



Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada – Government

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Ministarstvo Administracije Lokalne Samouprave
Ministry of Local Government Administration

NATIONAL PROGRAM FOR LOCAL ECONOMIC DEVELOPMENT 2030

September 2023

Table of content

Acronyms	3
Executive Summary	4
1. Introduction	6
2. Methodology	8
3. The general context	10
4. SWOT Analysis	12
5. Summary of problem analysis	13
6. Interconnection with relevant strategic documents	18
7. Vision, objectives and measures	20
Objective 1: Competitive local economy	21
Specific objective 1.1: Increase of investments in areas with potential for local economic development.....	21
Specific objective 1.2: Increasing productivity in agriculture and promoting local tourism	22
Specific objective 1.3: Supporting entrepreneurship with a focus on digitization and innovation....	23
Objective 2: Inclusive employment.....	24
Specific objective 2.1: Reducing the skills gap in the labor market	24
Objektivi specifik 2.2: Rritja e punësimit të dinjitetshëm për gra, të rinj dhe kategori të cënueshme	24
Objective 3: Improved local infrastructure	25
Specific objective 3.1. Improving local transport infrastructure and services	25
Specific objective 3.2: Ensuring access to supporting infrastructure	26
Specific objective 3.3: Integrated waste management	26
Specific objective 3.4: Improving energy efficiency in infrastructure	27
Objective 4: Effective and collaborative economic governance.....	28
Specific objective 4.1: Sustainable and effective local government finances	28
Specific objective 4.2: Advancement of processes and resources in the planning and development of local policies.....	29
Specific objective 4.3: Improvement of municipal service and accountability.....	30
Specific objective 4.4: Strengthening the partnership for local economic development	30
Indicators	32
8. Implementation, monitoring, reporting and evaluation	35
9. Financial projections for implementation of NPLED	37

Annexes The main findings of the survey with municipalities39
Key findings of the survey with businesses 46
Summary of initial challenges from the working group..... 0
Indicators 2

Acronyms

KBRA	Kosovo Business Registration Agency
WB	World Bank
EU	European Union
WB	Western Balkans
DEMOS	The Decentralisation and Municipal Support Project
DFI	Direct Foreign investments
MLGA	Ministry of Local Government Administration
MESTI	Ministry of Education, Science and Technology and Innovation
ALMM	Active Labor Market Measures
MFLT	Ministry of Finance, Labor and Transfers
MIET	Ministry of Industry, Enterprise and Trade
MESPI	Ministry of Environment, Spatial Planning and Infrastructure
SME	Small and Medium Enterprises
KCC	Kosovo Chamber of Commerce
GDP	Gross Domestic Product
NDP	National Development Plan
NPLED	National Program for Local Economic Development
NDS	National Development Strategy
SDO	Sustainable Development Objectives
ICT	Information and Communications Technology
UNDP	United Nations Development Programme
NAO	National Audit Office
PMO	Prime Minister's Office

Executive Summary

Local economic development is a process that aims to improve the lives of citizens, encouraging investment growth, stimulating enterprises with development potential, promoting the creation of new jobs, as well as building the necessary infrastructure to facilitate cooperation between the parties. The National Program for Local Economic Development (NPLED 2030) aims to figure out the strategic orientations that emerge from the National Development Strategy and Plan (NDS and NDP 2030) and the relevant sectoral strategies of the central level. NPLED 2030 mainly focuses on economic issues that affect the vast majority of municipalities, but at the same time it also addresses issues that belong to the central level, such that have a direct impact on local economic development. This program is expected to serve as a basis for the municipalities, so that they draft their economic development strategies in accordance with the economic strategic framework drafted at the country level.

The process of drafting NPLED 2030 was led by the Working Group, where the Ministry of Local Government Administration (MLGA) was the leader. The work has been developed in two directions: on one hand, the challenges and general orientations from the central level have been identified, while on the other hand, the perspective of the local level has been drawn through various data collection tools. The drafting process was comprehensive, where in addition to the engagement of representatives from central and local level institutions, representatives from various organizations, business associations and other relevant parties were also involved. It should be noted that while defining the methodological framework, the following were taken into consideration: "Administrative Instruction for Planning and Drafting of Strategic Documents and Action Plans" and "Manual for Planning, Drafting and Monitoring of Strategic Documents and their Action Plans".

Despite the good regulatory basis and the efforts made over the years, most municipalities of Kosovo still do not have quality planning for local economic development and are challenged with problems of various natures. Some of the problems are lack of investments, skills mismatch in the labor market, lack of financial sustainability and limited cooperation.

The vision of this program is "Creating a sustainable, diverse and adaptable local economy that brings development and prosperity for all". To achieve this vision by 2030, NPLED has foreseen four main objectives, which are: (1) Creating a competitive local economy; (2) Promotion of inclusive employment; (3) Improvement of local infrastructure and (4) Effective and cooperative economic governance. Objective 1 is expected to be achieved by increasing investments in areas with local economic development potential; raise productivity in agriculture and promote local tourism; and supporting entrepreneurship with a focus on digitization and innovation. Objective 2 is expected to be met by reducing the skills gap in the labor market and increasing decent employment for women, youth and vulnerable groups. Objective 3 is expected to be achieved through the improvement of local transport infrastructure and services; providing access to the following infrastructure; integrated waste management; and improving energy efficiency in infrastructure. Finally, Objective 4 is envisaged to be achieved through sustainable and effective local finance; the advancement of processes and resources in the planning and development of local policies; improvement of municipal services and responsibility; and strengthening the partnership for local economic development.

The implementation of this program requires close cooperation between institutions, the business community and citizens. Through cooperation in implementation, conditions are created to build a local economy that promotes growth and development for all.

1. Introduction

Local economic development makes an essential contribution to the overall economic performance of the state. The importance of development at this level is becoming increasingly critical as a result of increased global competition, population movement, technological advancement and growing spatial differences. In this context, local economic development has become necessary to encourage investments towards activities that coincide with local potentials and characteristics, to create new jobs and to reduce the differences between rich and poor countries.

Economically successful local communities today are those that create mechanisms for addressing local challenges and at the same time develop skills to adapt to constant dynamics and changes at the domestic and international levels. Local economic development is exactly the process that enables this adaptation, through planning with comprehensive participation and continuous local dialogue and coordination of resources inside and outside the community.

Unlike many other countries, Kosovo, at least on the legal level, has well regulated the issue of local economic development. In the Law on Local Self-Government, namely in Article 17, local economic development is among the municipalities' own competences, which, among other things, means that the municipalities have space to plan their local economic development, to set the developmental and structural priorities, as well as define support for the development of the local economic ecosystem.

Despite good legal regulation and efforts over the years, most municipalities in Kosovo still do not have quality planning in relation to local economic development and face systemic challenges that hinder their development and advancement. Among the main challenges faced by the municipal level in terms of economic development are the lack of municipal capacity to help economic development, the lack of solid support in promoting investments in priority sectors, the mismatch of skills in the labor market, the lack of financial stability with great dependence on the central level and limited institutional cooperation.

In order to help local economic development, the Government of Kosovo, under the leadership of MLGA and in cooperation with other line institutions, municipalities and other relevant actors, has drafted the NPLED 2030. This document aims to figure out the strategic orientations that emerge from NDS and NDP 2030 and sectoral strategies related to economic development. The scope of this program addresses the challenges that belong to the local level. NPLED 2030 will serve as a guide for municipalities, so that the latter prepare their local economic development strategies in harmony with the general strategic orientations of NDS and NDP, as well as with other central level sectoral documents. NPLED 2030 has the main focus on economic issues that have a horizontal extension to the municipalities, but at the same time on central level issues that have a direct impact on local economic development. This document contains general orientation objectives and measures. Municipalities, in their strategies for local economic development, will have the opportunity to include concrete actions and make budget allocations based on their plans.

It is worth noting that the Strategy for Local Economic Development is currently in force, which is expected to expire in 2023. The relevant issues from the current strategy have been carried over to this new strategic document.

The rest of this document is organized as follows. Section II presents the methodological explanations for the drafting of NPLED 2030. Section III shows the general economic context of the country. Section IV

presents the SWOT analysis, showing strengths, weaknesses on one hand, and opportunities and threats on the other. Section V summarizes the problem analysis. Section VI summarizes the main strategies related to NPLED 2030. Section VII presents the vision along with the objectives and guiding measures. The table of indicators is presented in the same section. Section VIII explains the implementation as well as the monitoring and reporting framework. Finally, Section IX presents the financial projections for the implementation of NPLED 2030.

2. Methodology

In order for NPLED 2030 to be a synthesis of economic development policies at the central and local level, a methodological approach has been followed that has two directions in its axis. On one hand, work has been developed in the mapping of challenges and setting the orientations from the central level; while on the other hand, through various instruments for data collection, the general perspective from the local level has been extracted. While setting the methodological framework for the design of this program, the following were taken into account: "Administrative Instruction for Planning and drafting of strategic documents and action plans" and "Manual for planning, drafting and monitoring of strategic documents and their action plans".

MLGA, as the leader of this process, has enabled the drafting process of the NPLED 2030 to be comprehensive and exhaustive in terms of discussions and consultations, where in addition to the participation of representatives from central and local level institutions, representatives from various organizations have also been included, business associations and other shareholders. Aligned with the aim that at the end to produce a quality strategic product, special importance has been given to the process itself, transforming it into an interaction platform for the parties.

Table 1: The process of drafting the NPLED

Preparatory work	Initially, MLGA has established the Working Group, as the team responsible for leading the process of drafting the NPLED 2030. ¹ At the same time, MLGA has agreed with the Swiss DEMOS project to receive support in the drafting of this strategic document.
The first workshop of the Working Group	During the first workshop, the members of the Working Group took the opportunity to get to know each other, discuss the scope of the NPLED 2030 and share their views on how they see the local economic development in the future.
Review of strategies and other relevant documents	At this phase, the Working Group has reviewed the NDS and other sectoral strategic documents, approved or in the process of approval. The review of central level strategic documents has been important to understand more about central level strategic orientations related to local economic development. Aligned with this, the relevant legislative and institutional framework has been revised, in order to further clarify the scope of this document. Furthermore, the Working Group has consulted various local and international reports and studies, mainly to identify the main challenges of local economic development. During this phase, MLGA contacted various institutions to collect relevant statistical data, which were used to describe the overall context.
The second workshop of the Working Group	During the second workshop, the Working Group identified the preliminary challenges of local economic development and then categorized them into major challenges. In addition, work was done on preparing the first draft of the SWOT analysis and discussions were held regarding the tools for collecting additional data.

¹ The working group was comprised of: MLGA, OPM, MIET, MFLT, MESPI, MAFRD, KAS, MEST, MoH, MEE, AKM, GIZ, OSCE, DEMOS, KLG

<p>Survey with the Directorate of Economic Development and Business</p>	<p>In order to receive inputs from the local level about challenges, capacities and opportunities, two surveys were carried out: one with the relevant directorates for economic development in the municipalities of Kosovo, while the other with businesses. The first step in this direction was the preparation of questionnaires for both groups, which mainly included questions of on the aspect of quality. For businesses, it was necessary to carry out a sampling process, in order to have perspectives from different types of businesses. From the survey with directorates, a total of 31 completed questionnaires were received, while from businesses, 57 were received. The data received were processed and construed, while including each question – see the Appendix.</p>
<p>Meetings with municipalities and business associations</p>	<p>In this workshop, the Working Group presented the data from the survey and used the opportunity to verify and further elaborate them through discussions with the invited parties. At the same time, a more advanced draft of the main challenges and problems has been prepared, combining all data sources. Finally, participants are invited to discuss the preliminary objectives.</p>
<p>The third workshop of the Working Group</p>	<p>In this workshop, the Working Group discussed and defined the vision, objectives and general measures of the NPLED. At the same time, the framework for monitoring and evaluation of this program has been defined and an assessment of the financial impact has been made. At the end of this workshop, the draft of the NPLED was finalized and prepared for public consultation.</p>
<p>Public Consultations</p>	<p>At the end of the whole process, a preliminary and public discussion was organized in order to receive comments and inputs from the shareholders. After the end of the public consultation process, work was done on preparing the final version of the document, which was finally submitted to the Government for approval.</p>

3. The general context

Since the declaration of independence, Kosovo has almost doubled its economy, although it should be noted that the base from this period has been relatively low. During the years 2017-2019, Kosovo has exceeded the counterpart countries of the Western Balkans in terms of real GDP growth, with an average rate of 4.3%. The COVID-19 pandemic brought the ongoing growth spurt to a halt. Similar to other countries, Kosovo experienced a real GDP contraction of 5.3% in 2020, which, however, has successfully recovered in 2021. In 2021, in fact, a double-digit growth of 10.5% was recorded. A significant contribution to the positive trend of the country's economic growth over the years has been made by consumption, significantly boosted by remittances and diaspora visits, as well as by foreign aid.

Inflation and overall debt have been under control over the years, leading to macroeconomic stability in the country. However, since 2021, inflation has started to increase significantly, initially as a result of the increased demand from the stimulus packages to address the consequences of the pandemic, and more recently, especially due to the war in Ukraine, where the consequences have been felt mainly in prices of basic products, such as food and energy. In July 2022, similar to most European countries, Kosovo has recorded an unprecedented inflation rate of 14.2%. An increasing trend has also been observed in the general debt, although far from the proportions seen in the case of inflation.

Table 2: Main economic indicators

Indicator	2017	2018	2019	2020	2021
Real GDP growth rate (%)	4.2	3.4	4.8	-5.3	10.5
GDP (mil. EUR)	6,356.4	6,671.5	7,056.1	6,771.6	7,816.6
Inflation rate (%)	1.5	1.1	2.7	0.2	3.4
Public debt (% of GDP)	16.4	17.0	17.6	22.4	21.9
Trade deficit (% of GDP)	29.0%	31.8%	31.0%	35.9%	36.1%
<i>Exports - goods (mil. EUR)</i>	378	367.5	383.5	474.9	749.7
<i>Imports – goods (mil. EUR)</i>	3,047.0	3,347.0	3,496.9	3,296.0	4,652.7
<i>Exports – services (mil. EUR)</i>	1,358.8	1,561.6	1,675.1	994.9	1,954.4
<i>Imports – services (mil. EUR)</i>	531.5	705.8	749.1	603.3	870.7
Direct Foreign investments (mil. EUR)	255.4	272.1	254.6	345.7	415.3
Direct Foreign investments (% of GDP)	4.0	4.1	3.6	5.1	5.3
Unemployment rate (%)	30.5	29.6	25.7	25.9	20.5
<i>Unemployment of women (%)</i>	36.6	38	34.4	32.3	22.1
<i>Labor force participation (%)</i>	43	42	40.5	38.3	37.7
Poverty rate (% of population)	18	-	21.1	23.2	19.4

Source: KAS and CBK (Central Bank of Kosovo)

The overall economic structure in Kosovo is mainly focused on industrial and service activities, which create little added value in the economy. The data show that industries with a medium or high technology base, which in principle are considered advanced industries, account for only 1% of the added value in the country. The main activities in the industry are production (processing) and construction, with a 11.7% contribution to GDP and 8.5% respectively. Similarly, services, despite the fact that they contribute the

most to the economy of Kosovo (47.5%), only about 1/6 of them are services based on high intensity of knowledge. The structure of services is dominated by wholesale and retail trade, real estate, transport and financial services. On the other hand, the contribution of agriculture to the economy of Kosovo has significantly decreased during the last decade, from 15% in 2008 to 7% in 2021. Although the private sector holds the primacy in the economy of Kosovo, it is still fragile and dominated from micro-enterprises with limited capital.

Kosovo is considered a relatively open country; trade (exports and imports together) account for an average of about 90% of GDP in the period 2017-2022. Trade liberalization over the years has not produced an improvement in the country's trade balance, so the deficit continues to be quite high, around 33% of GDP for the same period. The extremely high import of goods contributes the most to this deficit, while the surplus in trade in services manages to mitigate it to some extent. Kosovo carries out its largest commercial exchange with the countries it borders and the EU countries, as part of the CEFTA and SAA free trade agreements. Kosovo's exports, as a reflection of the structure of the economy, do not contain sophisticated products and services and are characterized by a low survival rate in foreign markets. Despite the discouraging trend of exports, their marked increase in 2021 and in the first half of 2022 is hopeful for the potential in this direction.

Foreign Direct Investments (FDI), which usually produce a wide impact on the economy, in relation to GDP remain below the average of neighboring countries, although they have marked a positive trend in recent years, reaching the highest value in 2021, more precisely 415.3 million Euros. The largest flow of these investments comes from the Kosovar diaspora, mainly concentrated in Germany and Switzerland. The sector that mostly absorbs foreign direct investment is real estate. This sector, by nature, produces very few spillover effects in the economy. On the other hand, two very important sectors with potential for economic development, production (processing) and information and communication technology (ICT), have not managed to absorb more than 3.3% of total FDI in 2021.²

The economic growth described above has not been translated into a significant improvement in development parameters. Despite the high percentage of the working-age population (about 65%), Kosovo continues to have the highest unemployment rate in Europe, with an average rate of 26.4% in the last five years. It should be noted that in the last year, as a result of the "post-pandemic boom", a relatively satisfactory decrease was recorded. Unemployment is especially pronounced among young people and women, where the average of the last five years is 48.7% and 32.7%, respectively. In addition to high unemployment, Kosovo has a high level of inactivity in the labor market, where only 40.3% of the working-age population was active in the period 2017-2021. Also, Kosovo is estimated to be the poorest country in Europe, with a poverty rate of 17%. Among women heads of households, this rate is even higher - 23.7%.

² CBK. Time series - Foreign Direct Investments. February 2022.

4. SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Legal infrastructure ▪ Sources of information on economic potentials ▪ Road infrastructure developed in the largest municipalities ▪ Young workforce with job potential ▪ The presence of professional training centers ▪ Natural potentials for tourism development ▪ Financial security for the basic operation of the municipality ▪ Legal facilities for the use of municipal property by investors ▪ Municipal offices for providing assistance in agricultural matters ▪ Current projects for cross-border cooperation, especially in the field of tourism 	<ul style="list-style-type: none"> ▪ Lack of professional capacities for drafting local economic development policies ▪ Collection of annual own revenues below the planned level ▪ Great budgetary dependence on government grants ▪ Demographic movements that are reflected in budget allocations ▪ Dysfunctionalization of economic zones ▪ Limited support for tourism and agriculture ▪ Inadequate preparation of the workforce to meet market needs ▪ Obstacles related to the definition of property titles ▪ Improper management of municipal property ▪ Lack of municipal property to be used for investment purposes ▪ Unclear definition of competences between local and central level ▪ Lack of cooperation and coordination between municipalities and with the central level ▪ Lack of skills in the labor market to meet the needs of the private sector ▪ Lack of support for women to be included in the labor market ▪ Fragmentation of agricultural parcels ▪ Lack of infrastructure and awareness for waste recycling and reuse ▪ Lack of responsible urban planning
Threats	Opportunities
<ul style="list-style-type: none"> ▪ Inflation imported from foreign countries ▪ Extraordinary situations (pandemics, natural disasters, etc.) ▪ Leaving of the professional staff ▪ Uncoordinated decisions from the central level with a negative financial effect on the municipalities 	<ul style="list-style-type: none"> ▪ Willingness of investors to invest in the Western Balkans ▪ Availability of donor funds ▪ Specific grants from the central level to the municipal level ▪ Use of modern digital technology ▪ Cooperation with the diaspora for joint investments and knowledge transfer ▪ Common inter-municipal markets

5. Summary of problem analysis

Municipalities have significantly reduced the administrative burdens related to the establishment and operation of enterprises, thus contributing to the overall improvement of the aspect of doing business. Despite this progress, enterprises still face numerous challenges that prevent them from realizing their competitive potential. In the survey conducted with businesses for the needs of this program, unfair competition, limited access to finance and corrupt practices are listed among the main barriers that hinder local economic development. The first two appear among the five main barriers in a survey recently conducted by the Kosovo Chamber of Commerce of (KCC), along with those related to the cost of electricity and access to it.³

Investments at the municipal level are mainly channeled into infrastructure projects, especially in roads. Municipal property and the opportunity to offer it for use constitutes an important tool for the municipality to stimulate investments. Currently, over 90% of municipalities have declared that they have made an inventory of their properties. Most of them are even accessible to the public. Despite the inventory carried out, in many cases the classification has not been done to clarify which properties are free and ready for use. Some of the municipalities do not have any properties available at all that can be given, to be used for investment purposes. Until now, according to the National Audit Office (NAO), experiences regarding the provision of properties for use have not been very good⁴. Difficulties in collecting rents, litigation and harmful contracts have been documented.

The private sector, being dominated by family-owned micro-enterprises, has been little willing to make investments with significant effects for local economic development. Similarly, foreign investments in economic activities with added value and employment potential have been at an unsatisfactory level. Economic zones or industrial parks, although created in some main municipalities to absorb investments, so far very few have managed to serve this purpose. Most of them are left with unfinished infrastructure and consequently under-populated. None of the current zones, even those that are more functional, have units within them that deal with their management and administration. In some cases there is also a mixture of competences regarding their ownership.

The vast majority of municipalities do not have promotional materials that provide information on potentials and opportunities to invest. Moreover, only 23% of municipalities have offices or units that deal exclusively with the promotion of investment opportunities⁵. Thus, potential investors often do not have access to the necessary information to take steps towards investing.

Agriculture is essential for rural development and plays a very important role in the local economy. Although the municipalities provide support for the development of agriculture, this support remains insufficient to address some of the primary problems of this sector, such as: small farms, outdated technology and work tools, high costs of agricultural inputs, such as and limited integration into the food

³ Kosovo Chamber of Commerce (2019). Opening the way for better business in Kosovo. Access: https://www.oek-kcc.org/uploads/files/2019/June/28/Studimi_Bottleneck_2018_r1561707631.pdf

⁴ MLGA (2021). Comprehensive study of the local self-government system in Kosovo. Access: MLGA

⁵ Reinvest Institute (2020). Municipalities Competitiveness Index. Access: https://www.riinvestinstitute.org/uploads/files/2020/September/14/10_-_MCI_Index_2020_-_ALB_-_02_11600096544.pdf

industry. Tourism, as another important sector, especially rural tourism or agritourism, despite its potential, has not been sufficiently developed. Tourist attractions, namely monuments of cultural heritage, are little put into the function of promoting the creative economy. Local artisans, as important identity stakeholders of municipalities, are facing significant difficulties in terms of financial stability.

Small and medium enterprises (SMEs), in general, need support to follow the trend of other countries. They have stalled especially in terms of digitization and innovation, both at the level of products and processes. Recent data from manufacturing companies, for example, show that the level of digitization is half the level of their counterparts in the European Union (EU)⁶. A similar situation is in innovation. Only 36.6% of manufacturing enterprises declare that they have introduced a new product/service or an innovation in processes⁷. This percentage is approximately half of the average in the Western Balkans (WB). Innovation centers (or "hubs") have been opened in the capital and in some other municipalities to serve enterprises, especially new ones, in bringing innovative ideas to life. Excluding the capital, those operating in other municipalities do not stand out for sustainable financing models and have difficulty serving as typical innovation incubators.

The parties dealing with local economic development and in the private sector, there is a low level of awareness about the circular economy and the advantages that this approach brings in economic terms and in the context of preserving natural resources and the environment in general. When information is missing, the situation on the ground cannot be better. Although recycling is considered an integral element of the regional economy, there is no well-established infrastructure for recycling in the municipalities. Separation of waste, to a large extent, is done in an informal way and the recyclable material is mainly exported without processing. It is estimated that a small percentage of enterprises use recyclable material. Aspects of the circular economy such as material reuse, repair possibilities and generally closed-loop operation have had very little place in business practices.

In the labor market there is a pronounced lack of skills to meet the needs of the private sector. While in the past, one of the main challenges of businesses has been finding qualified workforce, in recent years, besides this, businesses are encountering more and more difficulties in finding profiles with low skills. The main reason for this is the migration trends of this category, either outside Kosovo or from small municipalities to large municipalities, mainly towards the capital. In the research conducted with directors (or other representatives) of economic development at the municipal level and with businesses, the category "*difficulties in finding workers*" is listed as the first, respectively the second most serious obstacle for local economic development. Also, over 85% of the aforementioned, assess that migration is a big or very big problem for their municipalities. In smaller municipalities, this percentage is even higher.

⁶ Riinvest Institute and KDWW (2022). "Digital Capacities in the production sector in Kosovo". Access: https://www.riinvestinstitute.org/uploads/files/2022/October/19/Digital_capacities_in_manufacturing_sector_in_Kosovo_Riinvest1666185819.pdf

⁷ World Bank (2019). "Enterprise Survey". Access: <https://www.enterprisesurveys.org/content/dam/enterprisesurveys/documents/country/Kosovo-2019.pdf>

Problems with the labor market are also confirmed in other research sources. A research by KCC, for example, shows that 82.4% of enterprises in Kosovo find it difficult to find qualified workers⁸.

Municipalities do not collect systematic data to identify the profiles needed in their market. According to the survey with businesses, some of the profiles that are missing the most are welders, experienced software engineers, equipment operators and fitters. Cooperation between the private sector and professional schools or accredited training centers is at a limited level. There is a lack of functional mechanisms that create opportunities for businesses to offer their assistance in the drafting of professional education/qualification standards. On the other hand, businesses show very little interest in providing opportunities for practical work experience. KCC points out that 61.6% of enterprises do not cooperate at all with faculties, professional schools, training centers or employment centers⁹. Moreover, companies rarely provide training to their workers. In the manufacturing sector, according to the World Bank (WB), only 26% of workers are provided training – therefore, on-the-job training is largely absent¹⁰. Another problem is that at older ages there is a pronounced gap in digital skills. These skills are becoming more and more necessary.

In the sectors that are most vulnerable to accidents at work, sufficient safety is not provided. According to the data of the Labor Inspectorate, 188 accidents at the workplace were recorded - 9 of them ended in fatality¹¹. Construction remains the most endangered sector in this regard. Informality in the labor market remains quite high. According to the latest KAS estimates, informal employment is around 35%¹². Another worrying problem is that there is a low level of integration of women in the labor market. Specifically, only 20% of them participate in the labor market¹³. This phenomenon is even more pronounced in professions that have traditionally belonged to men.

Although a large part of the municipal budget is invested in infrastructure, especially in road infrastructure (around 27%), it does not seem to have created a sufficient impact. According to a survey conducted with citizens, for the needs of the "Comprehensive Study of the Local Self-Government System in Kosovo", there are generally dissatisfactions regarding the supply of drinking water, waste management, local transport, road infrastructure, sewage and wastewater treatment¹⁴.

When it comes to local finances, municipalities cover their expenses from government grants and own revenues. The amount of funds allocated to the municipalities from the central level through the general grant and other follow-up grants, based on the country's revenues, is considered relatively satisfactory. However, the distribution method through grants, bypassing the direct connection with revenues from

⁸ Kosovo Chamber of Commerce (2018). Lack of qualified workforce – a challenge for businesses. Access: https://www.oek-kcc.org/uploads/files/2018/January/26/Mungesa_e_fuqise_punetore_te_kualifikuar_-_sfide_per_bizneset1516952028.pdf

⁹ Ibid.

¹⁰ World Bank (2019). "Enterprise Survey". Access: <https://www.enterprisesurveys.org/content/dam/enterprisesurveys/documents/country/Kosovo-2019.pdf>

¹¹ Labor Inspectorate (2022). Work report for 2021. Access: <https://ip.rks-gov.net/wp-content/uploads/RAPORTI-VJETOR-2021.pdf>

¹² Kosovo Agency of Statistics. KAS Data.

¹³ Ibid.

¹⁴ MLGA (2021). Comprehensive study of the local self-government system in Kosovo. Access: <https://mapl.rks-gov.net/wp-content/uploads/2022/01/STUDIMI-GJITHEPERFSHIRES-I-SISTEMIT-TE-VETQEVERISJES-LOKALE-NE-KOSOVE.pdf>

some types of taxes (e.g. personal income tax), is not considered the most appropriate way and differs from practices in similar countries in the region and more beyond. In addition, the distribution of government grants in a linear form has meant that the municipalities are not very active in realizing their own revenues and do not develop a kind of competition among themselves in this direction.

On the other hand, the powers left to the municipalities to generate revenues from their own resources (property tax, taxes, fees and other municipal charges) are insufficient to make them financially self-sustainable. Most of the municipalities do not manage to cover more than 15% or 20% of the expenses from the revenues they collect from their own resources¹⁵. It is worth emphasizing that especially small municipalities collect little own income and largely depend on grants from the central level. As a result, these municipalities do not have sufficient funds for investment in projects and properly exercise their own powers. In general, the dependence to a large extent on the central level, namely the lack of financial sustainability, is highlighted as one of the major problems for municipalities to have local economic development.

Another challenge of local finance is debts or receivables. While in the case of fees, citizens are obliged to pay the moment they receive the service from the municipality, the same is not the case with taxes. For this reason, the biggest difficulties are in the collection of property tax. Many of the debts to the municipalities have become obsolete. These debts cannot be collected, but neither can they be forgiven or repaid, since the municipality does not have that competence.

Based on the Law on local government finances, the level of municipal fees must be in proportion to the municipality's expenses for providing a certain service. Municipalities do not conduct any analysis, through which they measure the costs of their services. In the absence of a costing process, municipalities arbitrarily set fees for the services they provide. As a result, there are large differences between municipalities regarding the level of tariffs.

The setting of limits for expenditure categories by the central level, namely the Ministry of Finance, Labor and Transfers (MFLT), limits the ability of municipalities to use their budget freely. Based on the data from the municipalities, the main complaints come especially about restrictions in the categories of goods and services, as well as subsidies.

In the budget expenditure, the deficiency is considered the supervision of the works carried out by the contractors. For example, the execution of works for the construction of a certain road is contracted, but in many cases, there is a lack of supervision by the municipality during the execution of the works by the contractor. This results in poor quality of work performed. Another challenge is the large number of contracts in relation to the small number of procurement officers.

In general, it is estimated that local economic development has not been among the main priorities of the municipalities. Less than half of the municipalities have strategies for local economic development. The vast majority of those who have strategies (86.7%), report that they monitor strategies on a regular basis. From the meeting with municipalities, it was understood that, however, there is no uniform monitoring framework that measures the realization of activities and the impact on objectives.

Professional capacities for economic development in municipal institutions are insufficient. According to UNDP, only 21.6% of directors, civil servants and assemblymen estimate that the municipal level has

¹⁵ Ibid.

internal capacities for drafting strategies for local economic development. Also, capacities are limited when it comes to designing projects to attract funds from foreign donors. Many municipalities lack qualified personnel in many departments and this negatively affects the business environment. On the other hand, some municipalities are overstaffed, but not properly managed.

Cooperation between municipalities and the business community is estimated to be at an unsatisfactory level. Only a small percentage of municipalities, mainly the larger ones, have functional business associations/organizations that represent and assist the private sector by addressing their needs. There are also problems between the local and central level regarding economic development. The ambiguity about the competences between the local and the central level was ranked as the most serious barrier in the survey conducted with municipalities. Inter-municipal cooperation, on the other hand, is mainly in infrastructure investment projects. The municipalities declare that half of them have joint projects, which include asphaltting roads, opening and defining paths for tourist purposes, arranging river beds and similar.

6. Interconnection with relevant strategic documents

The national development strategy and plan (NDS and NDP 2030) is the main strategic document of the country in the long-term perspective. Since it is at the top of the hierarchy of strategic documents, all other documents of this nature, including this program, must be anchored in it.

NDS and NDP 2030 is organized in four pillars, which are: (I) Sustainable economic development; (II) Equitable human development; (III) Security and rule of law; and (IV) Good governance. The first pillar, as the name indicates, is the one on which NPLED 2030 is mainly based. With this pillar, it is intended to achieve three main goals. The first goal concerns the creation of a digital, circular and competitive economy. In order to achieve this goal, the improvement of the business environment and the transformation of the economy towards value-added activities, with a focus on digitization and innovation, are foreseen. The second goal is for the infrastructure to be qualitative, sustainable and integrated. In this context, it is envisaged to improve the infrastructure and transport services, especially rail transport; to have stable and affordable energy supply; and to advance the communication infrastructure, which is essential for digitization. The last goal in this pillar, but not the least important, is that the environment is clean, that is to prevent soil, water and air pollution and to protect biodiversity in general, while natural resources are used efficiently.

The second pillar, namely the first goal of this pillar – the creation of an inclusive labor market with high and decent employment, is related to the scope of the NPLED 2030. This goal is expected to be achieved through the development of skills and competencies, as well as the narrowing of gap in the labor market; increasing the participation of women in the labor market; and improving working conditions.

In addition to the pillars with respective goals and objectives, in NDS and NDP 2030, horizontal agendas are also defined, such as issues or areas that require coordination between many sectors. The digital agenda, inclusiveness, green agenda, migration and diaspora constitute the horizontal agendas of NDS and NDP 2030. All these are additional dimensions, which are taken into account in NPLED 2030.

The strategy for local self-government (2016-2026) is a document that defines the basic strategic framework for the advancement of local self-government. This strategy serves as the main instrument for guiding the development of policies, strategies and socio-economic development plans at the local level and at the same time makes the connection with the strategic framework of the central level defined by the strategic documents of that time. The first objective of this strategy, increasing the economic and social sustainability of municipalities, has been the most relevant to the needs of this program. In order to fulfill the objective in question, it is envisaged that, among other things, the legal basis for the financing of municipalities should be changed; the infrastructure of local roads and the inter-urban transport network should be improved; young people should be trained and prepared for the labor market; businesses should be supported; and agriculture sector should be developed. Two other objectives of the strategy, which are also related to the scope of this program, but in a more general form, are: (a) strengthening the professional and institutional capacities of municipalities and (b) strengthening partnerships between local government, civil society and businesses. The first of these two objectives envisages the creation of an advanced system for continuous professional education for municipal officials, changing the behavior of workers through performance evaluation, developing local capacities for monitoring the work that comes out of partnership with businesses and measures of other similar

ones. Meanwhile, to fulfill the other objective, as measures related to the program are the initiation of internship programs for high school students and cooperation to support young entrepreneurs.

The strategy for local economic development (2019-2023) is the strategic document in force that defines the path for local economic development of the municipalities. Since this document expires in 2023, it is expected that the NPLED will be the continuation of this strategy. The scope of this document, although only in the analysis part, goes beyond the typical understanding of the concept of economic development, also addressing other areas (such as health), which are only indirectly related to the topic. This strategy contains four strategic objectives: increasing the financial sustainability of municipalities; attracting foreign investments; strengthening the local economy through investment in human capital; the use of resources in function of sustainable economic development.

In order to achieve the increase in financial stability, it is planned to reduce the budgetary dependence of municipalities from the central level, to create a special mechanism for coordinating the investment financing process from the central level to the local level and to create the possibility for borrowing. All these, despite the fact that they are very important for the stability of local finances, their realization is more related to the competences of the central level. However, the latest monitoring report on the implementation of this strategy shows that continuous efforts have been made to improve the sustainability of municipalities and policies that promote further development. According to this report, by 2022, 38.5% of activities related to financial sustainability have been fully implemented, while the other 38.5% have only been partially implemented.

The strategic objective of attracting foreign investments is expected to be achieved by creating favorable conditions for investors, fully operationalizing free economic zones and increasing transparency for foreign investments. Attracting investments is also an objective of NDS and NDP, although in that case, investments are not reduced only to foreign direct investments, but are treated without distinction with local investments. In this case, more activities have been fulfilled compared to the objective of financial sustainability. Specifically, 43% of the activities were fully fulfilled, while 42.8 were partially fulfilled.

Strengthening the local economy through human capital is expected to be achieved by developing professional education. This is an important aspect for addressing the lack of appropriate skills in the labor market. The focus has been placed on this dimension of addressing the issue, given that the municipalities have more powers in this direction. This is also observed in the last monitoring report, where 53.4% of the activities were fully implemented and 32.2% partially.

The use of resources in the function of economic development, as a strategic objective, is expected to be achieved through the improvement of the conditions for the development of tourism, the creation of the legal basis for interest subsidies and the improvement of the infrastructure in the function of businesses. Although all specific objectives are important, they are not directly related to the strategic objective. Moreover, the planned activities have been implemented the least, compared to the activities of other objectives. More precisely, only 34.4% of the activities have been fully implemented. Whereas, the majority (55.4%) were partially implemented.

7. Vision, objectives and measures

NATIONAL PROGRAM FOR LOCAL ECONOMIC DEVELOPMENT

Creating a sustainable, diverse and adaptive local economy that brings development and prosperity for all

1. Competitive local economy

1.1. Increasing investments in areas with potential for local economic development

1.2. Increasing productivity in agriculture and promoting local tourism

1.3. Supporting entrepreneurship with a focus on digitization and innovation

2. Inclusive employment

2.1. Reducing the skills gap in the labor market

2.2. Increasing dignified employment for women, youth and vulnerable categories

3. Improved local infrastructure

3.1. Improving local transport infrastructure and services

3.2. Providing access to the supporting infrastructure

3.3. Integrated waste management

3.4. Improving energy efficiency in infrastructure

4. Effective and cooperative economic governance

4.1. Sustainable and effective local finances

4.2. Advancement of processes and resources in the planning and development of local policies

4.3. Improvement of municipal service and accountability

4.4. Strengthening the partnership for local economic development

Vision: Creating a sustainable, diverse and adaptable local economy that brings development and prosperity for all.

- ✓ *Sustainable local economy that promotes efficiency, social equity and environmental responsibility;*
- ✓ *Diversified local economy that aims to achieve a combination or configuration of industries that reduce the impact in case of fluctuations in certain segments of the economy;*
- ✓ *Local economy adapted to changes that creates an adaptable infrastructure and flexible system to changes and economic dynamics or trends.*

Objective 1: Competitive local economy

Creating a competitive local economy is an essential aspect of development. The competitive environment encourages new investments in productive sectors and promotes the creation of quality jobs. Although over the years, local economies have made progress in improving their competitiveness, they still face a lack of investment in value-added economic activities, have relatively low productivity and have lagged behind global trends in digitization and innovation. In order to create a competitive local economy, NPLED 2030 envisages increasing investments in areas with potential for economic development, increasing productivity in agriculture and promoting local tourism, as well as supporting entrepreneurship.

This objective is related to Goal I of the NDS and NDP to create a digital, circular and competitive economy. Also, this objective is related to the Strategy for the development of industry and business support, the Strategy for entrepreneurship and innovation, as well as the Strategy for agriculture and rural development. The fulfillment of this objective will directly affect the achievement of the Sustainable Development Goals (SDGs), namely Goal 8 (Dignified work and economic growth), Goal 9 (Industry, innovation and infrastructure) and Goal 12 (Consumption and general production).

Specific objective 1.1: Increase of investments in areas with potential for local economic development

The mobilization of investments, whether local or foreign, is important for increasing the level of competitiveness of municipalities. Geographically balanced investments contribute to the comprehensive development approach and ensure that no municipality is left behind. In order to increase investments in areas with potential for local economic development, NPLED 2030 envisages that municipalities engage in investment promotion, by drafting economic profiles and other promotional materials, where the investment potentials are shown in accordance with the characteristics of the areas. In addition, it is necessary to increase human resources within municipalities to ensure systematic promotion of investments, as well as to improve access to development funds. The property tax exemption can be used as a fiscal instrument to stimulate investments of a more strategic nature. This is concerning investments that have a higher value and the potential to create more jobs. Properties that are owned by the municipality will be better classified, to know which of them can be used to support investments. Also, there are properties under the management of the PAK, which can pass under the management of the municipalities and be used to encourage investments, but it is necessary to simplify the procedures for transferring management from the PAK to the municipalities. Municipalities will be provided with the opportunity to offer credit guarantee to enterprises, so as to improve their access to finance. The creation

of specialized industrial parks with environmentally friendly features should also be among the priorities of municipalities to encourage investment.

This specific objective is related to Objective 1.6 of the NDS and NDP, which aims to increase export-oriented investments.

To be done:

- *Drafting of economic profiles and other promotional materials of the municipalities where the investment potentials are shown*
- *Advancing/developing human resources within municipalities to promote investments*
- *Raising municipal capacities for access to development funds*
- *Property tax relief to stimulate investments of a more strategic nature*
- *Better classification of municipal property for use*
- *Simplification of procedures for transfer of property from PAK to municipalities*
- *Simplification of procedures for promoting public private partnership initiatives*
- *Creating the possibility for municipalities to provide credit guarantees to enterprises, so as to improve their access to finance*
- *Creation of specialized industrial parks with environment friendly features*

Specific objective 1.2: Increasing productivity in agriculture and promoting local tourism

Agriculture and tourism are sectors of vital interest for sustainable and comprehensive local development. Both of these sectors help significantly in the creation of income and new jobs, especially among the most vulnerable social strata. In order to contribute to the improvement of agricultural productivity, it is necessary to increase support through grants for the purchase of modern equipment. Since the partialization of lands presents a problem to exercise the activity in a profitable way, since the same grants may contain conditions that encourage the merging of parcels. In addition to grants, it is necessary to increase support in the form of subsidies, as well as work on simplifying the application procedures. Both in grants and subsidies, special attention should be paid to the support of women. Moreover, it is necessary to support the formation of modern agricultural cooperatives, giving priority to women owners. Advisory offices within the municipalities should be strengthened to help farmers more with the grant application processes. Further, it is necessary to provide training to farmers to improve their skills for more efficient cultivation of agricultural products. At the same time, the advancement of value chains through collection points and cooperative forms should be among the priorities of agriculture. In order to promote tourism, the municipalities must work on the development of their tourism brand, which includes the logo, slogan, visual identity and, in general, the tourism narrative. In this regard, the establishment and operation of information centers is also important for communication of the tourist offer. Tourism infrastructure, such as access to destinations, signage and the like, needs to be fixed. Many cultural heritage spaces under local management need to be restored and remodeled, so that, among other things, they serve the creative economy. Finally, but not least, support is needed for the development of products that promote agritourism.

This specific objective is related to Objective 1.7 of the NDS and NDP, which aims to improve productivity and sustainability in agriculture. Tourism is not treated as a separate objective in the NDS and NDP, but is part of Objective 1.3, which aims to create products and services with added value.

To be done:

- *Provision of grants for equipment in agriculture, subject to the amalgamation of parcels*
- *Increased direct subsidy in agriculture with more simplified procedures*
- *Providing support for the formation of modern agricultural cooperatives with a special focus on women owners*
- *Empowerment of advisory offices to support farmers in the process of applying for grants*
- *Training farmers for capacity building for more efficient cultivation of agricultural products*
- *Improving the value chain in agriculture through the support of collection points*
- *Municipal tourism branding (logo, slogan, visual identity and tourism narrative in general)*
- *Establishment and operation of information centers for the promotion of local tourism*
- *Improvement of local infrastructure in tourist areas*
- *Restoration of cultural heritage spaces and their remodeling to promote the creative economy*
- *Providing support for the development of products that promote agritourism with a focus on women owners*

Specific objective 1.3: Supporting entrepreneurship with a focus on digitization and innovation

Nowadays, the main drivers of the growth and development of SMEs and the creation of startup businesses are digitization and innovation. Accelerating the transition with a focus on digitization and innovation is a prerequisite for creating a competitive local economy. In order to achieve this specific objective, it is necessary to provide support for the establishment of innovation centers specialized in the activity of the area. Also, support is needed for trainings about the advantages of digitalization of processes and the usefulness of the circular economy, direct support for innovation, as well as the organization of events where innovative local enterprises are promoted and rewarded.

This specific objective is related to Objective 1.3 of the NDS and NDP, which aims to accelerate digital transformation and innovation in SMEs and startup businesses.

To be done:

- *Providing support for the establishment of innovation centers specialized in area activities*
- *Training support for the advantages of digitalization of processes and the benefits of the circular economy*
- *Providing grants for new innovative enterprises (women-owned enterprises to be given priority)*
- *Providing annual awards to the most innovative local enterprises*

Objective 2: Inclusive employment

Increasing employment and creating conditions for dignified work for all are important aspects of development. Quality employment affects the well-being and the reduction of inequalities in society. Moreover, employment is very important to prevent migration tendencies, especially in small municipalities. Despite the fact that there has been an increase in employment in recent years, the overall employment rate still remains quite low, especially among women and young people. Besides structural economic problems affecting employment, a persistent problem remains the marked gap between supply and demand in the labor market. To address the issue of employment, NPLED 2030 aims to reduce the skills gap in the labor market and increase decent employment for women, youth and vulnerable groups.

This objective is related to Objective 5 of the NDS and NDP, which aims to create an inclusive, high and decent labor market, with the Strategy for employment and the labor market, and with the Strategy for education. This objective has the most contribution to the achievement of SDG 8 (Dignified work and economic growth).

Specific objective 2.1: Reducing the skills gap in the labor market

Although the unemployment rate is quite high, employers constantly complain that they encounter difficulties in finding the right profiles to meet their needs. In this context, the preparation of the workforce to adapt to market demands is extremely important for the creation of new jobs. In order to achieve this, it is necessary to first create municipal councils or similar platforms, which enable the identification and defining of the needs of the private sector in relation to the skills that are missing in the labor market. Also, the employment offices, which are present in the municipalities, must be reinforced. Furthermore, programs and curricula in vocational schools and vocational training centers will be adapted to the needs of the market. On the other hand, municipalities should design forms of support for on-the-job training or other forms of training.

This specific objective is related to Objective 5.1 of the NDS and NDP, which aims to develop skills and narrow the gap in the labor market.

To be done:

- *Creation of municipal councils for dealing with the needs of the private sector*
- *Empowerment of employment offices*
- *Adaptation of programs and curricula in professional schools and vocational training centers to market needs*
- *Supporting on-the-job training or other forms of training*

The integration and increase of quality employment for women, young people and vulnerable categories, in addition enabling their well-being, also contributes to overall economic development. To contribute to this specific objective, it is necessary that women, youth and vulnerable groups are prioritized in the opportunities provided through Active Labor Market Measures (ALMM). The diaspora can play a very important role in the transfer of knowledge and consequently in improving employment opportunities. In

this direction, mentoring programs can be foreseen, where the diaspora is committed to the training of the above-mentioned categories. Also, in order to address the information gap, fairs and similar promotional events should be organized that bring together employers and job seekers, in this case women, youth and vulnerable categories. As women remain out of the labor market mainly due to family obligations, it is necessary to improve convenient access to day care for children and the elderly, in order to increase their participation in the labor market.

This specific objective is partially related to Objective 5.2 of the NDS and NDP, which aims to increase the participation of women in the labor market. The other two categories, namely youth and vulnerable groups, are related to the horizontal agenda of the NDS and NDP.

To be done:

- *Mentoring young people and unemployed women from the diaspora, to improve their opportunities for self-employment*
- *Prioritizing women and young people by supporting them for employment through ALMM*
- *Creating job fairs with a focus on the employment of women and young people*
- *Providing convenient access to day care for children and the elderly, to enable women's access to the labor market*

Objective 3: Improved local infrastructure

The development of local infrastructure, in addition to the impact on improving the lives of citizens, also plays an essential role in economic growth, creating an easier environment for the operation of enterprises and other market stakeholders. Over the years, municipalities have spent a significant portion of their budget to invest in infrastructure projects. As a result, significant improvements have been made in this area. Despite progress, transport infrastructure remains generally incomplete and services are not at an optimal level. Additionally, there are challenges related to the underlying infrastructure, such as the sewerage network. Integrated waste management is weak and investments in efficiency are lacking. To improve local infrastructure, NPLED 2030 aims to improve local transport infrastructure and services, provide access to transport infrastructure, manage waste in an integrated manner and improve energy efficiency.

This objective is directly related to Objective II of the NDS and NDPP, which aims to create quality, integrated and sustainable infrastructure. Also, it is related to the Strategy for multimodal transport, the Strategy for environmental protection and sustainable development, the Energy Strategy and the Strategy for integrated waste management.

Specific objective 3.1. Improving local transport infrastructure and services

Transport infrastructure and services are essential for the movement of goods and people in the economy. Investments in transport infrastructure stimulate the local economy by reducing the costs of movement for businesses and citizens, as well as generally improving their participation in the market. To achieve this objective, the construction, maintenance, reconstruction and protection of local roads must continue.

Parallel to this, the traffic sign infrastructure should be improved and new parking spaces should be created. At the same time, it is necessary to invest in the development of alternative and environmentally friendly transport. Bus station services should be digitized and local public transport organized in larger municipalities

This specific objective is related to three objectives of NDS and NDP: Objective 2.3, which aims to improve transport infrastructure and services; Objective 2.5, which aims to increase transport safety; and Objective 3.6, which aims to promote digital and sustainable mobility.

To be done:

- *Construction, maintenance, reconstruction and protection of local roads*
- *Improving traffic sign infrastructure*
- *Creation of new public parking spaces*
- *Digitization of services at bus stations*
- *Supporting investments in alternative transport*
- *Organization of local public transport in larger municipalities (where there is none)*

Specific objective 3.2: Ensuring access to supporting infrastructure

Water and sewerage infrastructure is important for local level infrastructure. The improvement of this infrastructure, including the access to it, is a prerequisite for the development of economic activities and not only. In this regard, it is necessary to allocate more budget for the regulation of the sewerage and drainage network, as well as, where possible, to build sewage treatment plants.

There is no objective directly related to this specific objective in the NDS and NDP, but it nevertheless contributes to Objective II (Quality, integrated and sustainable infrastructure).

To be done:

- *Allocation of more financial means for the regulation and expansion of the sewerage and drainage network*
- *Construction of sewage treatment plants*

Specific objective 3.3: Integrated waste management

Waste management requires an integrated approach, which enables their reduction, improved collection, recycling and proper disposal of waste generated by citizens, institutions, businesses and industry. Integrated waste management contributes towards a circular economy that brings economic benefits, while protecting the environment and society. The infrastructure investments required to establish a functional system for integrated waste management are high. This presents an opportunity for inter-municipal cooperation in accordance with economies of scale. In order to achieve this specific objective, there will be support from the central level for capacity building for proper management and operation

of regional public enterprises for waste management. In order to ensure a proper planning of the system that fulfills the needs of the municipalities and is in accordance with the principles of the circular economy, inter-municipal plans for integrated waste management must be drafted. As part of these plans and in accordance with the Strategy for integrated waste management, the infrastructure of waste separation and collection, networks of waste transfer, treatment and disposal stations must be developed through inter-municipal initiatives and cooperation. In this direction, it is necessary to create waste recycling and composition centers, and parallel to this, to increase awareness of the benefits of waste management and recycling. In addition, it is necessary to provide grants for innovation that promote the prevention, reuse and recycling of waste, with a special focus on finding alternatives to packaging and plastic products. Finally, cooperation between the private sector and municipalities in the treatment, recycling and reuse of certain fractions of waste should be promoted.

This specific objective is closely related to Objective 3.1 of the NDS and NDP, which aims at integrated waste management and increasing the circulation of resources.

To be done:

- *Increased support from the central level for capacity building for proper management and operation of regional public enterprises for waste management*
- *Development of inter-municipal plans for integrated waste management*
- *Development of the network of waste transfer, treatment and disposal stations through inter-municipal initiatives*
- *Creation of waste recycling and composition centers based on feasibility analyzes and integrated plans*
- *Increasing awareness of the benefits of waste management and recycling*
- *Providing innovation grants that promote waste prevention, reuse and recycling, with a particular focus on finding alternatives to plastic packaging and products*
- *Promotion of cooperation between the private sector and municipalities in the treatment, recycling and reuse of certain fractions of waste*

Specific objective 3.4: Improving energy efficiency in infrastructure

Energy efficiency is integral to infrastructure. In addition to contributing to cost reduction, to make it more efficient, investment in infrastructure has a direct impact on environmental protection. To achieve this objective, it is necessary to renovate all buildings owned and managed by the municipality, invest in LED technology for street lighting and provide support to the private sector for the use of solar panels in business facilities.

This specific objective is directly related to Objective 3.4 of the NDS and NDP, which aims to improve energy efficiency.

To be done:

- *Renovation of public municipal buildings, to improve their efficiency*
- *Rehabilitation of street lighting with LED technology*
- *Providing incentives for the use of solar panels in business facilities*

Objective 4: Effective and collaborative economic governance

Effective governance and cooperation are prerequisites for sustainable local economic development. In recent years, improvements have been observed in the parameters of good governance. Despite this, there is room for further progress in addressing issues related to local finances, planning of resources, public services, and the level of cooperation. In order to fulfill this objective, NPLED envisages that local finances become sustainable and effective, processes and resources to be advanced in the planning and development of local policies, local service and accountability to be improved, and partnership for local economic development to be increased.

This objective is largely related to Objective X of the NDS and NDP, to create effective and accountable government. Also, this objective is related to the Strategy for the reform of public finance management, the Strategy for the reform of public administration and the Strategy for local self-government.

Specific objective 4.1: Sustainable and effective local government finances

Achieving sustainability in local government finances is essential for the implementation of the measures needed for local economic development and for effective governance in general. In order to achieve this specific objective, the conditions and criteria will first be revised to specify the number of the residents in the municipality so that there is a better allocation of government funds. At the same time, budget policies for specific grants based on competences will be reviewed, so that there is better financial management. Moreover, responsible budgeting should be advanced. In this regard, among other things, it is necessary to improve the quality of the data of the beneficiaries at the local level, by gender, as a prerequisite for good planning. There will be more flexibility in operating expenses. In order to increase the range of own incomes, fees or sales taxes should be foreseen, such as for environmental protection, for sale and purchase of real estate or for cases of inheritance. Parallel to this, mechanisms will be created for better and effective collection of accounts receivable, thus reducing debts to municipalities. In addition, awareness campaigns should be organized to increase the rate of collection of own income, visually explaining the connection between collection and the impact on local economic development. The creation of legal conditions to facilitate municipal borrowing is also a very important aspect in this regard. The number of public procurement officers is expected to be increased for more effective spending of the budget. In the capital investment budget, better maintenance planning by municipalities is necessary.

This specific objective is related to Objective 10.5 of the NDS and NDP, which aims to create sustainable and effective public finances and indirectly fulfills SDG 16, which, among other things, aims to create strong institutions.

To be done:

- *Revising the conditions and criteria to define the number of residents in the municipality to better allocate government funds*
- *Review of budget policies for specific grants based on competencies*
- *To advance gender responsive budgeting*
- *Increased flexibility in operating expenses*
- *Increasing the range of personal income by imposing additional fees/taxes, such as: for environmental protection, for the sale and purchase of real estate or in the case of inheritance*
- *Establishment of mechanisms for better collection of receivables accounts*
- *Organization of awareness campaigns to increase the rate of collection of personal income*
- *Creation of legal conditions to facilitate municipal borrowing*

Specific objective 4.2: Advancement of processes and resources in the planning and development of local policies

The consolidation of processes and the creation of sufficient resources for the planning and development of local policies contributes to the improvement of economic governance. In this direction, it is necessary for municipalities to have units for planning and policy development, as well as professional capacity building. The process of drafting strategic documents which is of importance for the local economy requires that shareholders be involved from the beginning of the drafting process to the end, not only for "validation" of the analysis and objectives. Participation of women and youth should be encouraged. Also, it is necessary to create a standard framework for monitoring the applicability of strategic documents, especially for those related to the economy. Moreover, the current strategies that differ significantly from the national strategic framework should be reviewed so that they are in line with the central level strategic documents. It should be allowed the possibility to review the Municipal Development Plans (for example: through qualified majority voting). Finally, but not least, the work to finalize the municipal zonal maps will be intensified.

There is no specific objective in the NDS and NDP that is directly related to this objective; the same applies to the SDGs.

To be done:

- *Capacity building for planning and policy development*
- *Professional capacity building within the municipalities for the drafting of strategic documents*
- *Creation of the standard framework for monitoring the applicability of strategic documents and their impact*
- *Involvement of shareholders in the drafting of strategic documents from the beginning of the process*
- *Allowing the possibility to revise Municipal Development Plans (e.g. through qualified majority voting)*
- *Finalizing the municipal zonal maps*
- *Harmonization of municipal strategies with national strategies*

Specific objective 4.3: Improvement of municipal service and accountability

Improving the quality of public and administrative services, as well as improving accountability, contribute to citizen well-being and facilitate business activity. In order to achieve this specific objective, work will be done on the digitization of municipal services and their display for application in E-Kosova, reflecting on the citizens' abilities to use the digitized services. Moreover, it will be encouraged the establishment of new municipal enterprises to improve the work and quality of municipal services. Municipalities will be supported in setting the tariffs/fees in accordance with the costs of services and thus help reduce the administrative burden. In the field of inspections, it is important to clarify the competences between the local and central level.

This specific objective is related to Objective 10.2 of the NDS and NDP, which aims to increase the effectiveness of the public service and accountability of the public administration. This specific objective also contributes to the achievement of SDG 16, which is about strong institutions.

To be done:

- *Digitization of municipal services and their display for application in E-Kosova*
- *Providing support for municipalities to set fees in line with service costs*
- *Defining of competencies in the field of municipal inspections*

Specific objective 4.4: Strengthening the partnership for local economic development

Dialogue with the business community, cooperation with the central level, as well as the creation of municipal alliances across borders are important for better addressing economic challenges and creating common opportunities for development. In order to improve the public-private dialogue, it is necessary to stimulate the creation of local associations for the representation of the private sector and to create mechanisms for systematic cooperation with the established associations. In addition, incentive policies should be created for the members of village councils and urban neighborhoods, so that they engage more in addressing the challenges and needs for the development of the local economy. For inter-municipal cooperation, common areas with development potential must be identified and their development supported. Similarly also in the case of cross-border municipal cooperation. In cooperation with the central level, a special mechanism will be created to coordinate the investment financing process from the central level to the local level.

In broad terms, this specific objective is related to Objective 10.3 of the NDS and NDP, which aims at improving the performance of municipalities, as well as fulfilling SDG 17 (Partnerships for Goals).

To be done:

- *Identification of common areas with development potential within the framework of inter-municipal cooperation*
- *Stimulating the creation of local associations to represent the private sector and creating mechanisms for systematic cooperation with the established associations*
- *Creation of incentive policies for village council members and urban neighborhoods*
- *Strengthening international inter-municipal cooperation*
- *The creation of a special mechanism for the coordination of the investment financing process from the central level to the local level*

Indicators

Table 3 and Table 4 present the indicators for the two levels of objectives. These indicators have been extracted from NDS and NDP, as well as from other sources that measure local government performance. While the values of these indicators are presented at the country level, they can also be broken down at the municipal level, except for some cases where the breakdown (will) can be done only by region. In addition to their current status, the objectives can be modified in the municipal strategies for local economic development. The Appendix presents the definitions for each indicator and provides methodological notes wherever necessary.

Table 3: Impact indicators

Objective	Indicator	Base at country level	Source	Proposal goal 2026	Proposal goal 2030
1. Competitive local economy	<i>Productivity (GVA/number of workers)¹⁶ (EUR)</i>	24,126 EUR (2021)	KAS	+30%	+50%
2. Inclusive employment	<i>Employment rate (%)</i>	20% (TM2 2021)	KAS	45%	55%
3. Improved local infrastructure	<i>The percentage of enterprises "satisfied" with the local infrastructure (%)</i>	n/a	Survey	At least 60% satisfied	At least 70% satisfied
4. Effective and cooperative economic governance	<i>Index of local administration (1-10)</i>	3.9 (2020)	Municipal competitiveness index (USAID)	6.0	8.0

¹⁶ Only economic activities included (NACE: A-C, F-M, and S)

Tabela 4: Treguesit e rezultatit

Obj.	Specific objective	Indicator	Base at country level	Source	Proposal goal 2026	Proposal goal 2030
Obj. 1	1.1. Increase of investments in areas with potential for local economic development	<i>Foreign Direct Investment (FDI) per capita (EUR)</i>	236.8 EUR (2021)	CBK	350 EUR	470 EUR
	1.2. Increase of productivity in agriculture and promoting local tourism	<i>Gross Value Added (GVA) per annual labor unit (ALU) in agriculture (EUR)</i>	1428 EUR (2019)	MAFRD	1700 EUR	2000 EUR
		<i>International visitors per capita</i>	3.2 (2021)	Entrances to border points (KAS/Kosovo Police)	+30%	+50%
	1.3. Supporting entrepreneurship with a focus on digitization and innovation	<i>The use of digitization tools in general production/work processes (%)</i>	25.02% (2021)	KCC	35%	45%
		<i>Companies that introduced a new product/service or an innovation in processes (%)</i>	36.6% (2019)	World Bank	50%	60%
Obj. 2	2.1. Reducing the skills gap in the labor market	<i>The quality of the professional training of workers that the local market offers (1-5)</i>	3.29	Municipal competitiveness index (USAID)	3.9	4.3
	2.2. Increasing dignified employment for women, youth and vulnerable categories	<i>Employment rate of women (%)</i>	16% (TM2 2021)	KAS	30%	40%
		<i>Young people not in employment, education or training (NEET) (%)</i>	32.5 (TM2 2021)	KAS	20%	15%
Obj. 3	3.1. Improving local transport infrastructure and services	<i>Road infrastructure (%)</i>	52% (2021)	MLGA	60%	70%
		<i>Public parking lots (%)</i>	47% (2021)	MLGA	60%	70%

		<i>Public transport (%)</i>	56.6% (2021)	MLGA	65%	75%
	3.2. Providing access to the supporting infrastructure	<i>The population with access to public water systems (%)</i>	78% (2020)	Water Services Regulatory Authority	92%	95%
		<i>Population with access to public sewage systems (%)</i>	65% (2020)	Water Services Regulatory Authority	78%	85%
		<i>Population with access to wastewater treatment plants (%)</i>	3 (2020)	Water Services Regulatory Authority	45%	60%
		3.3. Integrated waste management	<i>Municipal solid waste collected and managed in controlled facilities in total municipal waste generated (%)</i>	89.3% (2021)	Environmental Protection Agency of Kosovo	90%
	<i>Municipal solid waste recycled in total municipal waste generated (%)</i>		2-5% (2020)	GIZ	12%	30%
	3.4. Improving energy efficiency in infrastructure	<i>Energy savings in infrastructure (%)</i>	n/a	Municipalities	-30%	-60%
Obj.4	4.1. Sustainable and effective local finance	<i>Percentage of budget realization (average)</i>	85%	MLGA	90%	100%
		<i>Own revenues - municipal level</i>	90 mil. EUR	MFLT	At least +20%	At least +40%
	4.2. Advancement of processes and resources in planning and development of local policies	<i>Professional level of local officials (1-5)</i>	3.36 (2020)	Municipal competitiveness index (USAID)	3.8	4.2
		<i>Number of municipalities with planning and policy development units</i>	0 (2022)	MLGA	19	38

	4.3. Improvement of municipal service and responsibility	<i>Public Administrative Services (%)</i>	81.7% (2021)	MLGA	85%	95%
		<i>Indicator of municipal accountability (%)</i>	53.9% (2021)	MLGA	70%	80%
		<i>Municipal services in e-Kosovo</i>	17	MLGA	+100%	+150%
	4.4. Strengthening the partnership for local economic development	<i>Number of projects with other municipalities (inside and outside the border)</i>	n/a	MLGA	+40%	+80%
		Participation and predictability (1-10)	4.94 (2020)	Municipal competitiveness index (USAID)	6	8

8. Implementation, monitoring, reporting and evaluation

The implementation of NPLED 2030 will be done through local economic development strategies and their action plans drafted by the municipalities, as well as through the institutional plans of the ministries. By the end of 2024, municipalities that do not have local economic development strategies must draft them, while municipalities that already have strategies in force with changes highlighted by this program must revise them¹⁷. The performance measurement and performance grant system will be used as a mechanism to encourage municipalities to develop their strategies for local economic development in harmony with this program.

MLGA will establish the Implementation Committee for NPLED 2030 to ensure a sound and effective coordination between institutions during implementation. This Committee will consist of the institutions that participated in the working group of the program. The municipalities will be represented through the Collegium for Local Economic Development.

Monitoring data will be collected on an annual basis. Based on these data, regular progress reports will be drafted to reflect the level of implementation of this document. MLGA will be the institution responsible for coordinating the data collection process and for drafting the annual progress report of NPLED 2030. The annual progress report will be published on the official website of MLGA.

The measurement of the applicability of NPLED 2030 will be done through indicators, which are divided into three levels: impact indicators, for strategic objectives; result indicators, for specific objectives; and product indicators, for strategic activities. While the first two levels of indicators are presented in the

¹⁷ Municipalities are obliged to develop their strategies for local economic development in the spirit of gender equality, in accordance with the Kosovo Program for Gender Equality, as developed by the NPLED.

section above, product indicators will be defined in local economic development strategies and central level action plans. The impact assessment will be organized as follows:

- Mid-term assessment in 2026;
- The second assessment in 2029, to inform the preparation process of the next NPLED; and
- Ex-post evaluation.

Depending on the dynamics in the social and economic context, it may be necessary to change the time of the first and second assessment. Assessments can be subject to the entire NPLED or only a part of this document.

In order to enable the successful implementation of monitoring, the collection of data and their publication should be done in a systematic way. Given that the indicators are expected to be broken down at the level of municipalities (or at least at the level of regions), it is extremely important that the data collection be in such a way as to create the possibility of further breaking down, without compromising their accuracy.

The institutions responsible for the collection, analysis and publication of data will be an important part of the monitoring and evaluation process of NPLED 2030. For three indicators, namely for infrastructure in general, energy efficiency in infrastructure and for sustainable finances, data collection instruments should be developed in the interim, since they are currently lacking. Also, the Municipal Competitiveness Index, which is the source of many indicators for the NPLED 2030, should continue to be produced on an annual basis. The last time this index was produced was 2021.

9. Financial projections for implementation of NPLED

The projections for the implementation of the NPLED have been prepared by applying a multi-dimensional approach: a) using the projections of the Medium-Term Expenditure Framework for 2024-2026, b) expenditure limits for budgetary organizations (municipalities) based on the latest fiscal planning documents c) assumptions for long-term projections and d) budget allocations according to sectors.

- The additional fiscal space identified is presented as the fiscal space available to implement the objectives and priorities of the NPLED.

The fiscal space identified in this document is based on a scenario that assumes that:

1. The government can allocate up to about 21%¹⁸ of the funds that are generated as a result of underspending in the category of capital expenditures and the fiscal space foreseen by the budget deficit for the purposes of implementing this program.
2. Revenue projections are estimated using a historical average weight as participation in GDP. Also, the forecast of the own revenues of the municipalities foresees an average annual increase of about 5.4%.
3. Disbursements from donor funds, in addition to the Municipal Performance Grant, which is estimated to be around 7 million Euros per year on average, other grants are foreseen which may come from donors and other organizations which may be related to the priorities and NPLED objectives. These projects from donors/organizations such as GIZ, KfW, USAID, or the EU Office, which are related to employment, digitalization, labor market, are supposed to have a contribution of about 3 million Euros per year, and as such are included in the generated fiscal space.
4. It should be emphasized that the long-term forecasts for 2027-2030 are prepared based on uncertainties related to economic developments, political developments and other possible fiscal measures in the future.

Based on these assumptions, 21% of the total fiscal space, 21% of the space from below the expenditure of capital projects, municipal performance grants, grants and other funds from donors and about 5.4% of municipal own revenues were taken into account for the calculation of the fiscal space, which coincides with the expected average growth of these revenues.

¹⁸ This percentage is set taking into account the participation of the local budget in the general budget, based on the budget for 2023. The total budget for the municipal level: EUR 660 million from EUR 3.2 billion of the general budget.

Table 5: Fiscal space for implementation of NPLED

Baseline Scenario	MTEF projections				Long Term Projections				
<i>In millions - Eur</i>	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total budget revenues	2,494	2,884	2,991	3,181	3,397	3,436	3,626	3,819	4,028
Budgetary expenditures	2,541	3,224	3,280	3,413	3,499	3,637	3,829	4,022	4,231
Deficit according to the fiscal rule	13	(204)	(212)	(171)	(85)	(201)	(202)	(203)	(203)
Deficit according to the fiscal rule % of GDP	0.1%	2.0%	-2.0%	-1.5%	-0.7%	-1.6%	-1.5%	-1.5%	-1.4%
Fiscal space from the deficit			2	59.27	164	47	60	73	88
Under execution of capital expenditure			160	161	165	161	169	178	187
Own-local revenues	87.4	98.5	105.5	109.7	115.4	121.7	128.3	135.2	142.6
Performance Grant	8	8	7	7	7	7			
Other Grants			3	3	3	3	3	3	3
Fiscal Space % of GDP			1.5%	1.9%	2.6%	1.7%	1.7%	1.8%	1.9%
Fiscal Space			49.74	62.38	85.26	60.30	58.03	63.03	68.49

The allocation of the additional fiscal space identified in the section above will be done in accordance with the objectives of the program for the sector, as well as the identified priorities. In accordance with the priorities and objectives identified within the NPLED, impact is expected mainly in the sector of Economic Affairs and General Governance.

Table 6: Funding of NPLED by main sectors

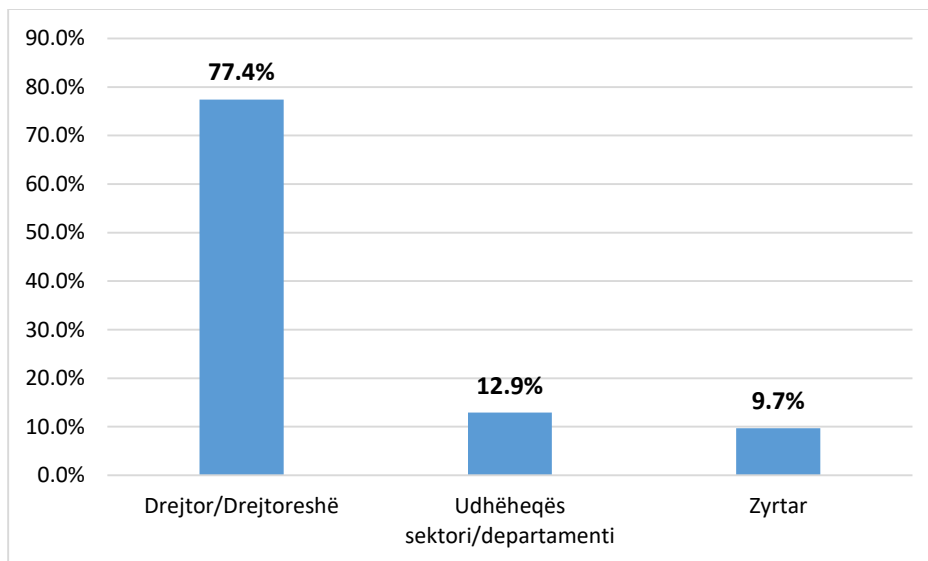
	2024	2025	2026	2027	2028	2029	2030
Fiscal Space	49.7	62.4	85.3	60.3	58.0	63.0	68.5
General Governance	11.2	14.4	20.2	13.9	13.4	14.6	15.8
Economic Affairs	12.7	7.9	10.7	7.6	7.4	8.0	8.7
Other	25.8	40.0	54.3	38.7	37.2	40.5	44.0

Annexes

The main findings of the survey with municipalities

This section summarizes the data of the survey conducted with the directorate for economic development in the municipalities of Kosovo. The survey was completed by 31 municipalities out of 38 in total. Of those who completed the questionnaire, 77.4% were directors in the relevant economic development directorate, 12.9% heads of the sector or department and the rest (9.7%) were officials.

Figure 1: The position of the respondents in the relevant directorate for economic development



According to respondents, 48.8% of municipalities have strategies for local economic development and 86.7% of those strategies are monitored on a regular basis. In the answer provided for strategy, it is not clear whether the respondents have also considered the municipal development plans (MDPs) as local economic development strategies, given the fact that they also deal with the topic of the economy.

Figure 3: Municipalities with LED strategy

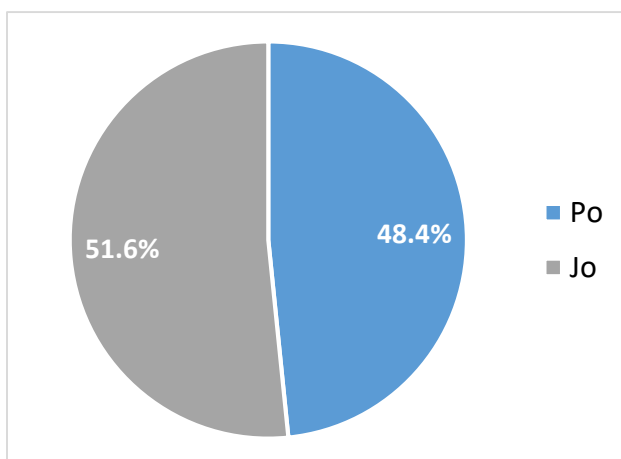
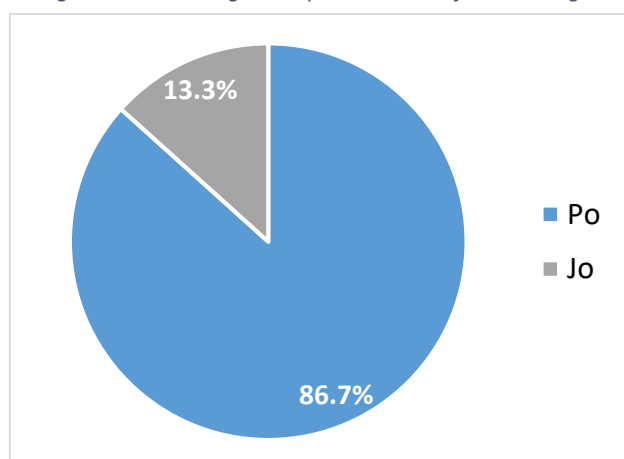


Figure 2: Monitoring the implementation of LED strategies



Currently, 12 municipalities have MDP in force. Also, although the percentage of monitoring is quite high, in most websites no monitoring reports have been found on the applicability of the stated strategies.

The local officials were also asked if they had identified the sectors/fields having the greatest potential for economic growth. According to the answers received, 80.6% of municipalities have defined sectors or areas with high economic potential, compared to 16.1% that have not defined these sectors. A neglectful percentage (3.2%) of respondents had no information regarding this question. The sectors that predominate in the municipalities' definitions of economic priority are: agriculture with 67.7%, tourism with 58.1%, and the processing/manufacturing industry with 29%.

Figure 5: Municipalities with defined economic sectors

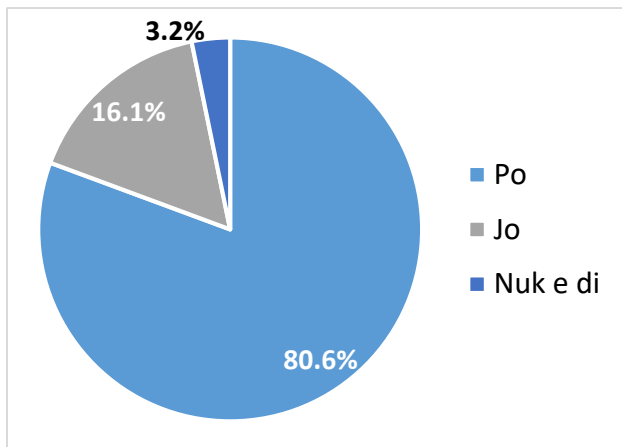
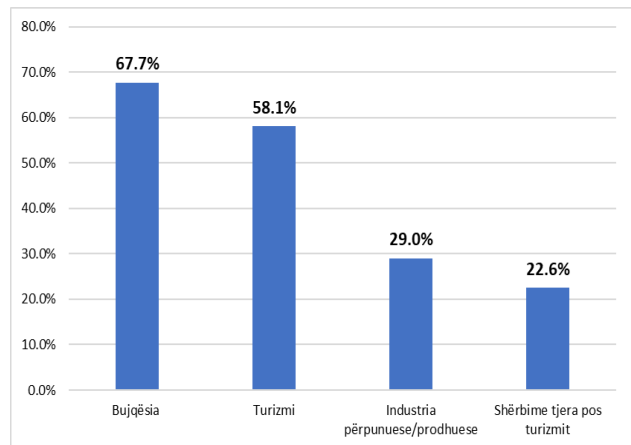
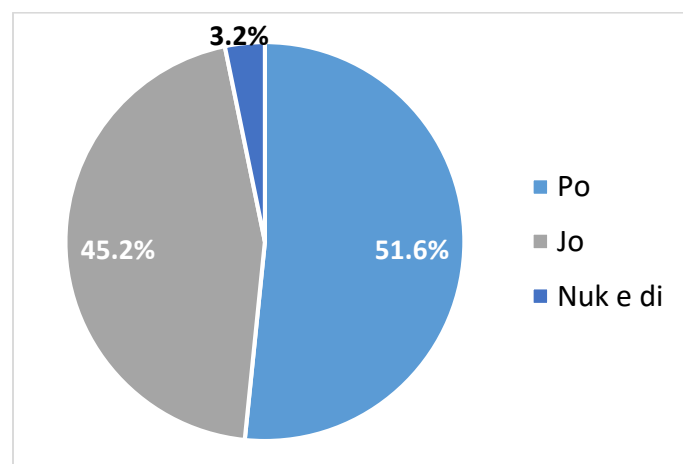


Figure 4: Sectors with high economic potential



51.6% of the surveyed municipal representatives declared that their municipalities have projects with other municipalities related to economic development. The joint projects are mainly of an infrastructural nature, such as: paving roads, opening and defining paths for tourist purposes, arranging the river bed.

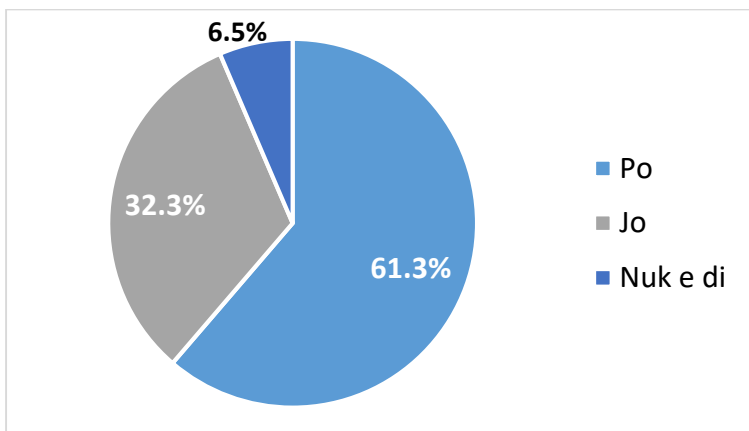
Figure 6: Municipalities with inter-municipal projects



In the question of whether the respective municipality had investments with a significant effect on development and job creation in the last three years, 61.3% of the respondents answered yes, while 32.2% said no; the rest (6.5%) had no information about this. Although it was not defined in the question whether

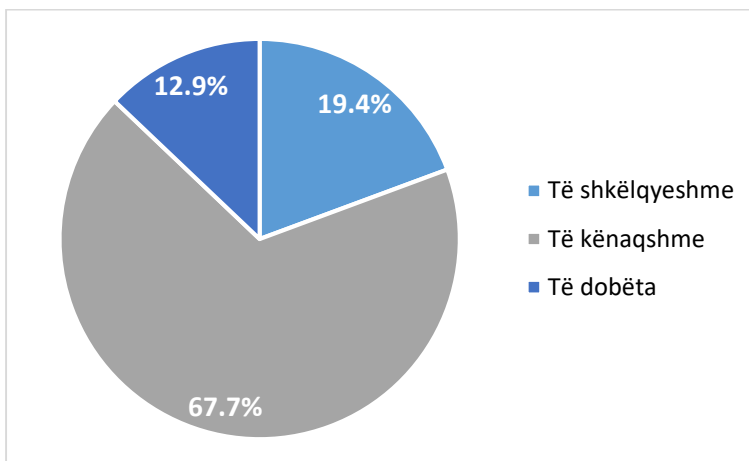
it is about public or private investments, most of the respondents seem to have thought that it is only about public investments. This, since most of the mentioned investments are infrastructural investments (e.g. infrastructure of economic/industrial areas).

Figure 7: The percentage of municipalities that have had investments with a significant effect on the economy in the last three years



The data show that 67.7% of the respondents consider that the municipality's capacity for drafting projects to attract funds from donors is satisfactory, 19.4% satisfactory and 12.9% weak. This data should be interpreted carefully, given that the representatives of the municipalities may have been subjective in evaluating their capacities.

Figure 8: Assessment of municipalities' capacities to draft projects for attracting funds from donors



According to the surveyed municipal representatives, 90.2% of the municipalities have made an inventory of the municipal property, while 6.5% have not done so. The remaining percentage is undefined because the respondent was not aware about it. In 75% of cases, based on the respondents, the list of municipal properties is accessible to the public, while in 10.7% it is not accessible. The remainder is unspecified because the respondent did not know. The answers about this topic are significantly more positive compared to the indicator given in the performance report of the municipalities, where it is shown that only 44.2% of the municipalities have prepared and published the list of public properties planned for use.

Figure 10: Municipalities with municipal property register

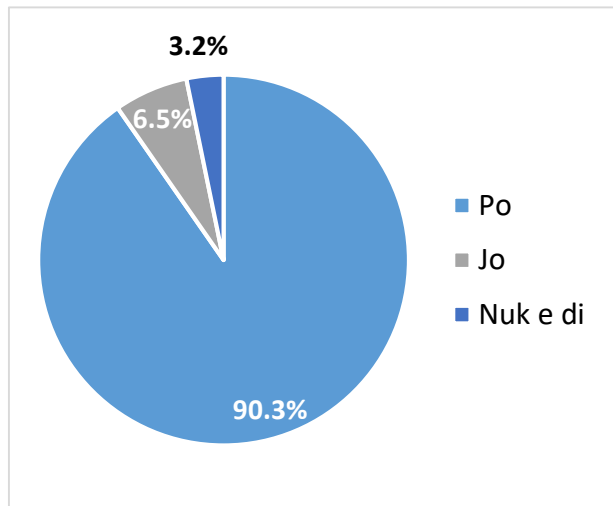
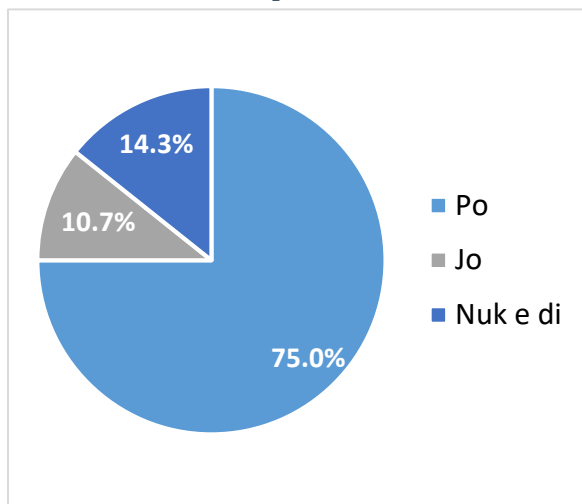
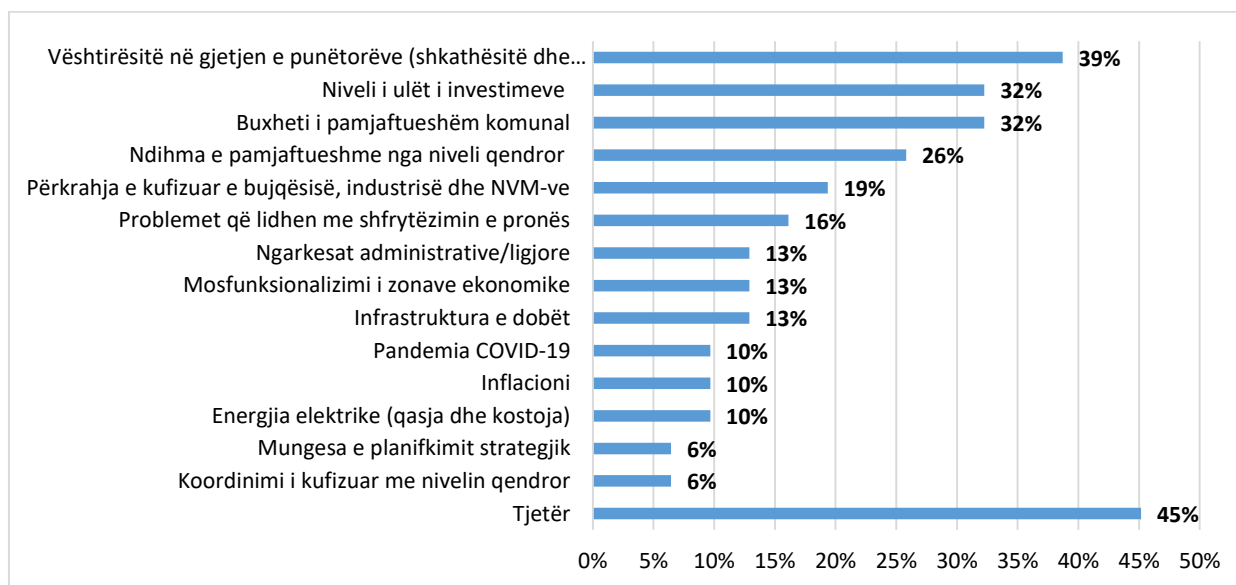


Figure 9: Municipalities with a published municipal property register



Respondents from the municipality were invited to indicate the main obstacles that hinder local economic development. Difficulties in finding female workers (39%), low level of investment (32%) and insufficient municipal budget (32%) are the obstacles most mentioned by the respondents and thus lead the list. Other obstacles that have a relatively high frequency are insufficient assistance from the central level (26%), limited support in agriculture, industry and SMEs (19%) and problems related to the use of property (16%). For more, see Figure 11.

Figure 11: The main obstacles hindering local economic development



Next, a list of potential barriers identified in advance is shared with the respondents and the same are invited to make an assessment for each of them from 1 to 5, where 1 means that it is not a barrier at all, while 5 is a very big barrier. According to the generated averages, the ambiguity between central and local level competences and limited access to finance with 3.06 each, the lack of support for sectors with

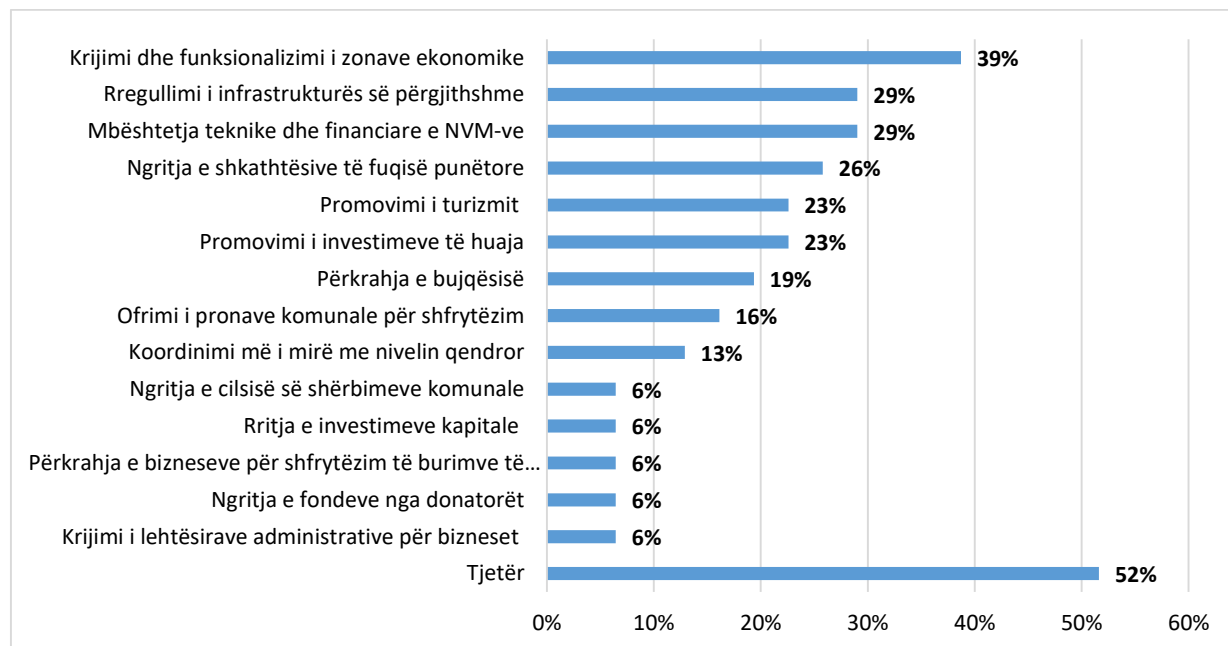
growth potential with 3.03, the financial stability of municipalities with 2.94 turned out to be the most serious barriers. Other barriers are presented in Figure 12.

Figure 12: Assessment and ranking of potential barriers



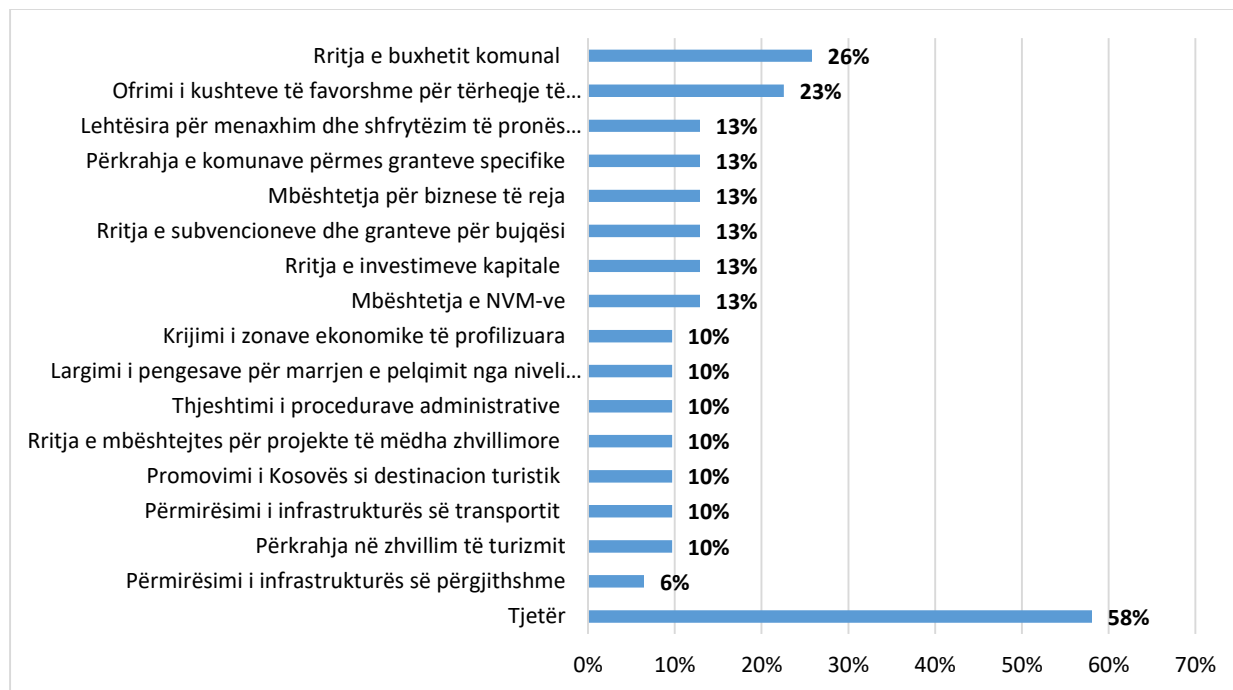
The answers given by the respondents regarding what the municipalities should do to accelerate the local economic development until 2030, have been grouped in order to identify the most important proposals. According to the processing done, the creation and functionalization of economic zones (39%), the regulation of the general infrastructure (29%), the technical and financial support of SMEs (29%), and the capacity building of the workforce (26%) are the main proposals from the respondents. Other proposals are listed in Figure 13.

Figure 13: Proposals for the municipal level to accelerate economic development in municipalities until 2030



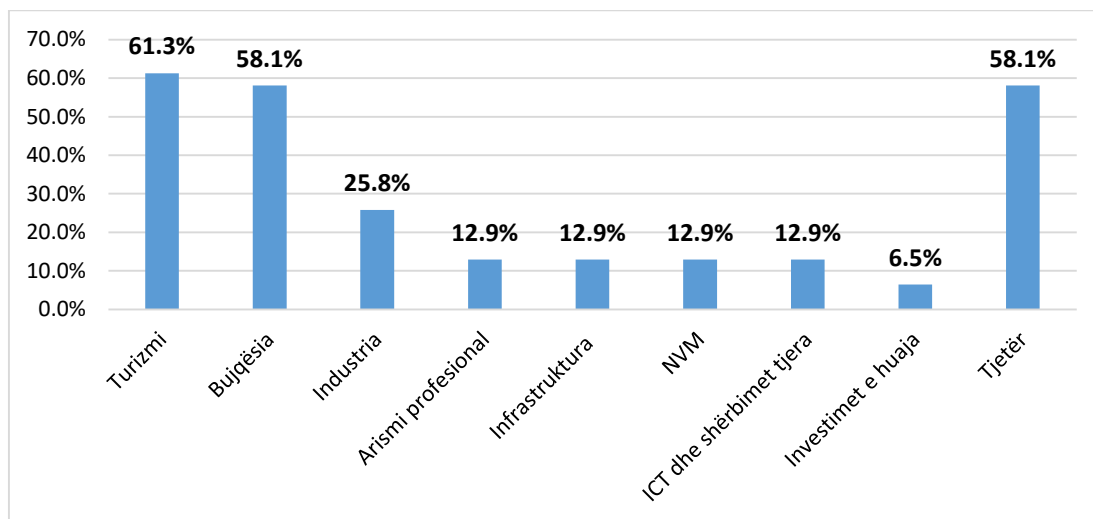
In relation to what the central level seems to do to accelerate local economic development until 2030, the main proposals have also been extracted and presented in Figure 14. Increasing the municipal budget (26%) and providing favorable conditions for attraction of investors (23%) are the two most frequent proposals.

Figure 14: Proposals for the central level to accelerate economic development in municipalities until 2030



The survey data show that the areas of most common economic interest for the municipalities are tourism (61.3%) and agriculture (58.1%); after these two areas comes industry with a slightly lower percentage (25.8%). Other fields are shown in Figure 15.

Figure 15: Areas of common economic interest for municipalities

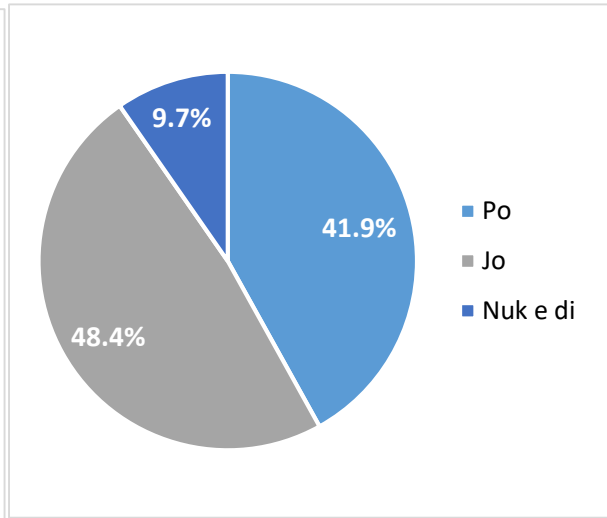
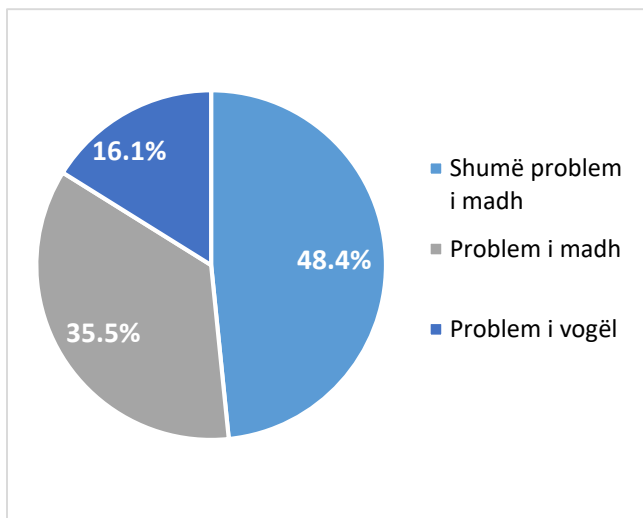


Since the strategy aims to be comprehensive, the aim was to also understand the economically vulnerable groups in the municipalities through the survey. The main categories according to respondents include: women who live in rural areas, people with disabilities, young people, retirees, artisan businesses, retailers and the like.

For the vast majority of respondents (83.9%), population migration is a "very big problem" or a "big problem". This problem seems to be more noticeable in smaller municipalities. On the other hand, according to the respondents, 41.9% of municipalities have business associations or similar organizations that represent the interests of the private sector.

Figure 17: Assessment of migration as a problem for the municipal level

Figure 16: Municipalities with business associations (chambers) or similar organizations (%)



Key findings of the survey with businesses

This section summarizes the main findings from the survey conducted with businesses. The questionnaire compiled for the needs of this survey was distributed to 5,000 businesses selected from the KBRA database, according to the random method. In order to increase the sample size, there was also a collaboration with the Kosovo Chamber of Commerce (KCC), so that the questionnaire is shared with its members. In the end, from all the businesses contacted, 57 completed questionnaires were received and the results were drafted based on them. Despite the relatively small sample, however, valid responses were received that will be taken into consideration during the compilation of the Program. However, due to the sample size, the results, especially those of a quantitative nature, should be interpreted with caution. Of those who completed the questionnaire, the vast majority (98%) were owners or managers, or held both positions.

Moreover, the majority of respondents (49.1%), as is the general demographic in Kosovo, were from Prishtinë. Of other regions, Ferizaji easily dominated (17.5%) (for more, see Figure 18). In terms of activity, wholesale and retail trade dominates with 17.5%, manufacturing industry with 14%, construction and finance with 12.3% each, and ICT with 10.5%. The rest are services and other activities (see Figure 19).

Figure 19: Region

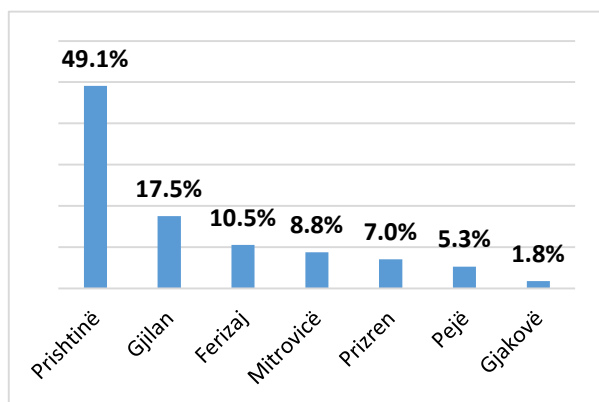
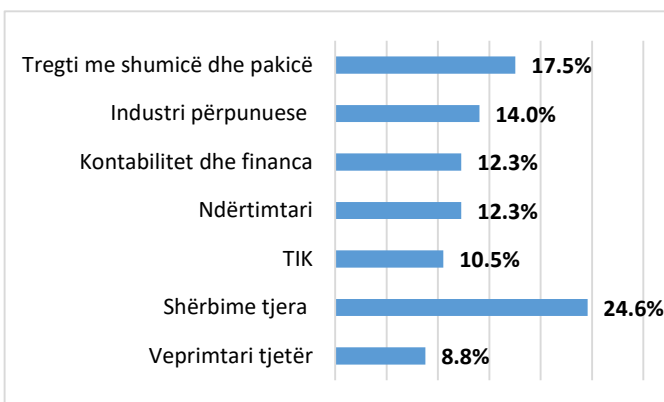


Figure 18: Activity



About 63% of the businesses surveyed stated that they have 1 to 5 employees, 14% have 6 to 10 employees, 10.5% have 11 to 50 employees, while the remainder stated that they have more than 50 employees. In the question about the turnover compared to the previous year, 38.6% of the companies

Figure 20: The number of employees

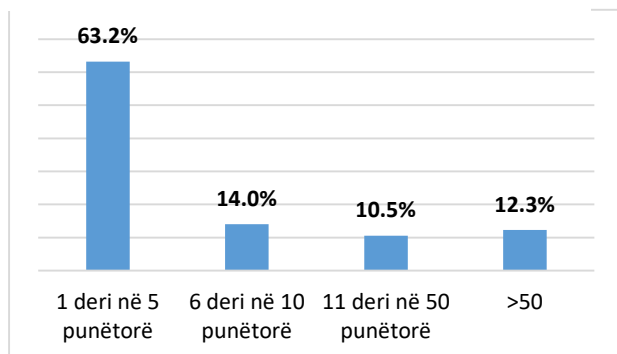
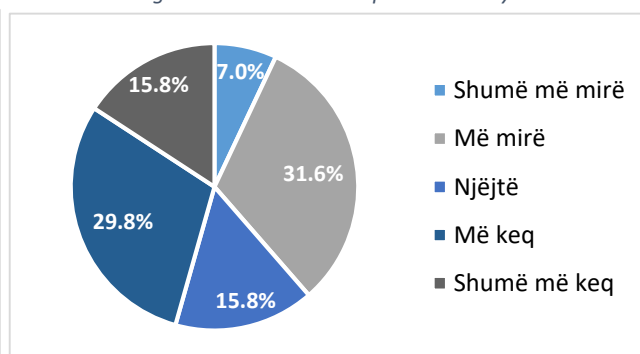


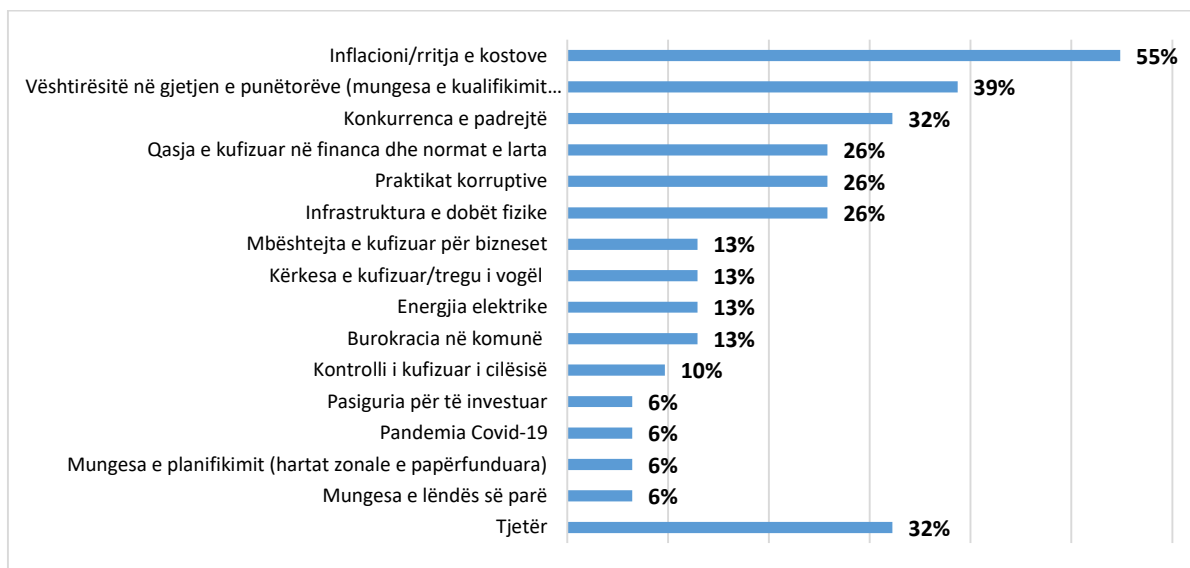
Figure 21: Turnover compared to last year



reported that they performed much better or better, 45% stated that they performed worse or much worse; the remainder (15.8) reported that performance was the same.

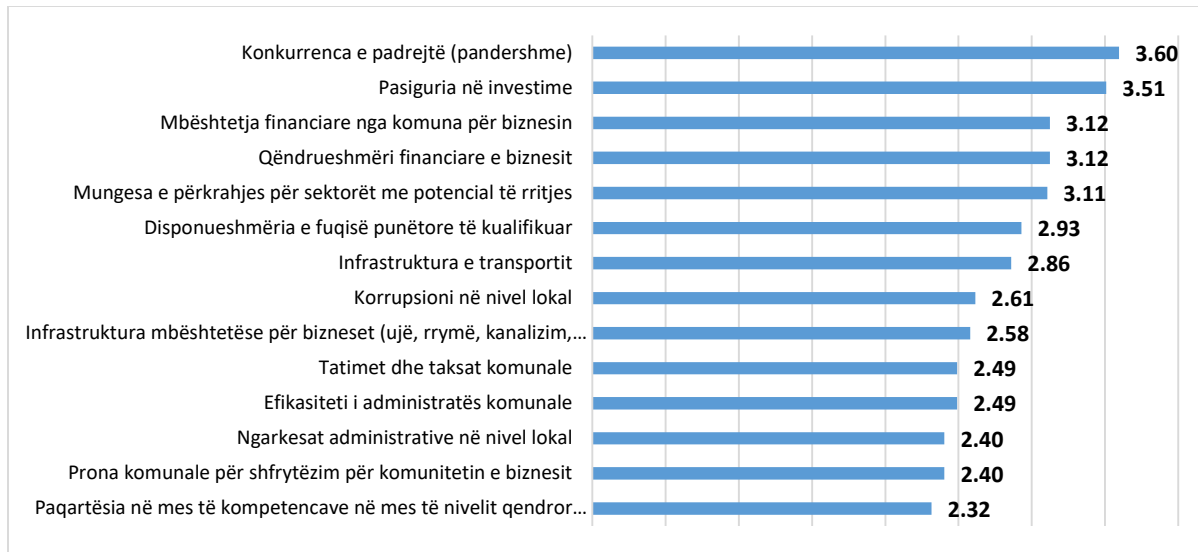
Similar to the case of municipalities, surveyed businesses were invited to indicate the main obstacles that hinder local economic development. Inflation/cost increases at 55%, difficulties in finding workers (lack of qualifications and migration) at 39% and unfair competition at 32% are the most cited obstacles by respondents. To see the other obstacles identified and their percentage, see Figure 22.

Figure 22: The main obstacles identified by businesses



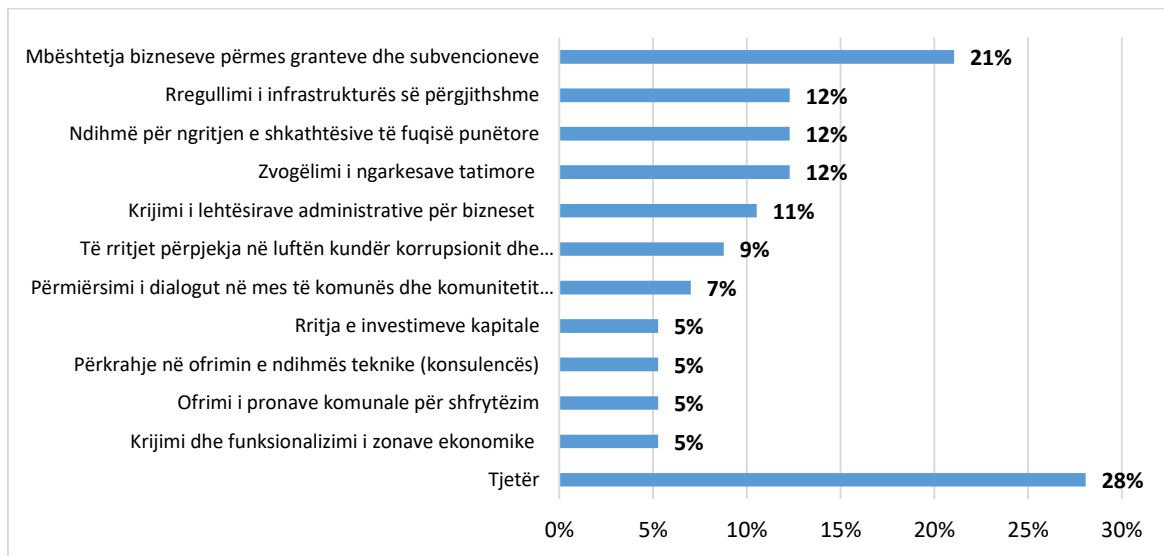
As in the survey with municipalities, a list of potential barriers identified in advance was also shared with businesses and they were invited to make an assessment for each of them from 1 to 5, where 1 means that it is not a barrier at all, while the 5th is a very big barrier. According to the results produced, unfair competition with an average of 3.60, uncertainty in investments with 3.51 and financial support from the municipality for the business and financial sustainability of the business with 3.12 each turned out to be the most serious barriers. Other barriers are presented in Figure 12.

Figure 23: : Assessment and ranking of potential barriers



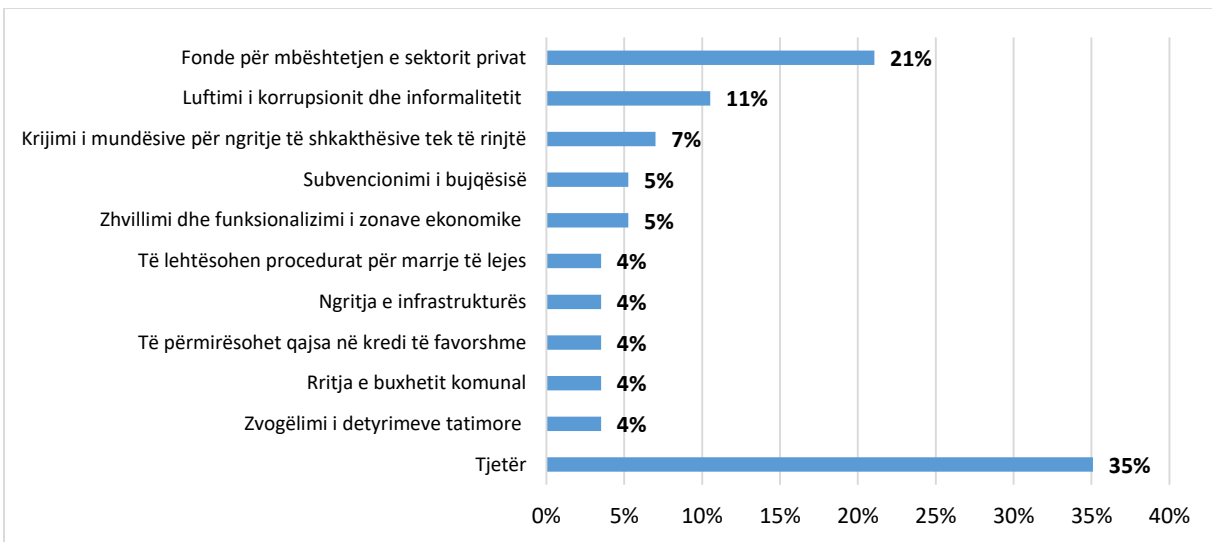
The proposals given by businesses regarding what municipalities should do to accelerate local economic development until 2030 have been grouped in order to identify the most important proposals. Supporting businesses through grants and subsidies (21%), fixing general infrastructure (12%), helping with capacity building of the workforce (12%) and reducing local tax burdens (12%) turned out to be the top proposals from surveyed businesses. Other proposals are listed in Figure 24.

Figure 24: Proposals for the municipal level to accelerate economic development until 2030



Proposals for the central level to accelerate local economic development until 2030 are also grouped and listed in Figure 14. Funds for supporting the private sector (26%), fighting corruption and informality (11%), and creating opportunities for capacity building among young people (7%) are the three most frequent proposals from the surveyed businesses.

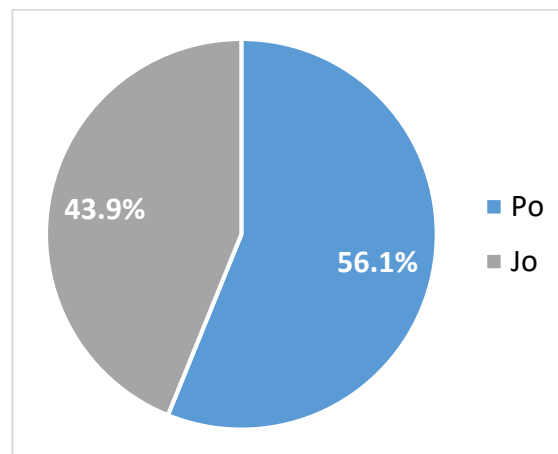
Figure 25: Proposals for the central level to accelerate economic development in municipalities until 2030



In the question about the most economically vulnerable groups in the respective municipality, the most mentioned were: small and new businesses, craft activities, young people and the Roma, Ashkali and Egyptian communities.

The survey shows that 56.1% of businesses encounter difficulties in finding employees (Figure 26). Some of the profiles that are missing the most, according to them, are: welders, experienced software engineers, equipment operators, adjusters, etc.

Figure 26: Difficulties in finding employees



For most of the surveyed businesses (86.0%), the migration of the population is a "very big problem" or a "big problem". A very small percentage (15.8%) of businesses say they have local associations, which represent their economic interests. The vast majority have stated that their municipality does not have such an association or they are not aware of it. Even those few businesses that say that their municipality has such associations, when they were invited to identify them, they referred to those at the central level. From this data it can be concluded that very few municipalities have local level business associations and that those that have, are not very active in order for businesses to be informed about their activity.

Figure 27: Assessment of migration as a problem for the municipal level

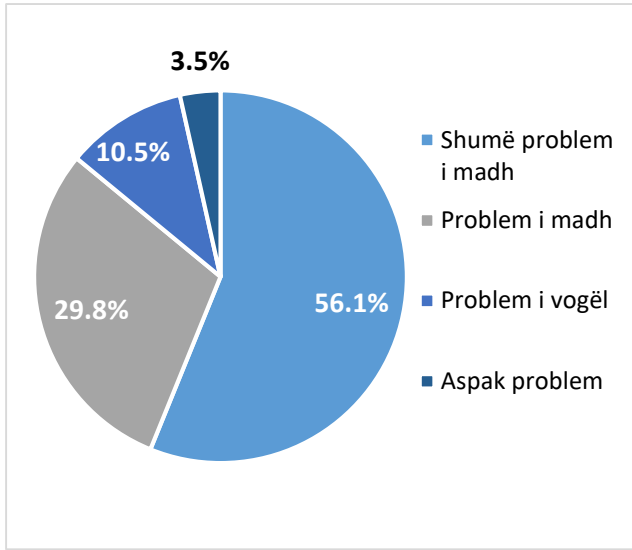
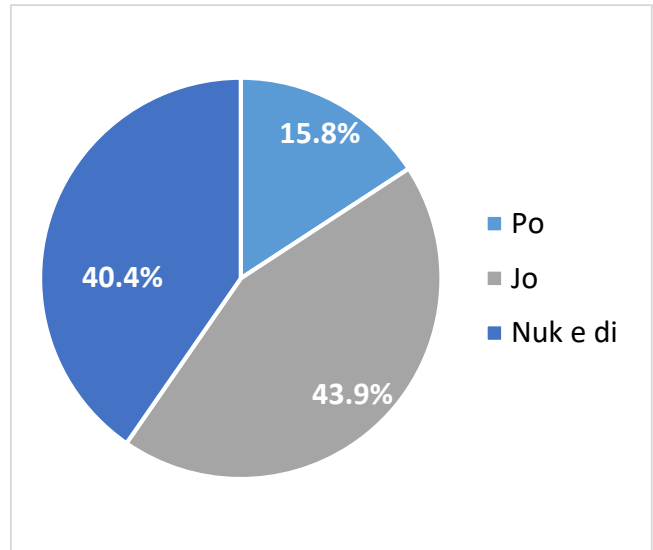


Figure 28: Business associations at the municipal level



Summary of initial challenges from the working group

Challenges	Main obstacles
<p>Insufficient financial resources</p> <p>Unsatisfactory collection of municipal own revenues</p> <p>High budgetary dependence of the local level on government grants</p> <p>The legal framework that greatly limits municipal borrowing</p> <p>Obstacles of a regulatory nature for spending the budget</p> <p>Failure to achieve financial self-sustainability by municipalities</p> <p>Unfulfilled financial obligations</p> <p>Inadequate planning of investment projects</p> <p>Insufficient commitment of financial means in the budget for multi-year investment projects</p> <p>The slow dynamics of the implementation of the works</p> <p>Monitoring the feasibility of investment projects on an ad hoc basis</p> <p>Lack of funds dedicated to investment maintenance</p> <p>Donors' lack of interest in investments</p> <p>Limited technical and professional capacities of private companies for carrying out public works</p>	<p>(1) Financial instability and inefficient management of funds</p>
<p>Dysfunction of economic zones</p> <p>The prevalence of widespread unfair competition</p> <p>Unfavorable climate at the local level for attracting investment</p> <p>Limited access to finance and high interest rates</p> <p>Lack of a database for investors for investments in municipalities</p> <p>Lack of promotional materials on municipal investment potentials</p> <p>Improper management of municipal property</p> <p>Lack of municipal property to be used for investment purposes</p> <p>Limited investments in local public infrastructure</p> <p>Lack of support for sectors with growth potential</p> <p>Insufficient support of the agricultural sector by local institutions</p> <p>Limited support for development of rural tourism (agrotourism)</p> <p>Bypassing cultural heritage to promote the creative economy</p>	<p>(2) Low level of investment and limited development of agriculture, tourism and industry</p>

<p>Limited demand/small market Uncertainty to invest The increase in the price of the raw material</p>	
<p>Lack of prioritization of local economic development Limited professional capacities for economic development in municipal institutions Lack of applicable strategic development documents Lack of capacity to absorb funds from donors Limited and non-systematic cooperation with the business community at the municipal level Lack of local and central level coordination for the drafting of policies in the field of local economic development Ambiguity between central and local level competencies Lack of cooperation between municipalities for common interest, except in infrastructure projects</p>	<p>(3) Lack of insitutional capacities and with insufficient cooperation</p>
<p>Lack of skills in the labor market to meet the needs of the private sector The flight of the labor force, especially from smaller municipalities Limited cooperation between vocational schools and the private sector Limited participation of women in the labor market Vocational training centers with programs that are not closely related to market needs The gap between the digitization of schools in urban and rural areas Lack of local policies for strengthening human capital in harmony with the needs of the labor market</p>	<p>(4) Inadequate human resources (capacities) and high level of unemployment and poverty</p>
<p>Lack of infrastructure and awareness for waste recycling and reuse Inefficient use of water and energy Lack of responsible urban planning Discharge of chemicals and other hazardous materials from businesses into rivers</p>	<p>(5) Local economic development disregarding the environment</p>

Indicators

Objective	Indicators	Source	Description	Methodological notes (if necessary)	Base at country level	Goal proposal 2026	Goal proposal 2030
5. Competitive local economy	<i>Productivity (GVA/number of employees)¹⁹ (EUR)</i>	KAS	This indicator measures the level of productivity in the economy and is considered a "proxy" for competitiveness.	Productivity is calculated by dividing the Gross Value Added (GVA) by the number of employees for the following NACE economic activities: A-C, F-M and S. Data for GVA are from national accounts, while for employment from the labor force survey.	24,126 EUR (2021)	+30%	+50%
6. Inclusive employment	<i>Employment rate (%)</i>	KAS	This indicator represents the official rate of employees, of working age (15-64).	Official data on employment are prepared based on the survey with the labor force. Currently, they are prepared only at the country level, in the future they are expected to be prepared at the regional level as well.	20% (TM2 2021)	45%	55%
7. Improved local infrastructure	<i>Percentage of enterprises "satisfied" with local infrastructure (%)</i>	Surevy	This indicator measures the level of satisfaction of enterprises with local infrastructure (roads, transport in general, access to water and sewerage, etc.)	This indicator should be prepared based on data from the survey with enterprises. The question asked to the enterprises should have the option of choosing from 1 (not satisfied at all) to 10 (very satisfied).	n/a	At least 60% satisfied	At least 70% satisfied
8. Effective and cooperative economic governance	<i>Index of local administration (1-10)</i>	Municipal competitiveness index (USAID)	This indicator measures the ability of local government administration in creating	This indicator is derived from the Municipal Competitiveness Index (MCI). The MCI methodology is based on the standardized approach of the	3.9 (2020)	6.0	8.0

¹⁹ Only economic activities included (NACE: A-C, F-M, and S)

			a good business environment.	Economic Governance Index from the Asian Foundation. The data is collected through a survey of 3,337 companies in 38 municipalities of Kosovo. The index evaluates the professional level of officials, their integrity and other similar aspects.			
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Obj.	Specific objective	Indicator	Source	Description	Methodological notes (if necessary)	Base at country level	Goal proposal 2026	Goal proposal 2030
Obj. 1	1.1. Increasing investments in areas with potential for local economic development	<i>Foreign Direct Investment (FDI) per capita (EUR)</i>	CBK	This indicator represents net foreign direct investments per capita	The indicator constitutes the flow of new investments from foreign investors while removing the non-investments, presented in the balance of payments.	236.8 EUR (2021)	350 EUR	470 EUR
	1.2. Increasing productivity in agriculture and promoting local tourism	<i>Gross Value Added (GVA) per annual labor unit (ALU) in agriculture (EUR)</i>	MAFRD	This indicator measures the level of productivity in agriculture	Labor productivity in agriculture is expressed as the total Gross Value Added (GVA) in agriculture at basic prices per Annual Work Unit (AWU). GVA is defined as the value of production minus the value of intermediate consumption. Annual Work Unit (AWU) is the equivalent full-time employment.	1428 EUR (2019)	1700 EUR	2000 EUR
		<i>International visitors per capita</i>	Entrances to border points (KAS/Kosovo Police)	This indicator represents the number of entries of foreign visitors at the border points of Kosovo per capita.	The data are provided by the border police. It is necessary to specify the municipality where the visit will be carried out during the entrances.	3.2 (2021)	+30%	+50%

	1.3. Supporting entrepreneurs with a focus on digitization and innovation	<i>The use of digitization tools in general production/work processes (%)</i>	OEK	This indicator measures the percentage of enterprises that use digitization tools in general work/production processes.	This indicator is derived from a survey that was carried out by the Kosovo Chamber of Commerce with businesses, which includes the following sectors: tourism, retail, production and agro-business. In the report of this survey, the percentage of use of digitization tools is presented at the level of sectors. The value included here is the simple average of the four sectors mentioned above.	25.02% (2021)	35%	45%
		<i>Companies that introduced a new product/service or a process innovation (%)</i>	World Bank	This indicator presents the percentage of companies that have introduced a new product/service or an innovation in processes.	The indicator is derived from the survey with enterprises, which is a company-level survey. New products/services and process innovation are two separate variables. The indicator here indicates the average of these two variables.	36.6% (2019)	50%	60%
Obj. 2	2.1. Reducing the skills gap in the labor market	<i>The quality of vocational training of workers provided by the local market (1-5)</i>	Municipal competitiveness index (USAID)	This indicator presents the views of enterprises on the professional level of workers offered by the local market.	This indicator is derived from the Municipal Competitiveness Index (MCI). The MCI methodology is based on the standardized approach of the Economic Governance Index from the Asian Foundation. The data is collected through a survey of 3,337 companies in 38 municipalities of Kosovo. Question: how do you rate the quality of vocational training of employees provided by the local market? (1- very low, 5 - excellent). The baseline value is the average of the responses.	3.29	3.9	4.3

	2.2. Increasing dignified employment for women, youth and vulnerable categories	<i>Employment rate of women (%)</i>	KAS	This indicator presents the official rate of employed women of working age (15-64).	Official data on employment is produced based on the labor force survey. Currently they are produced only at the country level, in the future they are expected to be produced at the regional level as well.	16% (TM2 2021)	30%	40%
		<i>Young people not in employment, education or training (NEET) (%)</i>	KAS	This indicator represents young people not involved in employment, education or training (NEET) as a percentage of the total number of young people.	Official data for NEET is produced based on the labor force survey. Currently they are produced only at the country level, in the future they are expected to be produced at the regional level as well.	32.5 (TM2 2021)	20%	15%
Obj. 3	3.1. Improving local transport infrastructure and services	<i>Road infrastructure (%)</i>	MLGA	This area measures the municipal roads and the accompanying infrastructure that are under the jurisdiction of the municipality	The measurement of this indicator is done through the Municipal Performance Management System (MPMS). The indicator covers the following points: paved roads, asphalted roads, roads in the urban area with bicycle paths, roads with sidewalks, roads with public lighting, marked roads and well-maintained roads. For more, consult the Municipal Performance Report.	52% (2021)	60%	70%
		<i>Public parking lots (%)</i>	MLGA	This indicator measures how many public parking lots are available for different categories	The measurement of this indicator is done through the Municipal Performance Management System (MPMS). The indicator covers the following points: parking lots and parking lots for motor vehicles, parking lots intended for taxis, parking lots reserved for people with disabilities. For	47% (2021)	60%	70%

					more, consult the Municipal Performance Report.			
		<i>Public transport (%)</i>	MLGA	This field measures the provision of public transport for the citizens of the municipality.	The measurement of this indicator is done through the Municipal Performance Management System (MPMS). This indicator measures the following aspects: the settlements involved in local public transport, the implementation of the municipal plan for local public transport and the marked stops for public transport vehicles. For more, consult the Municipal Performance Report.	56.6% (2021)	65%	75%
3.2. Providing access to the supporting infrastructure		<i>Population with access to public water supply systems (%)</i>	Water Services Regulatory Authority	This indicator represents the percentage of the population that has access to public water systems.	n/a	78% (2020)	92%	95%
		<i>Population with Access to public sewage system (%)</i>	Water Services Regulatory Authority	This indicator represents the percentage of the population that has access to public sewage systems.	n/a	65% (2020)	78%	85%
		<i>Population with access to wastewater treatment plants (%)</i>	Water Services Regulatory Authority	This indicator represents the percentage of the population that has access to wastewater treatment plants.	n/a	3 (2020)	45%	60%
3.3. Integrated waste management		<i>Municipal solid waste collected and managed in controlled facilities in total municipal waste generated (%)</i>	Kosovo Environmental Protection Agency	This indicator represents the percentage of solid waste collected and managed in the controlled facilities in the total municipal waste generated.	n/a	89.3% (2021)	90%	99%

		<i>Municipal solid waste recycled in total municipal waste generated (%)</i>	GIZ	This indicator measures the tonnage recycled from municipal waste in relation to total municipal waste.	The indicator is calculated by dividing the recycled tonnage by the total municipal waste. Recycling includes material recycling, composting and anaerobic digestion. Municipal waste consists mainly of waste generated by households, but may also include similar waste generated by small businesses and public institutions and collected by the municipality.	2-5% (2020)	12%	30%
	3.4. Improving energy efficiency in infrastructure	<i>Energy savings in infrastructure (%)</i>	Municipalities	This indicator measures the energy savings in the municipality's infrastructure in relation to the costs as if no efficient measures were taken.	n/a	n/a	-30%	-60%
Obj.4	4.1. Sustainable and effective local finance	<i>The percentage of budget feasibility (%)</i>	MLGA	This indicator presents the expenses in relation to the budget planning of the municipalities.	This indicator is calculated by dividing the total expenses of the municipalities by the total planned budget for that year.	85%	90%	100%
		<i>Own revenues - municipal level</i>	MFLT	This indicator represents the level of own revenues realized by the municipalities within the year.	n/a	90 mil. EUR	+20%	+30%
	4.2. Advancement of processes and resources in planning and development of local policies	<i>Professional level of local officials (1-5)</i>	Municipal competitiveness index (USAID)	This indicator presents the professional level of local officials according to the perspective of enterprises.	This indicator is derived from the Municipal Competitiveness Index (MCI). The MCI methodology is based on the standardized approach of the Economic Governance Index from the Asian Foundation. The data is collected through a survey of 3,337 companies in 38 municipalities of Kosovo.	3.36 (2020)	3.8	4.2

					Question: How do you rate the professional level of local officials?			
		<i>Number of municipalities with planning and policy development units</i>	MLGA	This indicator represents the number of municipalities that have units for planning and policy development.	n/a	0	19	38
4.3. Improvement of municipal service and responsibility		<i>Public administrative services</i>	MLGA	This indicator measures public administrative services, their efficiency, and those provided online or through e-kiosk.	The measurement of this indicator is done through the Municipal Performance Management System (MPMS). It is divided into three sub-areas: administrative services during the year, administrative services within legal deadlines and online administrative services. For more, consult the Municipal Performance Report.	81.7% (2021)	85%	95%
		<i>Municipal accountability indicator (%)</i>	MLGA	This indicator measures the level of transparency and accountability at the municipal level.	The measurement of this indicator is done through the Municipal Performance Management System (MPMS). The indicator measures these points: publication of reports on public consultation processes; public hearings on MTEF and budget, reporting on the integrity plan, discussion of the internal auditor's report, participation of citizens in public consultations, addressing the recommendations of the NAO, discussions on the quarterly budget reports in the Municipal Assembly (MA), local	53.9% (2021)	70%	80%

					policy documents consulted with the public, the publication of notices for the holding of two public meetings, the meetings of the MA with the participation of the Mayor, the level of implementation of the procurement plan and the timely approval of the budget proposal. For more, consult the Municipal Performance Report.			
		<i>Municipal services in e-Kosovo</i>	MLGA	This indicator represents the number of municipal services provided through e-Kosova.	17	n/a	+100%	+150%
	4.4. Strengthening the partnership for local economic development	<i>Number of projects with other municipalities (inside and outside the border)</i>	MLGA	This indicator represents the number of new projects with other municipalities during the year, inside and outside the border.	n/a	n/a	+40%	+80%
		<i>Participation and predictability (1-10)</i>	Municipal competitiveness index (USAID)	This indicator represents the extent to which businesses in Kosovo participate in local decision-making and the extent to which they consider that the government is open to cooperating with them towards achieving common goals.	This indicator is derived from the Municipal Competitiveness Index (MCI). The MCI methodology is based on the standardized approach of the Economic Governance Index from the Asian Foundation. The data is collected through a survey of 3,337 companies in 38 municipalities of Kosovo. Questions: Have you been informed in time about the changes in regulations and administrative instructions from the municipality? (1- never, 5 - always); How often	4.94 (2020)	6	8

					<p>have you participated in public debates organized by the municipality? (1- never, 5 - always); How often do you think that new municipal regulations and administrative instructions raised during public debates protect the interests of businesses? (1- never, 5 - always); How often do you expect municipal regulations to be enforced? (1- never, 5 - always); Are you informed in time about municipal public debates related to changes in public policies, municipal rules and regulations? (1- never, 5 - always)</p>			
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