.2017.

For the drafting of this strategy was established an Inter-Ministerial Working Group, including the following institutions:

- Ministry of Local Government Administration
- Office of the Prime Minister – Office for Strategic Planning;
- Ministry of European Integration;
- Ministry of Finance;
- Ministry of Health;
- Ministry of Education, Science and Technology;
- Ministry of Economic Development;
- Ministry of Trade and Industry;
- Ministry of Labor and Social Welfare;
- Ministry of Agriculture, Forestry and Rural Development;
- Ministry of Environment and Spatial Planning;
- Ministry of Infrastructure;
- Kosovo Agency of Statistics;
- Association of Kosovo Municipalities;

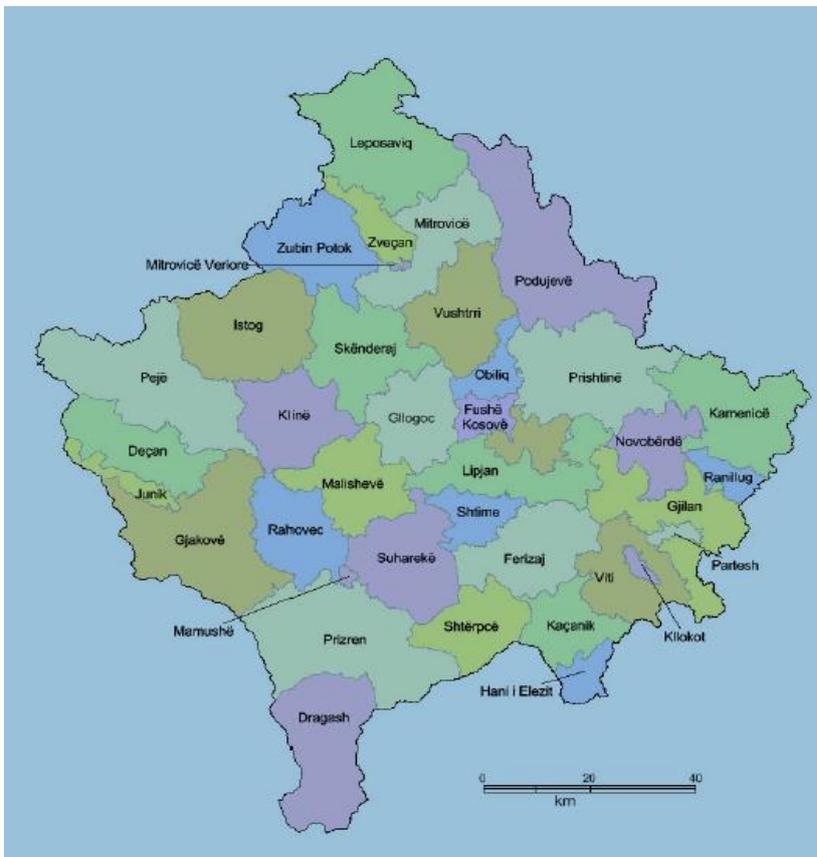
During the process of drafting of this strategy were held meetings with municipalities and other relevant institutions. Likewise, the strategy has passed through the procedures of prior consultation and public consultation in accordance with the rules for drafting strategic documents.

6. ANALYSIS OF CURRENT SITUATION AND MAIN CHALLENGES

6.1 The need for a sustainable system that ensures local economic development

Kosovo is at an important stage of development, where economic policies should be an integral part of the program in all fields. From the experience so far, economic development at the country level, especially at the local level, has been faced with many problems and challenges, which need to be addressed through action plans.

Thirty-eight established municipalities, complete the institutional mosaic responsible for addressing influential policies on economic development to improve the standard of living and increase the overall well-being of citizens. In line with the national strategic guidelines for development and goals of the European agenda, the concept of local self-government is being oriented towards a system of functional decentralization, where by strengthening of institutional capacities and increasing of financial sustainability of municipalities is aimed to create more favorable conditions for local socio-economic development.



Based on the Law on Local Self-Government, municipalities have full and exclusive competencies as regard to the local interest, where the area of local economic development is also precisely defined. Referring to the abovementioned legal basis, we can freely say that to have a sustainable local economic development in Kosovo,

there must be strong municipalities, which exercise public authorizations that affect local economic development. In this context, building the policies at the local level is a key prerequisite for the overall welfare of citizens.

Municipalities are responsible for creating a climate and a favorable business making environment, for the purpose of local economic development. In order to have a local economic development, it is necessary to have a comprehensive and well-built policy; where in which will be included various and clear programs, which are divided according to the respective fields, starting from: investment in human

resources, preservation and advancement of existing businesses, attracting new businesses, planning and determining of the investment areas; provision of a convenient and safe environment for the direct foreign investment, adopting modern technologies, management of resources and land use untapped, as well as many other factors that influence and are determinant in local economic development.

In this regard, drafting of clear and concrete policies as well as the strategic planning process for local economic development, is achieved through a common culture of work, among people and the formation of long-term partnerships. These essential elements also enable a sustainable economic growth, where economic benefits, improvement of living conditions as well as the quality of life of all citizens, indiscriminately, would be essential and visible. Therefore, at this new stage of development, a new approach towards developmental policies at local level is needed. This new approach addresses all factors (external and internal factors) that limit the economic growth.

Based on existing data, municipalities have many difficulties regarding their role in local economic development policies. Many factors have influenced in this regard, such as: insufficient financial resources, low economic development at the country level, lack of professional capacity, damages in the post-war economy, property problems, lack of the necessary living services such as water, canalization, roads, school and recreation facilities, etc². All of these have caused obstacles and limited the possibilities of municipalities to realize developmental projects, stagnation in the local economy as well as deepening unemployment in the country. Taking into account the high unemployment rate in Kosovo, which generates poverty and affects the poor life quality, creation of new platforms are needed to redefine the role of municipalities in this regard.

Statistical data in the Labor Force Survey (LFS) in Kosovo in the second quarter of 2017 show employment and unemployment data by age, gender, employment status, economic activities, occupations and other areas of the labor market. In the second quarter of 2017, the employment rate is 29.9%, the unemployment rate is 30.6%, while the rate of non-activity is 57.0%. The VET data show that the proportion

² Republic of Kosovo, Ministry of Local Government Administration: *"Strategy for Local Self-Government 2016-2026"*, Pristina, February, 2016

of part-time employees for the second quarter of this year is 6.2%. Self-employment (as a percentage of employees) for this quarter is 24.0%. Percentage of employees in unstable work (persons who are self-employed and have no employees and those who work free of charge in a family business) was 24.0%. Trade, manufacturing, construction and education continue to employ almost half of the employed. As regards the labor force participation that is 43.0% in this period, the number of women belonging to the workforce was 20.0% and male 65.7%. Unemployment rate among young people is 50.9%. Long-term unemployment of young people (15-19), who have been unemployed for more than 12 months, for this quarter is 50.0%. Percentage of young people who are not employed are neither in education nor in training - NEET (respondents aged 15-24), is 27.1%.³

Taking into account this high rate expressed, the Strategy for Local Economic Development aims to address solutions, in order to improve policies for local economic development by increasing the legal and functional capacities of municipalities in order to deliver results to economic growth at the local level.

6.2 Main challenges of municipalities that should be addressed

Municipalities face numerous challenges in the field of local economic development, among which is the high budgetary dependency of local government from the government grants with about 85% and the lack of business spaces, including the limited number of economic zones, (economic zones have been built in the region Prishtina-Gllogoc, Prizren region-Suhareka, Ferizaj/Urosevac-Shtime region, and Mitrovica).

As challenge remains the not very favorable climate at the local level for attracting foreign direct investment; the lack of local strategies for human capital empowerment with labor market needs; the lack of a database for foreign investors for investment in municipalities; the legal framework that greatly limits the municipal borrowing, as well as other legal and administrative problems.

Despite the projections of the economic growth rate of 4.3% for 2018, municipalities' opportunities to affect in economic growth is largely limited. One of the problems regarding the use of the economic potential of municipalities, has to do with the

³ Kosovo Agency of Statistics: Series 5: Social Statistics, Labor Force Survey TM2 - 2017

management of municipal property. The so far procedures of providing of the property market in function of economic development are prolonged and cause practical problems, which require the revision of legal infrastructure in this area. Also, some municipalities have at disposal no municipal property, while the non-clear definition of the public, state, municipal and social property concept has caused confusion in municipalities, and we often have legal actions in violation of applicable legislation. However, the solution of this issue remains to be implemented in conformity with the National Strategy on Property Rights in Kosovo. In this context, "the privatization process has made impossible for the municipalities to manage lands that have been socially owned. As a consequence, the real estate fund of municipalities is limited, and in some cases, this has caused difficulties in implementing municipal development plans". This process might be facilitated by reviewing the legal framework on allocating for use the municipal immovable property.

Realization of strategic projects of municipalities should be done through simplification of procedures for the use of municipal property in relation to potential investors. Kosovo has drafted a legal framework for strategic investments that enables the promotion, attraction and creation of conditions for realization of strategic investments. Municipalities should plan the lands fund for their utilization and provide facilities and supporting infrastructure in municipal properties to enable the implementation of strategic projects at local level.

Education - The Stabilization and Association Agreement (SAA) defines the framework of Kosovo's co-operation with the EU, to enhance the quality of education at all levels in order to improve the skills, employability, social inclusion and promote economic development. SAA pays special attention to the co-operation in achieving inclusion and equality in education, with particular emphasis on: gender, ethnicity and religion, as well as persons with special abilities. It is expected that cooperation between the EU and Kosovo will take the form of technical assistance for implementing certain measures of the Strategic Plan of Education in Kosovo (SPEK).

The education system should adapt to demands both local and European labor market, focusing on raising quality so that graduates meet employer standards.

At a time when the country's unemployment is too high, the paradox is that many enterprises have problems in finding deficit framework. One of the main reasons lies in the education system, respectively to the low inclusion of children in pre-school programs (25-30% of children are involved and the differences are large from urban to rural areas) as well as to the quality of teaching. Another problem is the lack of compatibility of the abilities and skills acquired with labor market requirements, as there are no triangular links between schools, businesses and communities⁴. Municipalities should focus on improving the conditions for the development of preschool, primary and secondary education, the regulation of the necessary school infrastructure, the opening of vocational schools, the improvement of quality in education, the monitoring of the educational process, merit selection of the educational staff and managerial, as well as the effort in building the continuing capacities of the educational staff. Also, the focus of municipalities should be oriented to "training young people as workforce, through forms of alternative education, the opening of innovative youth centers, training programs and innovation⁵.

Health - An analysis of the current state of the health system has presented the need to make changes and implement the reform in health system, whether in the aspect of reorganizing of the current system and the relevant institutions and in ensuring the financial sustainability of the system. Demographic characteristics of the population orient the development of the health system towards maintaining the health of the population, empowering primary care as pillar of the health system, in particular by promoting healthy lifestyles.

The Government of the Republic of Kosovo within the list of priority projects, has also incorporated the project for strengthening the infrastructure of the primary care. The Primary Healthcare Activity includes health promotion, prevention, early detection, diagnostics, treatment and rehabilitation related to diseases, disorders and injuries, including dental care and minor surgical interventions, based on the concept of family medicine. The public network of PHC consists of a total of 429 institutions, of which each Kosovo municipality has the Main Family Medicine Center (MFMC) as the main unit, with its compounding units: Family Medicine Centers (FMCs) and Family Medicine Ambulances (FMA). As for the continuous development of human resources in family medicine, achievements are evident. In

⁴ Republic of Kosovo: "National Development Strategy" 2016-2021", Pristina, January, 2016

⁵ Action Plan for Local Self-Government Strategy, 2016-2026.

this aspect, there is "an increase in the development of professional human resources and the quality of Postgraduate Education, which is an internationally accredited program. Supervision and quality assurance of the implementation of the program is done by the Royal College of General Practitioners from the UK "PHC is financed through transfers from the central budget to municipalities in the form of a specific health grant, to an average percentage of 28% of the total budget divided for Health.

Infrastructure - Creating the environment for safe, quality and functional development of infrastructure systems and human capacities for the provision of quality services, affects the clean ecological environment and economic growth. The municipality is committed to the creation of a fully integrated transport system for all citizens, which will enable them to choose the most efficient and cost-effective transportation that meets their needs, which guarantees the preservation of the environment.⁶

Municipalities are responsible for the maintenance, organization, operation and development of their road network.

Agriculture - as a sector of special importance, participates with about 63% of the population's economy, living in rural areas and contributes in different forms of economic and employment growth. Agriculture, as a special form with potential for local economic development, finds a special space for realizing the objectives in this strategy, when it is known that at the gross domestic product (GDP) level agriculture participates with 10.5%. Supporting the agriculture sector from the central and local level is done through direct payments and grants from the agriculture sector to farmers. Agriculture has achieved to have a greater development, as rural development measures have contributed to self-employment, at the same time in increasing the welfare and quality of life⁷. Among the main challenges faced by the agricultural sector are: small production areas, regular farm register updating, large number of farmers with small area of plots, ownership of agricultural lands, preservation of agricultural land use and consolidation of land for the needs of agriculture development.

⁶ Sectorial strategy and multimodal transport 2015- 2025

⁷ Rural and Agricultural Development Program 2014-2020 of the Republic of Kosovo

Tourism - In many world countries, tourism is a very important sector for economic development. Through tourism we can attract foreign investment, attract new investors, attract tourists by offering access to natural resources and natural beauties, access to services, access to other tourist values, cultural heritage etc. The direct impact of tourism leads to an increase in revenues, the development of economic activities that make up the tourist economy including: hotels, transport, trade, cultural institutions, employment growth, living standard, investments and the development of underdeveloped areas. On the other hand, tourism has an indirect impact on those economies that supply the tourism economy, including: agriculture, construction, craft industries. Therefore, taking into account the great importance of the tourism sector, this branch should be developed and promoted more by the municipalities, in order to utilize different forms of tourism development, including: mountain tourism, cultural (artistic feasts, fairs, concerts , festivals, museums), family tourism, winter and youth tourism as well as ecotourism.

Among the main challenges in the field of tourism are: identification of potential tourist areas, completion of accompanying infrastructure in areas with tourism potential, promotion of tourism (contact points in municipalities for tourists).

6.3 Strategic policies for local economic development

The National development strategy 2016-2021 - highlights a number of closely related measures with the competencies of the municipalities that need to be undertaken to ensure a more stable system of policy making and more effective implementation. Completing the spatial document framework at the local level, efficient management of public services, better policy planning, preparation of human capital, promotion of the importance of vocational schools and relevance of education with the labor market, fair spending of public money; promotion of the land market and other resources that enable economic growth are some of the approaches that require addressing in a future period of action. Therefore, it is important to establish a coherent approach between long-term goals with medium-term strategies, through which specific targets for regulation of a particular policy, such as local economic development, can be set.

Strategy for local self-government 2016-2026 - Local economic development has been raised as a separate topic through the Strategy for Local Self-Government 2016-2026. This strategy envisages the multi-sectorial measures to strengthen the system of local self-government, including alternatives for increasing authorizations of municipalities in the area of local economic development. With the adoption of this strategy and action plan, long-term program orientations for the central and local level have been provided to reconfirm the importance of local government as an irreplaceable mechanism for solving practical problems of citizens. Through the first objective of this strategy, that of local economic development, the aim is to create effective policies in favor of economic development over the years to come, and to increase financial sustainability of the municipalities.. The strategy identifies the problems of municipalities, which accompanied them over the years and lay down the need for drafting development policies from the central level to change the legal base of municipal financing, concentration of municipalities in developmental projects coordinated with the strategic priorities at the country level and local; for investments in the completion of road infrastructure and expansion of the local transport network, empowerment of human capital and interconnection of workforce with labor market as well as other forms of businesses support.

The National Program for the Implementation of the SAA - It should be noted that the signing of the Stabilization and Association Agreement between the EU and Kosovo, has paved the way for institutional reforms as well as creation of a functional market economy. Achievements in the most successful implementation of this agreement and the foreseen reforms are facilitated through the National Program for the Implementation of the Stabilization and Association Agreement (NPISAA). Amongst the short-term measures set out in this policy document, among others are foreseen: ensuring the improvement of the activity of local authorities in meeting their legal mandate, ensuring the implementation of legality on the occasion of their normative activity, strengthening of municipal transparency, efficient implementation capital projects, promotion of development through inter-municipal, cross-border and transnational cooperation programs, strengthening of local administration capacities,

etc⁸. All of these should be the focus of this strategy and address appropriate action measures so that municipalities have their own important role for an environment conducive to business development and for new investments.

Mid-Term Municipal Budget Framework (KABK) - is a document that is reviewed and approved annually by the Municipal Assembly. This document provides a detailed analysis of municipal revenues and expenditures. Expenditures should be planned to reflect the strategic priorities for the municipality's continuous development. KABK provides a useful mechanism through which the priorities identified in the municipal strategic documents can be better integrated into the budget process.

Action strategies at the local level

Taking into account specificities and development capacities, 34 municipalities have drafted the strategies for local economic development, with the exception of municipalities: Zvecan, Zubin Potok, Leposavic and North Mitrovica. Most of these strategies have not been in harmony with the MTEF and government priorities due to budget constraints. Nevertheless, municipalities have made effort to improve and increase the quality of life of citizens through the fulfillment of their periodic commitments, by offering new opportunities of business operations, promoting the production sector, and especially the agricultural sector (which generates employment seasonal), conditions for better circulation of goods and people, improvement of living standards, support for certain social categories, and other forms of support for economic and social activities.

The Government Program of the Republic of Kosovo focuses on four main pillars: the rule of law; Economic development and employment; Foreign policy and Euro - Atlantic integration and sectorial development.⁹

Table 1. Main macroeconomic aggregates ¹⁰

Description	2015	2016 Eval..	2017 Proj.	2018 Proj.	2019 Proj.	2020 Proj.
Real growth rates (in percentage)						
GDP	4.1%	3.6%	4.1%	4.3%	4.3%	4.0%

⁸ Republic of Kosovo, Government: *National Program for the Implementation of the Stabilization and Association Agreement (NPISAA)*, March, 2016, p. 26.

⁹Program of the Government of the Republic of Kosovo 2017-2021

¹⁰ KASH 2018-2020

GDP per capita	3.9%	3.4%	3.9%	4.1%	4.1%	3.8%
Consumption	0.6%	3.2%	2.2%	3.4%	3.6%	3.0%
Investments	11.3%	7.8%	8.5%	7.1%	5.9%	5.3%
Export	16.8%	6.2%	1.3%	2.5%	2.6%	2.4%
Import	6.2%	6.3%	1.4%	3.5%	3.1%	2.1%
Price changes (in percentage)						
ICK	-0.5%	0.3%	1.5%	1.1%	0.9%	0.9%
Deflator (deflation)	0.2%	0.6%	1.3%	1.2%	0.9%	0.8%
Import prices	-1.0%	-2.5%	3.8%	1.5%	1.5%	1.5%
Balance of savings / investments (in^o of GDP) (BPV)						
Primary net income from outside	1.3%	1.1%	1.5%	1.6%	1.7%	1.6%
Secondary net income from outside (abroad)	18.3%	17.8%	17.5%	17.1%	16.8%	16.5%
<i>of which: remittances</i>	11.5%	11.4%	11.1%	10.9%	10.6%	10.4%
Investments	27.6%	27.9%	29.6%	30.4%	31.0%	31.8%
Current Account Balance	-8.8%	-9.4%	-9.3%	-9.8%	-10.2%	-10.5%
Trade balance	-36.3%	-37.9%	-37.8%	-37.9%	-38.0%	-37.8%
Gross national savings	18.8%	18.6%	20.3%	20.6%	20.8%	21.3%
Private savings	15.3%	13.5%	15.3%	15.0%	14.7%	14.5%
The main aggregates (in millions of euros)						
BPV (GDP)	5,807	6,051	6,380	6,726	7,080	7,424
BAKD	6,947	7,197	7,593	7,989	8,389	8,778
PBV per capita (in euro)	3,211	3,339	3,513	3,697	3,884	4,064
BAKD per capita (in euro)	3,622	3,757	3,957	4,159	4,362	4,557
Employee remittances	665	691	710	730	751	772
Population (in thousands)	1,809	1,812	1,816	1,819	1,823	1,827

Remittances for 2014 were € 622.3 million, for 2015 € were 665.4 million € and for 2016 were 691.0 million €¹¹.

¹¹ Statistical Yearbook of the Republic of Kosovo 2017

6.4 Investments at the local level

At present, coordination of central and local level for investment planning is not at the right level.

Supporting small and medium-sized enterprises through development policies would enable the attraction of the investments of businesses at the local level, especially in the manufacturing sector and service sector, which impacts in increasing their value. Local-level policy development enhances production capacities, creates new jobs, and influences the development of sectorial policies so that municipalities are the selected country for investment.

In this regard, the increase of the level of Foreign Direct Investment (FDI) made that the local economy cover the financial needs and create better living conditions for the citizens. This implies that a foreign business needs to find concrete support from municipalities in order to invest at the local level.

Cooperation between central and local level regarding the implementation of primary and secondary legislation, as well as with other cooperation agreements regarding the possibility of foreign investment, would facilitate easier access for foreign investors, as well as creation of the most favorable conditions for investment in municipalities.

6.5 Municipal funding sources

The financial resources of a municipality consist of: municipal own source revenues, government grants; grants of external donor as well as municipal borrowing.

Municipal own source revenues - Municipal own source revenues - are the financial means collected from taxes, fees, fines, payments for public services provided by the municipality, rents from the real estate owned by the municipality, revenues from the sale of municipal assets, those from municipal enterprises, co-payments from services on education and health etc. ¹².

Realization of revenues for 2016 was 71,025,872.71 €, if compared to planning (79,622,353.00), the realization is 89%. Revenues that have a greater impact on the increase of own source revenues are the property tax which in 2016 was collected in the amount of € 25,436,643; that is a larger collecting than in the same period of 2015 (€

¹²(Law no. 03/1-049)

19,914,321); and municipal revenues for construction permits, where in 2016 was collected the amount of (17,293,233 €), which is higher than during the same period of 2015 (€ 12,020,331); while revenues from land-use change in 2016 were collected (1,707,936 €) there was a decrease compared to 2015 (2,022,868 €).

Revenues trends according to MTEF

2015 Actual	2016 Budget	2017 Plan	2018 Evaluation	2019 evaluation
74,198,213	79,963,78	78,163,490	78,712,500	80,000,000

Municipalities receive Operational Grants from the Consolidated Budget of the Republic of Kosovo. Operational Grants are: General Grants, Specific Grants for Education and Specific Grants for Health.

General grant - Municipalities receive a General Grant that they could use to exercise their municipal competencies. The amount of the General Grant is 10% of the total revenues, budgeted by central government. The remainder of the General Grant is allocated to municipalities in proportion to: (89%); minority population with three percent (3%); municipalities, most of whose population are comprised of national minorities with two percent (2%); and geographic size by six percent (6%). Determining the amount of the Specific Grant on Education and the Specific Grant on Health, is based on an open access of funding.¹³

Specific Grants for Education and Health - Municipalities will receive a Specific Grant for Education and a Specific Grant for Health. Determining the amount of these grants is based on an open access of funding. The Specific Education Grant is used to finance the cost of providing the level of the minimum standard of pre-primary, primary and secondary education. The Specific Grant of Health is used to finance the cost of providing the level of the minimum standard of primary public health..¹⁴

¹³(Law no. 03/1-049)

¹⁴ (Law no. 03/1-049)

Capital investments in municipalities - The share of capital investments for 2016, budgeted and spent as well as planning for 2017 according to the functional classification, which has started to be applied from 2016.

FUNCTIONAL CLASSIFICATION OF CAPITAL PROJECTS FOR 2016-2017					
	Functional codes	Budget 2016	Expenditures	Percentage	Budget planned for the year 2017
0111	Legal and executive bodies	431,479	243,397	56.4%	708,510
0112	Financial and fiscal issues	7,132,973	4,337,347	60.8%	4,875,421
0133	Other general services	4,857,482	3,389,333	69.8%	5,286,448
0320	Fire protection service	328,748	133,358	40.6%	398,000
0411	General issues of commercial economics - work	4,440,761	3,057,518	68.9%	5,524,636
0421	Agriculture	4,173,959	2,802,026	67.1%	5,013,715
0422	Forestry	75,000	43,410	57.9%	120,678
0451	Road transport	51,494,503	39,744,166	77.2%	54,591,321
0473	Tourism	1,639,463	938,137	57.2%	1,262,000
0610	Development of residencies	1,211,518	561,497	46.3%	1,636,663
0620	Development of communities	20,792,897	16,828,869	80.9%	23,423,213
0721	General medical services	3,998,215	3,161,992	79.1%	5,077,050
0722	Medical specialized services	478,129	467,729	97.8%	926,002
0760	Health of any other unspecific	355,108	235,674	66.4%	479,857
0810	Recreational sport services	425,000	289,861	68.2%	600,000
0820	Cultural services	3,351,130	2,008,975	59.9%	3,904,924
0911	Preschool and primary educ.	438,583	281,233	64.1%	755,836
0912	Primary education	4,282,277	2,302,436	53.8%	4,887,877
0922	High level secondary educ.	1,424,982	1,424,157	99.9%	1,788,278
0980	Unspecified education	5,599,580	4,138,348	73.9%	7,677,767
1040	Family and children	953,023	715,021	75.0%	1,196,000
1060	Housing	68,207	68,197	100.0%	286,920
1090	Unspecified social protection	348,059	260,406	74.8%	417,000
		118,301,077	87,433,084	73.9%	130,838,117

Review of capital investments for 2016-2017 by functional classification

Projections for capital investments in municipalities

Projections 2017	Projections 2018	Projections 2019
129,688,117	136,802,950	145,466,577

The capital expenditures will consist approximately 13.5% of GDP (BPV) by 2020.. Expenditures for the period 2018-2020 are projected to increase in continuity, reaching EUR 2,485 million by 2020; an increase of about 7% on average. It should be noted that this growth is mainly due to the increase in capital expenditures, which are expected to increase at an average 14% for the upcoming midterm period¹⁵.

Capital expenditures that are planned to be presented, consist a significant proportion of total governmental spending relative to the past. Capital expenditures over the medium term are expected to represent about 41% of total spending or an average of 14% of GDP (BPV) for the period 2018-2020.¹⁶

Namely, each euro spent on operating expenses is balanced by the reduction of one euro in capital spending. While national economic policy in Kosovo gives priority to investment spending, at municipal level, the balance between operating expenditures and those in investments may be different from municipality to municipality. The government should inform the municipalities of general local development policies, municipalities should "adapt" this general policy to the specific local one.

It is important that the revenues collected from the municipalities are returned to the citizens in the best possible form of providing the best and the most quality services, thus proving to the citizens that the management of their financial means is transparent and that used for services be close to them.

Addressing these challenges is done in close cooperation between the central and local level, developing sectorial policies, which impact on sustainable local economic development such as:

¹⁵ KASH 2018-2020

¹⁶ KASH 2018-2020

- Reviewing the local government financing formula, developing criteria for local financing, transferring competencies from the central level to the local level in the field of budgeting, creating greater opportunities for increasing own source revenues in order to reduce budget dependency from the central level.
- The central level creates the necessary conditions for the purpose of functionalizing the economic zones in order to balance all the municipalities which, with their empowerment, will impact on economic growth, campaigns for awareness raising of businesses etc;
- Local level should be more informed about foreign investment opportunities and treat this issue with priority so that investors have clear addresses regarding their interests;
- To achieve a central and local level approximation in the area of municipal borrowing through revising legislation and enhancing the positive performance of municipalities against audit opinions.

6.6 SWOT ANALYSIS

<ul style="list-style-type: none"> - Advantages: - Law on Local Self-Government, No.03 / L-040; Law on Local Government Finance; Law on the Use and Exchange of Immovable Property of the Municipality; Strategy for Local Self-Government 2016-2026 (SVL), National Development Strategy 2016-2021 (NSDI); National Program for Economic Reforms (NRP) 2015; Concept document for local economic development, approved by Government Decision no. 07/144 of 04.05.2017; 	<ul style="list-style-type: none"> - Weaknesses: - Low collection of municipal revenues, - Non-rational management of municipal budgets; - Centralization of own source revenues; - Municipal strategies are not harmonized with central level policies; - Local public infrastructure does not adequately meet the needs of citizens and businesses; - Functioning of electronic services within QQC (operation of intranet)
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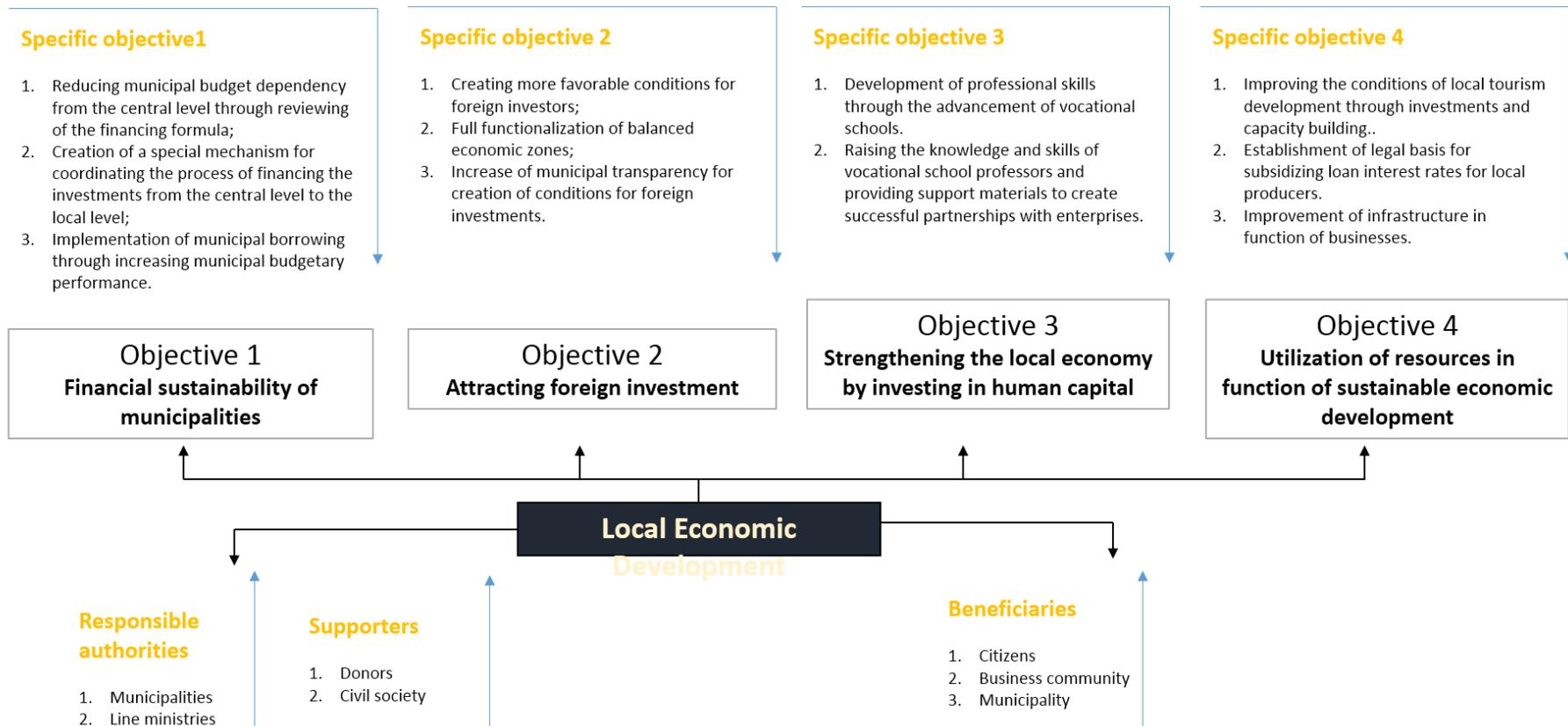
<ul style="list-style-type: none"> - Medium Term Municipal Budgetary Framework (MTMBF); - Municipalities have capacities for drafting of municipal strategies; - Municipalities have development of public infrastructure its own competence, which meets the needs of citizens and businesses; 	<p>for citizens and businesses in unsatisfactory level in some municipalities;</p> <ul style="list-style-type: none"> - Inadequate management of municipal property for the purpose of local economic development; - Legal obstacles for collecting revenues from the use of natural resources;
<ul style="list-style-type: none"> - Opportunities: - Capacity building at local level for human resources in order to provide the most efficient services: - Independent planning of own source revenues without central level influence; - Increase in collection of own source revenues; - Raising the awareness of the citizens for the fulfillment of obligations towards the services received by the municipality; - Revising of current fiscal policies through changing the legal framework; - Advancement of the municipal cooperation as well as the twinning of the municipalities of the Republic of Kosovo with the municipalities of other countries, 	<ul style="list-style-type: none"> - Risks: - Limited budgets of municipality; - Insufficient collection of municipal own source revenues: - Non-implementation of existing strategies for local economic development; - Not functioning of privatized enterprises; - Decrease of donor interest for investment: - Lack of investments and their maintenance, in local public infrastructure;

<p>in order to exchange experiences for local economic development;</p> <ul style="list-style-type: none"> - Empowerment ; - Proper effective management of municipal property for the purpose of economic development; - Promotion of foreign direct investment by providing facilities, in municipal services; - Supporting municipalities, which have had better performance; - Realization of municipal borrowing; - Provision of electronic services; - Collection of revenues from the use of natural resources; 	
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7. VISION AND STRATEGIC OBJECTIVES

7.1 The vision

Creation of policies for local economic development to ensure a sustainability of the local economy in order to impact in improving the lives of citizens in all areas.



7.2 Strategic objectives

The strategic objective no.1: Financial sustainability of municipalities.

Financial sustainability is one of the key criteria in order to ensure that the local level, ie the municipalities to have a sustainable development to create well-being for citizens. In the Republic of Kosovo, according to the laws in force, the budget is regulated by the central level, and only some aspects of budgeting are delegated to the municipal level. Despite these limitations, stemming from current legislation, the municipalities of the Republic of Kosovo have the opportunity to spend at least their own revenues, as needed.

- **The specific objective 1.1** Reduction of municipalities' budget dependency from the central level through review of the financing formula.

For the realization of this objective, municipalities should create conditions for increasing the level of budgetary independence on a general average of up to 30% - 40% by extending the range of own source revenues and by increasing the level of collection especially in revenue from the property taxes. Amendment and supplement of the Law on Finance of Local Government would help this process, through which the range of funding sources will be expanded.

- **The specific objective 1.2.** Creation of special mechanism for coordinating the investment financing process from the central level to the local level.

Creating an efficient data management system for planned investments. increasing the level of sources of funding from own source revenues will significantly affect the increase of capital investments and with the maintenance of these investments which requires a special and continuous treatment, as well as increase of new sources from VAT revenues, a certain percentage, as is a practice in the region countries, to pass to the municipalities from where business comes, also the revenues from the use of natural resources to be divided in proportion of equal to the central level, thus to return into investments in the territory where natural resources are used.

- **The specific objective 1.3.** Vitalization of municipal borrowing through increasing municipal budgetary performance.

The increase of municipal budgetary performance through the implementation of auditor recommendations will help municipalities to meet the criteria set out in the

Law on Public Debt, which will need to be revised and be more measurable and accessible to municipalities.

The specific objective no.2: Attracting the foreign investments.

Attracting foreign investments is aimed at opening up new jobs and having a great impact on increasing budget revenues and overall economic development of the municipality, by focusing businesses on a certain location and promoting them, expanding cooperation of businesses, creating conditions for businesses, in order to have easier access, increasing competition in local and international business, accelerating regional development, and expanding market economic ties.

- **The strategic objective 2.1.** Creating more favorable conditions for foreign investors. Creating an attractive environment for foreign investment is one of the top priorities. Municipalities should create the suitable environment and the security for foreign investors by regulating road infrastructure, providing public property, facilities for the administrative procedures and municipal tax.

- **The specific objective 2.2** Full functionalization of balanced economic zones.

Economic zones are a component of the work spaces program and as the concept means the construction of a physical infrastructure, completed and ready for exercising of business activities. The development of economic zones is an important factor for improvement of the business environment and among others it is intended to: creating a physical environment for local and international businesses; attracting new (domestic and foreign) investments; gathering businesses in suitable locations for doing business; expansion of the existing industry; development of certain localities. The development of economic zones is one of the main elements of private sector development, therefore it is with priority and has linkage to government documents and strategic plans that aim at economic development by creating and providing work spaces for businesses; suitable physical facilities in a controlled environment and well managed in a convenient location, which are one of the most important elements for the development of the private sector.

- **The specific objective 2.3** Increase of municipal transparency in order to create conditions for foreign investments.

Planning of the municipal immovable property on allocating for use, in order to increase the value and attraction of foreign investors affects local economic development. Inventory of municipal immovable property as well as promotion of policies on allocation of properties for use with the public interest reflects transparency and accountability.

- **The strategic objective no.3: Strengthening the local economy through investing in human capital**

The economy of a country is largely based on its human capital. Investments in human capital will yield their results at later stages, but return on investment is safe. A more skilled workforce will provide not only the highest rate of economic growth, but also the comprehensive growth. This is because increasing the inclusion of children in educational programs, improving the quality of education and better connection between schools and the labor market will enable children from poor families to acquire the skills needed to integrate in the labor market.

Kosovo today stands worse than the region, as far as the skills of the workforce are concerned. At a time when the country's unemployment is very high, the paradox is that many enterprises have trouble finding resourceful workers. Lack of skilled workforce discourages investment and is an obstacle for our enterprises to increase their productivity and competitiveness.

- **The strategic objective 3.1** Development of professional abilities through the advancement of vocational schools.

Develop partnership between education schools and vocational training (VET) and businesses from which both sides will benefit and will have support, in order to expand the knowledge and skills of students within a practical environment , so that they will be prepared for productive employment and further learning. The Vocational Education and Training System in Kosovo aims to have a high-quality professional practice based on competencies, that supports business growth and

provides the students with the knowledge and skills they needed in a safe and healthy working environment.¹⁷

- **Specific Objective 3.2** Raising the knowledge and skills of vocational school professors and providing support materials to create successful partnerships with enterprises.

Although, teachers are familiar with the concepts of co-operation with enterprises, there is still a great need to provide them with a well-informed perspective on modern work practices and processes. Technical skills are an element of importance for vocational education, they should be offered within a framework that emphasizes that all skills need to be adaptable in order to increase employment opportunities. Vocational education schools should be encouraged to seek to cooperate with enterprises, to reflect the full spectrum of local economic activity, as much as possible. Teaching staff should be supported by the understanding of a broader range of employment-related skills.

The strategic objective no.4: Utilization of resources in function of sustainable economic development

Policies of developing countries are often limited only in importance of infrastructure or natural resources existing. But to use the natural resources and infrastructure of a country, a skilled workforce is needed to produce valuable things.

- **The specific objective 4.1:** Improving the development conditions of Local Tourism through investment and capacity building.

The identification of new tourist areas, the functionalization of important spaces of cultural and natural heritage and their promotion is an opportunity for municipalities to show their potentials. Cultural and historical heritage are potential for economic development. Promotion of these values presents the developmental trend of the tourism sector. Development and promotion of tourism through creating of tourist

¹⁷ Strategy on improvement of professional practice 2013-2020
Strategy for Improving Professional Practice 2013-2020

packages developed in cooperation with tour operators, as well as the creation of conditions for promotion of local tourism through fairs, where investors can access to develop their activities in the municipality. In support of this component, it is foreseen also the organization of trainings and other activities for capacity building and quality increase in services..

- **The strategic objective 4.2:** Establishment of a legal basis for subsidizing loan interest rates for local producers. Taking into account the difficulties of the local producers such as high interest rates, banking bureaucracy, difficulties in placing products on regional markets, etc., local producers need support. Developing policies for subsidizing interest rates for local producers helps to support local producers that will also reflect on local economic development.

- **The specific objective 4.3:** Improving of the infrastructure in the function of businesses. Municipalities are responsible for the organizing and putting into action the local infrastructure including roads, canalization and water-supply for all and in particular for businesses that affect local economic development.

7.3 Practices of the region countries

Albania - In the Republic of Albania, the municipality has its own functions in drafting and implementing of local economic development programs. However, local development is not the responsibility of a single actor, but requires binding interaction and partnership between different actors in the territory, including local government, deconcentrated institutions, entrepreneurial community and civil society.

Each local government unit will draft a Strategic Plan of Development, which will be the main planning instrument for local economic development. The Strategic Development Plan will be harmonized with national and regional development plans and will be the basis for public investment planning through the Capital Investment Plan (CIP) and will serve to orient the state budget investments for the units of local government. The municipality is funded from these national sources: a) Separate taxes and tariffs, which include a portion of personal income tax, and a part of the tax on profit of economic entities. Annual revenues from these taxes are given to municipalities, not less than 13 transfers a year. The share of tax and fees that goes in

their favor, as well as collecting and administration are determined by law for any separate tax and fees. Unconditional transfers from state budget that are given according to the criteria established by law, based on the functions and own or joint competencies of municipalities, as well as for achieving the equality of resources between different local government units, in relation to their opportunities to generate the necessary income. c) Conditional transfers from the state budget.

Macedonia - Strategic planning is a democratic method in the municipality for creating a vision and strategies, in achieving the desired future for the municipality, to orient the activities and projects for the implementation of these strategies and to present them in the form of a document. – Strategic Plan. International experience describes the strategic planning that is long-term and operational planning that is short-term.

“Budget beneficiaries prepare a three-year strategic plan, which includes programs and activities for meeting the strategic priorities of the Government of the Republic of Macedonia as well as goals and priorities of budget beneficiaries for the relevant period”. According to the law, the municipality is a beneficiary of the budget. “

The Government of the Republic of Macedonia should set strategic priorities for next year, not later than 15 April of the following year. The strategic priorities of the Government of the Republic of Macedonia, as a group of goals and initiatives are necessarily included in the budget of beneficiaries of the budget as well as beneficiaries of funds through programs and government subprograms”. Based on the autonomous and democratic role as the local government, the municipalities can define their local goals and priorities for strategic planning, but they should be aligned with the strategic priorities of the Government of the Republic of Macedonia, as regards the issues dealing with use of the state budget. Ministry of Local Government Administration coordinates the development planning of local governments independently in the regions as well. The 2005 Spatial and Urban Planning Law provides a framework for spatial planning and for various types of municipal urban planning. Spatial planning should cover the territory of the Republic, but a specific spatial plan may also be made for a region or a country of special

interest to the Republic. Urban plans are of four types: Urban plans, urban detail plans, and urban plans for residential areas.

Municipalities have the freedom for development of their own system, which is a good thing, as they differ in each other, their initial bases and planning needs are distinguished, as well as their planning capacities.

Strategic planning of local development of municipalities serves for several purposes, including: 1. Full definition of long-term vision of the municipality; 2. Definition of focused strategic regions, the real strategic and concrete goals, consistent with vision and access to sources in a given timeframe; 3. Communication of goals up to municipal participants; 4. Developing the sense of ownership to the strategic plan for local development of the municipality; 5. More efficient use of accessing resources, focusing on key priorities; 6. Establish a system of evaluation, supervision and control of the realization of planned activities;

The successful process of strategic planning of the municipality is based on some prerequisites: - Participation of real persons in the strategic planning process. This includes competent managerial and technical responsibilities for the process, participative input resources from each interested party that will be responsible for performing some parts of the plan, representatives of the groups to which implementation of the plan will have an impact, and the elected representatives, who are responsible to control and approve the plan; - Recording of information (input data) for their extended planning and communication, to give the key participants the opportunity to react if needed; - Rationalization of long-term and short-term goals based on access to information, resources, and real-time planning; - - Clear specification of responsibilities and time limits for achieving each result; - In the midst of planning, which quickly changes and where resource prediction is associated with difficulties, it is normally omissions from the plan occur. The strategic plan is just a general framework for identified goals of development. Releases from the plan should be set as changes, where it is best if it is done so, during the update of the action plan. - The assessment of strategic plan for local development of the municipality should be implemented at certain time intervals, through certain regular controls of its

implementation, through evaluating the fulfillment of the concrete and strategic goals, respectively by identifying the reasons for potential problems for its realization.

Serbia - In Serbia there are more and more cities and municipalities representing quality living, business and investment locations. In these local governments, in spite of the economic crisis, alternative sources of funds have been found for further investment in infrastructure, unemployment is lower than the national average, in the reputation of those who have made progress in this process, have become leaders in attracting investments and by using IPA funds they begin to plan and develop strategic development priorities and prepare developmental strategies. The first reason lies in the fact that all projects in each area of local development require synchronized and coordinated planned activities at different levels of the municipality, namely of city, as well as at the executive and administrative levels of decision-making in the Republic.

According to some recent analyzes conducted in the Republic of Serbia, there are currently three groups of municipalities: a) those who have a comprehensive plan of local community development (sometimes called a sustainable development plan); b) those that have only sectorial plans (in areas where the municipality is considered to be the most important or for which they have provided external financing); c) Municipalities without sectorial plans. For several years, in Serbia, support has been given to local self-governments (within pilot projects) for the purpose of organizing, preparing and monitoring the implementation of sectorial development strategies and training to strengthen local institutional capacities for adequate monitoring of implementation of the local developmental strategies. The main ministry for local development issues is the Ministry of Economy and Regional Development. This ministry represents one of the most complex systems within the state administration in Serbia. Within the Ministry of Economy and Regional Development, there are also a number of agencies with an important role in local economic development. Among the important agencies for local development, the National Employment Service (NES), which is well-known by many training programs for the unemployed, should be mentioned. The Office for the National Investment Plan of the Government of the

Republic of Serbia is the most important element in the financing system from the central level of large investment projects at the local level (municipal and social infrastructure). Management units for dealing with economic issues are most commonly established as offices for local (economic) development. In a smaller number of municipalities, these offices are established in Mayor's Cabinet. The reason for such organizing is the attempt to keep the headquarter bodies in close contact with the first man in the municipality. Local development offices within the municipal administration are most often established as departments (basic organizational units within the administration) or, even more often as departments (organizational units within a department - usually for finance and economics). There is also a large variety of activities carried out by the local economic development offices. In short, one can say that there are two extremes. In one of the offices that operate almost exclusively as a unit for drafting development projects and on the other hand, those who have wider powers in drafting a strategic plan proposal through inclusion in the budget preparation and municipal spatial plans in implementing of development strategies.

8. KEY STRATEGY INTERVENTIONS

This strategy will set out policies to develop local strategies for economic development where this strategy for local economic development will address issues that will pave the way for greater opportunities and for creating a more appropriate environment and more satisfactory services for citizens such as;

- Financial sustainability of municipalities will impact on providing more quality services to citizens and the business community by increasing financial independence from the central level.
- Attraction of foreign investments in order to open new jobs and great impact on the increase of budgetary revenues and the overall economic development of the municipality, helps in sustainable municipal development.

- The economy of a country is largely based on its human capital. Investments in human capital will give their results at later stages, but return to investments is safe.
- For the exploitation of natural resources and local infrastructure, a skilled workforce is needed, who can produce valuable things.

9. MONITORING AND EVALUATION OF THE IMPLEMENTATION OF THE STRATEGY

9.1 Monitoring and reporting of the Strategy

The Strategy for Local Economic Development 2019-2023 has also its own Action Plan covering the period 2019-2021, which consists of activities, indicators, and responsible institutions.

The Action Plan of the Strategy will be reviewed on annual basis in the framework of monitoring planning, as set out in the Strategy. The structure for monitoring the implementation of the Strategy for Local Economic Development consists of the measuring indicators, which are set at the level of the specific objectives in the strategy for 2019 and 2023.

Following the approval of the Local Economic Development Strategy by the government, a strategy model will be prepared to assist municipalities in drafting their strategies.

10. FINANCIAL IMPACT OF IMPLEMENTATION OF THE STRATEGY

10.1 General assessment of the cost of activities

The Strategy action plan for local economic development in Kosovo 2019-2021 has a total implementation cost, of 16,783,271.00 Euro.

10.2 Funding sources of the Strategy

Financing the implementation of the Strategy Plan for Local Economic Development 2019-2021 is foreseen to be made from the existing budgets of Municipalities and Line Ministries

11. ANNEX 1: Plan for the Implementation of the Strategy for Local Economic Development

Action Plan for implementation of SLED (Strategy for Local Economic Development)						
Strategic objective #1: Financial sustainability of municipalities.						
Specific objective 1.1	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Reduction of municipal budget dependency from the central level through review of the financing formula	1. Percentage of decrease of budget dependency of the municipalities from the central level 2. Changing the financing formula by completing / changing the current legal basis			85%	80%	70%
Activity.	Implementation deadline	Total cost	Financing source	Leading Inst.	Supporting Inst.	The Product
Drafting the Concept Paper on Municipal Financing Policies	K1-K4, 2019	8,160.00	BRK	MF	MLGA, MEST, MH, MLSW, AKM, Municipalities	The approved concept paper
Amendment / Supplement of LLGF (Law on Local	K1-K4,2019	8,160.00	BRK	MF	MLGA, MEST, MH, MLSW, AKM, municipalities	Law on Local Government Finance approved.

Government Finance)						
Organizing of awareness campaigns to increase the rate of collection of revenues.	2019-2020	10,900.00	BRK	MF, MLGA	Municipalities, Civil society	campaign realized
The analysis regarding the review of possibilities for collecting revenues from the use of natural resources within the territory of the municipality	K1-K4,2020	10,000.00	BRK	MESP, MLGA, MF	Commission for Mines and Minerals as well as municipalities	Completed analysis.
Analysis regarding the review of the possibilities of dividing a percentage of VAT for municipalities.	K1-K4,2020	10,000.00	BRK	MF, MLGA	Municipalities, Civil society	Completed analysis
Exchange the experiences with region countries about the possibilities of allocating a percentage of VAT to municipalities	K1-K4, 2020	11,000.00	BRK	MF, MLGA	Municipalities, Civil society	Capacity building

Specific objective 1.2	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Establish a special mechanism for coordinating the investment financing process from the central level at the local level..	1. The balancing percentage of capital investments in municipalities,			2%	10%	20%
	2. Percentage of funds for maintenance of investments in municipalities			1%	3%	10%
Activity.	Implementation deadline	Total cost	Financing source	Leading Inst.	Supporting Inst.	Product
Establishment of the system (platform) for balancing investments from the central level at the local level.	2019-2020	12,000.00	BRK	MF , MLGA	LM	Functionalized platform
Establish an inter-ministerial commission for balancing investments.	K1-K4 2019	2,000.00	BRK	MF and MLGA	LM	Established commission
Planning of capital	2019-2020	10,000.00	BRK	MF and MLGA	LM	Allocation of funds

investment maintenance by municipality.						for maintenance of capital investments by the municipality
Specific objective 1.3	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Municipal borrowing through increased municipal budgetary performance.	1. Creating legal conditions for facilitating borrowing 2. Increase municipal budgetary performance through the implementation of auditor recommendations			20%	40%	60%
Activity.	Implementation deadline	Total cost	Financing source	Leading Inst.	Supporting Inst.	The product
Analysis regarding the review of opportunities in order to facilitate the criteria for municipal borrowing	K4 2019	4,000.00	BRK	MF	NAO, MLGA	Published analysis,
Develop effective policies in order to facilitate the criteria for municipal borrowing	K4 2020	4,000.00	BRK	MF	NAO, MLGA	Drafted concept document for public debtors
Better promotion of	2019-2020	8,000.00	BRK	MF, MLGA	NAO, Municipalities	Realization of an

public money management						annual meeting
Grant allocation for municipalities according to budget performance	2019-2020	4,050,851.00	BRK	MLGA	MF, Donors,	Allocated Grant according to performance in municipalities
Strategic objective #2: Attraction of the foreign investments						
Specific objective 2.1	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Creating more favorable conditions for foreign investors.	1. Reduce of municipal taxes 2. Increasing investments through allocation of municipal property in use.			0 %	10%	20%
Activity.	Implementation deadline	Total cost	Financing source	Leading Inst.	Supporting Inst.	Product
Inventory of municipal immovable property	K1-K4 2019	6,000.00	BRK	Municipalities	MLGA, AKK,	Up-to-date registry of municipal immovable property
Planning of the municipal immovable property in allocating for	K1-K4 2019	5,000.00	BRK	Municipalities	MLGA, AKM,	The published annual list of properties intended

use						for use
Promotion of policies on properties granted for use for local economic development	K1-K4 2020	8,500.00	BRK	MLGA, municipalities	LM	Model -Informer for municipal properties
Amendment of the Regulation on municipal tariffs, charges and fines	K1-K4 2019	5,000.00	BRK	MF, Municipality,	MLGA	The drafted Regulation
Specific objective 2.2	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Full functionalization of balanced economic zones	1. Increasing the number of businesses			10%	20%	30%
Activity.	Implementation deadline	Total cost	Financing source	Leading Inst.	Supporting Inst.	Product
Identification of potential economic areas	K1-K4, 2019	1,500,000.00	BRK	MTI, Municipalities	MLGA, OEK	Identifying report

Developing economic areas by supporting the development of the private sector	2019-2020	1,784,000.00	BRK	MTI, Municipalities	MLGA, OEK	Published Informers for the Private Sector
The specific objective 2.3	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Increase of municipal transparency in order to create conditions for foreign investments..	1. Increase the number of publications on municipal properties			10%	20%	30%
Activity.	Implementation deadline	Total cost	Financing source	Leading Inst.	Supporting Inst.	Product
Updating of municipal websites	K1, 2019	32,000.00	BRK	Municipalities	MLGA	Updated websites
Publication of information about the granting of property in use	K1-K4, 2019	25,000.00	BRK	Municipalities	MLGA	The announced publications
Negotiation of offers by the Mayor with all	2019 -2020	62,700.00	BRK	Municipalities	MLGA	Agreements reached

natural and legal persons expressing interest for receiving property in use						
Strategic objective #3: Strengthening the local economy by investing in human capital						
Specific objective 3.1	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Development of vocational training through the advancement of vocational schools.	Increase of professional staff for the labor market			10%	15%	30%
Activity.	Implementation deadline	Total cost	Financing source	Leading Inst.	Supporting Inst.	The product
Professional capacity building of teachers	2019-2020	27,000.00	BRK	MEST	Municipalities, Donors	Trainings held for teachers
Expanding new profiles within vocational schools	2019-2020	22,500.00	BRK	MEST	Municipalities	New open profiles
Analysis regarding the review of opportunities for creating new spaces for vocational training.	K1-K4,2019	8,000.00	BRK	MEST	Municipalities	Drafted analysis

Promotion of vocational schools	2019-2020	16,500.00	BRK	MEST	Municipalities	Annual organized fair
Specific objective 3.2	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Increasing the knowledge and skills of vocational school teachers and providing support materials to create successful partnerships with enterprises.	Increase in the number of teacher trainings			15%	20%	40%
Activity	Implementation deadline	Total cost	Funding source	Leading Inst.	Supporting Inst.	Product
Identification of the skills that are used by modern businesses.	K1-K4 2019	51,500.00		MEST, Municipalities	Business Community, MLGA	Report on identifying the skills
Organization of training	K1-K4, 2020	12,000.00		MEST,	Business Community,	Realized training

for the development of personal skills for career management.				Municipalities	MLGA	
Strategic objective #4: Utilization of resources in function of sustainable economic development						
Specific objective 4.1	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Improving the conditions of Local Tourism development through investments and capacity building.	<ul style="list-style-type: none"> • Percentage of completed areas with infrastructure • Number of objects managed and maintained by municipalities • Percentage of revenue collection from heritage objects 			10%	15%	20%
Activity.	Implementation deadline	Total cost	Financing source	Leading Inst.	Supporting Inst.	The product
Identification of new areas for development of tourism	2019-2020	25,000.00	BRK	Municipality, MTI	MESP, MKRS, MLGA	Identified areas
Improvement of local infrastructure in tourist	2019-2020	2,016,000.00	BRK	Municipalities, MTI	MLGA, MCYS, MEST, MESP, MI, MLGA	Completed infrastructure

areas						
Organization of fairs for the promotion of tourism	2019-2020	50,000.00	BRK	Municipalities, MTI	MCYS, Donors, Council for Cultural Heritage, MLGA	Various fairs organized in municipalities.
Identification of important cultural heritage sites and their functionalization for tourist visits	K1-K4, 2019	14,500.00	BRK	Municipalities, MTI	MCYS Council for Cultural Heritage, MLGA	Establishment of entry fees for visits to cultural heritage sites
Creating information points for the promotion of local tourism.	2019-2020	1,724,000.00	BRK	Municipalities, MTI	MCYS, MLGA	THE ESTABLISHED CENTERS FOR TOURISM in municipalities
Promotion of cultural and natural heritage in municipalities	2019-2020	100,000.00	BRK	MCYS, MTI	Municipalities,MLGA	Profiles drafted for cultural and natural heritage in municipalities
Specific objective 4.2	Indicator (s) for measuring the achievement of target			Basis	2021 Target	2023 Target
Establishment of the legal basis for subsidizing loan	Growth of manufacturing businesses in municipalities			2%	5%	10%

interest rates for local producers						
Activity	Implementation deadline	Total cost	Financing source	Leading Inst.	Supporting Inst.	The product
Preparing the document for reviewing opportunities for local producers' support through subvention of interest	2019-2020	21,000.00	BRK	MF	Municipalities, MLGA, KMA	Drafted document
Development of policies for subsidizing interest rates for local producers	2019-2020	158,000.00	BRK	MF	Municipalities, MLGA, KMA	Drafted concept-document
Specific objective 4.3	Indicator (s) for measuring the achievement of the target			Basis	2021 Target	2023 Target
Infrastructure improvement in function of businesses	Increasing the number of new businesses in the municipalities			5%	10%	20%
Activities	Implementation deadline	Total cost	Financing Source	Leading Inst.	Supporting Inst.	The product
Expanding of local infrastructure	2019-2020	4,024,000.00	BRK	Municipalities	MLGA,MI,MF, MESP	Completed local infrastructure (

						roads, sewage, lighting, water supply)
Promoting Local Businesses	2019-2020	936.000.00	BRK	Municipalities	MLGA, MI, MF, MESP	Prepared informants