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MINISTRY OF INDUSTRY, ENTREPRENEURSHIP AND TRADE

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EVALUATION of the 2023-2025 Action Plan of Kosovo's Strategy for Industry Development and Business Support 2030

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

1.

INTRODUCTION

1.1. BACKGROUND ON THE INDUSTRIAL POLICY

The Strategy for Industrial Development and Business Support (SIDBS) 2030 — hereafter referred to as the "Industrial Policy" — was formulated by the Government of Kosovo (GOK) to establish a strategic framework aimed at accelerating industrial development. The creation of this policy underscores the GOK's recognition of the manufacturing sector as a pivotal lever for structural transformation of Kosovo's economy. Its long-term vision is clear: by 2030, Kosovo's industry should evolve into a globally integrated sector capable of producing high value-added goods and generating decent employment.

The methodology employed in drafting the Industrial Policy, known as Enhancing the Quality of Industrial Policies (EQuIP)[1], provided a structured approach grounded in diagnostic analysis. The intervention logic underpinning the policy was built through a four-step process: aligning with strategic objectives of the National Development Strategy (NDS 2030), formulating targeted policy objectives, identifying capability gaps within Kosovo's industrial landscape, and translating these gaps into actionable sub-objectives that inform the broader action plan.
The analysis was used for government-internal deliberations and for stakeholder consultations, which ultimately resulted in the formulation of the following five strategic objectives:

- Strategic Objective 1. Expansion of Industrial Production
- Strategic Objective 2. Reduction of Industrial Trade Deficit
- Strategic Objective 3. Generation of Comprehensive and Better Employment
- Strategic Objective 4. Facilitation of Circular and Green Industry
- Strategic Objective 5. Maximization of Domestic Value Addition

The five strategic objectives are supported by sixteen specific objectives (representing sixteen intervention areas)[2] and seventy-five actions (i.e. policy instruments deployed to

[1] See www.equip-project.org for more information on the approach.
[2] The SIDBS 2030 document defines them as follows: "Specific objectives can be thought of as preconditions or drivers for achieving a particular industrial policy objective. (…) The identification of specific objectives was based on the assessment of the industrial capabilities of Kosovo, which comprises various factors, such as infrastructure, finance, and the skill level of workers".

trigger and effectuate the desired changes) which together define the 2030 Kosovo Industrial Policy. They were derived from a comprehensive assessment of the manufacturing sector's economic, social, and environmental performance.

The success of the 2023–2025 Action Plan hinges on coordinated implementation, sustained political will, and robust partnerships among the GOK, private sector stakeholders, and international development actors. A shared understanding of Kosovo's industrial challenges and opportunities is critical to realizing the policy's transformative ambitions.

1.2. CONTEXT AND PURPOSE OF THIS EVALUATION

This evaluation takes place two years after the launch of the 2023-2025 Action Plan of the 2030 Kosovo Industrial Policy. It serves to examine the extent to which the initial phase of implementation has laid the groundwork for achieving the Industrial Policy's long-term goals. The purpose of this evaluation is twofold:

- Assessing progress towards the five core policy objectives: (1) expanding industrial production, (2) reducing the trade deficit in industrial goods, (3) fostering inclusive and decent employment, (4) promoting green industry, and (5) enhancing domestic value addition.
- Understanding the extent to which the policy measures listed in the Action Plan have been implemented and contributed to moving towards achieving the specific objectives and, subsequently, strategic objectives.

2.

METHODOLOGY AND DATA COLLECTION APPROACH

2.1. DESCRIPTION OF MIXED-METHODS APPROACH

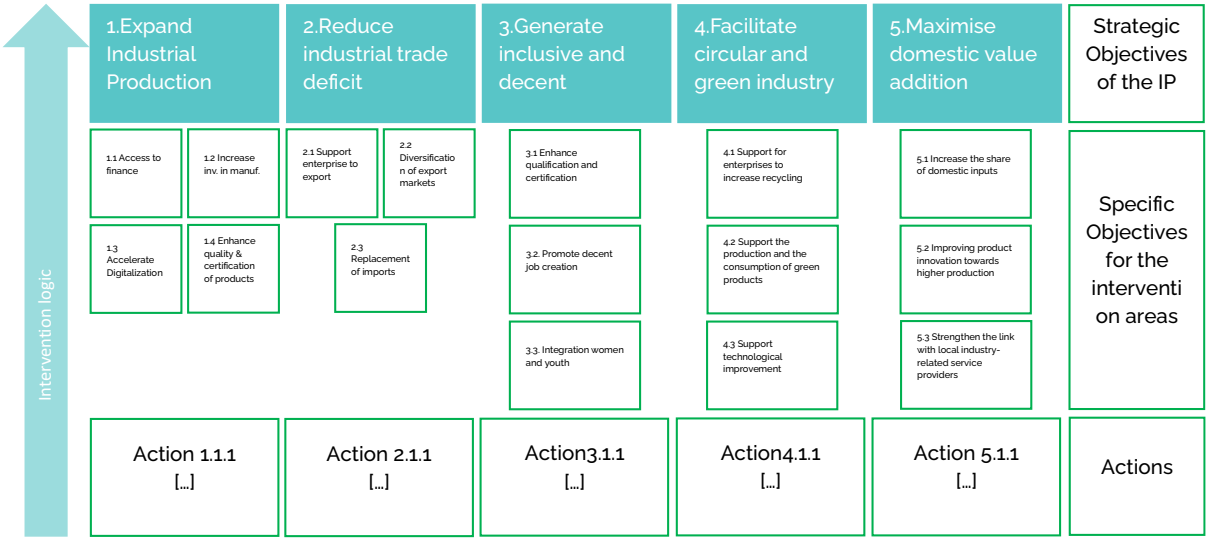
This evaluation follows a mixed-methods approach. More specifically, to evaluate the 2023 – 2025 Action Plan of the Strategy for Industrial Development and Business Support (SIDBS) 2030, the methodology relies on the analysis of both quantitative and qualitative data, and dwells on the intervention logic defined within the SIDBS 2030.

The SIDBS 2030 defined an intervention logic which underpins the Action Plan and which has three main layers, as follows:

In traditional Monitoring and Evaluation (M&E) jargon, the terms can be associated as follows:

- Actions or "activities" (or "inputs")
- Specific objectives or "outcomes"
- Strategic objectives or "impact"

As defined by the Action Plan, progress on each of the 5 strategic objectives is measured by one or two quantitative key performance indicators (KPIs), and each of the 16 specific objectives is measured by a set of 1 to 4 indicators. The Action Plan also specifies concrete quantitative targets for each of these KPIs: interim targets for the year 2026 and final targets for 2030. Meanwhile, actions are regularly monitored on various dimensions such as their implementation status. The overall intervention logic can be represented as follows:



The evaluation proceeds along three main steps:

Step 1. Analysis of industry's progress towards the five strategic objectives, measured by the percentage change in the associated key performance indicators (KPIs) between 2022, which is the baseline value for the implementation of the Action Plan, and 2024, which is the most recent data point[3]. This helps us answer the question: *Have KPIs been moving in the right direction?* The KPI values also enable us to classify industry's performance with regard to each strategic objective in three categories:

- **Improving.** The indicator(s) measuring the strategic objective are showing positive trends.
- **Partially improving.** Some indicators measuring the strategic objective are improving while others are stagnating or exhibiting a negative trend.
- **Worsening.** The indicator(s) measuring the strategic objective are showing negative trends.

This categorization provides the basis for a correlation analysis between the "impact level" (i.e. changes in industrial performance with a view to the policy's *Strategic* Objectives) and the "outcome level" (i.e. changes in industrial preconditions, enablers and capabilities in the main intervention areas, as captured by the *Specific* Objectives) of the intervention logic. In other words, the analysis of developments in the different intervention areas, which will follow in the next step, will then allow us to identify (i) potential correlations between progress on any given strategic objective on the one hand and (ii) achievements in the intervention areas which have been defined to support it on the other hand.

[3] To take the investigation further, the Annex provides additional analyses based on the percentage achievement of the target values for 2026 and 2030. This allows us to answer the question: *How much progress was achieved on the KPIs towards the targets for 2026 and 2030 compared to the baseline of the year when the target was set?* To deepen the evaluation even more, the Annex also reports on the results for a proxy indicator that measures the speed of the progress, addressing the evaluation question: *Has progress been fast enough to achieve the targets for 2030 on time (under the assumption of linear progress)?* Results from these complementary analyses are included in the text when deemed relevant.

Step 2. Analysis of the quantitative performance indicators associated with each intervention area, with progress being measured by the percentage change in the indicators defined for the respective specific objectives.
This step enables us to classify the performance of each specific objectives in three categories:

- **Improving.** The indicator(s) measuring the specific objective are showing positive trends.
- **Partially improving.** Some indicators measuring the specific objective are improving while others are stagnating or exhibiting a negative trend.
- **Worsening.** The indicator(s) measuring the specific objective are showing negative trends.

This categorization provides the basis for a correlation analysis between the "outcome level" and the "input level" (consisting of the different policy actions) of the intervention logic. That is, the assessment of the degree of implementation of all the "Actions" associated with each specific objective, which will be conducted in the subsequent step, will enable us to identify potential correlations between the activities that have been implemented (or started) and progress towards the specific objectives to which they are expected to lead.

Step 3. The analysis relies on the status of implementation of each policy action[4] according to three categories:

- **Implemented.** All the activities foreseen under the policy action have been fully implemented at the time of the evaluation.
- **Partially implemented.** Some but not all of the activities foreseen under the policy action have been implemented at the time of the evaluation.
- **Not implemented yet.** No activity had started at the time of the evaluation.

Additional qualitative analysis is carried out to understand driving factors of the implementation status, the relevance of each action, as well as potential evidence of impact. As for the second of these points, a "relevance score" was derived for each policy action, according to the following methodology: Three types of stakeholders were asked to assess (to the best of their knowledge but still subjectively) the relevance of each action, giving it a score on a scale from 1 (irrelevant) to 10 (very relevant). The three groups of stakeholders were:

- The Industrial Policy Monitoring Group (composed of representatives from various stakeholder institutions involved in implementing the SIDBS 2030)[5]
- Respondents to an online survey that was set up by the evaluation team to gather information on the implementation of the policy actions (see below for further details)
- GPI experts.

[4] Recall that one policy action typically involves not one but several activities to be implemented. To illustrate with an example, think of a legislative or regulatory measure which, for example, involves producing a draft of a law, conducting consultations on the draft, submitting the revised draft law to parliament, enacting the law etc. Therefore, here we will not use the terms "activity" and "action" synonymously. Rather, one policy "action" has to be thought of representing a set or mix of multiple "activities".

[5] They provided their assessment in the context of a workshop that kicked off the evaluation and that took place from 2-3 August 2025.

The scores were first aggregated within each group to obtain an average per group. Then these averages from the three group values were averaged again to give the final score of the relevance of each action. So, each group carried the same weight.

Finally, in order to better understand the workings behind specific policy instruments aiming at addressing key policy priorities and to identify common factors that decide about their effectiveness, this evaluation digs into "deep dives" on three selected policy actions. Analysing the effectiveness of these actions will also help to pinpoint horizontal bottlenecks in key sectors and necessary enablers for overall industrial performance. The three policy actions subjected to such a "deep dive" were selected based on four main elements:

- Policy instruments mentioned as priority in chapter 7 of the SIDBS 2030 and in the preamble of the Action Plan[6]
- Whether the policy action has already been implemented (at least partially)
- The relevance of the policy action
- The ability to track indicators to measure progress on the related specific and strategic objectives.

The following three policy actions were chosen for the deep dives:

- Action 1.4.1. Creation of the National Product Certification Facility
- Action 2.1.1. Expansion of the export window within the framework of the Kosovo Credit Guarantee Fund (KCGF)
- Action 3.1.4. Creation of a manufacturing employment program within the framework of Active Labor Market Measures

Each of these three actions aims at contributing to a different strategic objective, and the analysis will provide insight into impediments and opportunities to trigger progress in relevant intervention areas.

2.2. OVERVIEW OF DATA SOURCES USED

The data collection for this evaluation took place from mid-July 2025 to early September 2025. The evaluation relies on two main types of data:

- Primary data.
- Secondary data.

[6] Ten of the 75 policy actions have been highlighted in the industrial policy document and in the Action Plan as being essential to ensure that the industrial policy vision (i.e. of creating a globally integrated industry that is able to produce high value-added products and provide decent employment) will materialize. These priority actions include supporting the establishment of modern industrial parks with eco-friendly features to attract investment and facilitate inter-firm horizontal and vertical collaboration; creating a national facility for product certification to accelerate international market penetration, including supporting conformity assessment bodies; scaling up the Export Finance Facility of the Kosovo Credit Guarantee Fund (KCGF) to improve access to financing for export-oriented manufacturers; upgrading the import tariff regime for selected manufacturing goods to reduce the high dependency on foreign suppliers and inputs; implementing a labour manufacturing program that combines wage subsidy and in company apprenticeships to address the high level of unemployment among vulnerable groups; creating a skills credit scheme to enhance skills among the workforce for more and better engagement in manufacturing; supporting increased investments in green technologies through combining loans and grants to improve efficiency and digitalization; upgrading public procurement legislation to provide incentives for domestically produced and green products; and offering tax incentives for investments in product innovation to encourage greater innovation toward higher value-added products.

Primary data were collected through various means and tools:

- Stakeholder consultations including workshops in early August 2025 and early September 2025 and semi-structured interviews in early September 2025.
- An online survey which was shared with members of the Industrial Policy Monitoring Group from 7 August 2025 to 6 September 2025.

In total, two workshops, seventeen in-depth interviews, and an online survey enabled us to collect information on diverse elements such as the implementation status of policy actions, potential impact, and external influence factors. The information collected was complemented by document analysis, including the review of policy documents and case studies.

Secondary data were collected by the MIET and came either from official local sources, including the Kosovo Agency of Statistics (KAS) and the Customs Department, or international organisations. Their main purpose was to calculate the KPIs for the strategic and specific objectives.

3.

PROGRESS TOWARDS THE INDUSTRIAL POLICY'S OBJECTIVES

3.1. OVERVIEW OF INDUSTRY PERFORMANCE AGAINST THE STRATEGIC OBJECTIVES

This section examines whether progress has been made towards each of the industrial policy's strategic objectives. This is done by calculating the percentage change in the one or two key performance indicators that were defined for every strategic objective in the 2023-2025 Action Plan. Assessing whether these KPIs have been moving in the right direction gives an indication of whether Kosovo's industry has improved its performance since the launch of the Action Plan.

Figure 1 displays the percentage change in each of the seven KPIs with their corresponding strategic objective underneath. To ease the interpretation of the findings, results are displayed with the following color code:

- Bars and boxes painted in dark green represent a positive change: an improvement in an indicator or a strategic objective.
- Boxes painted in light green represent a change with mixed trends: a partial improvement in a strategic objective.
- Elements painted in red represents negative changes in an indicator or a strategic objective.

Figure 1: Strategic objectives and performance of the underlying indicators (% change compared to 2022).

These seven indicators have been chosen by GOK to measure the performance of Kosovo's industry with regard to the five strategic objectives of the Action Plan. One indicator shows a negative trend while six indicators exhibit positive trends. As a result, **four strategic objectives show improvement, and one worsening.**

The rest of this subsection explains in detail the performance of Kosovo's industry vis-à-vis each strategic objective, and how it is driven by the underlying indicator(s) measuring their performance.

1. **Expanding industrial production.** There has been an improvement on this front. First, the capacity of the country to generate manufacturing value-added (MVA) improved and the KPI (MVA per capita in EUR) increased by more than 27% (from 643 in 2022 to 820 in 2024)[7]. Second, the importance of the sector for Kosovo's economy slightly increased between 2022 and 2024, with the manufacturing sector's contribution to the gross domestic product (i.e. MVA/GDP) increasing by 2.5% (from 12,8% to 13,1%). This suggests that the manufacturing sector has grown at a slightly faster pace than other sectors, with an increasing contribution to economic growth. Stakeholder consultations revealed that, in view of the small size of the domestic market, Kosovo should focus on reaching new markets and gaining new market shares to further expand industrial production.

2. **Reducing the industrial trade deficit.** Despite its reduction being a strategic objective, the manufacturing trade deficit has increased by 4.1% between 2022 and 2024. More specifically it went from -4,718.9 million EUR in 2022 to -4,916.3 million EUR in 2024, and it is becoming an increasing challenge for Kosovo. This is the only strategic objective

[7] Note that the 2024 Population Census revealed an important overestimation of the population size, and the decrease in the official population size from 2022 to 2024 may impact the results.

that shows a clear negative trend and must be addressed as a priority. Both increasing exports and reducing imports of manufacturing intermediate goods remain important tasks for Kosovo, and the country is highly vulnerable to external shocks. Stakeholder discussions highlighted clear structural dependencies on foreign inputs for manufacturing, which must be addressed not to further increase the industrial trade deficit. The analysis of the performance on the specific objectives or "intervention areas" will provide insights into key determinants of these results.

3. **Generating inclusive and decent employment.** Results show positive trends in generating inclusive and decent employment. More specifically, the two indicators measuring industry's performance on this strategic objective exhibit positive changes between since 2022: Manufacturing employment per capita increased by 19% from 2022 to 2024 while the manufacturing wage bill's share in MVA grew by 22% over the same period. These results show not only that the manufacturing sector is creating increasing job opportunities but also that these opportunities are becoming more attractive. These observations are in line with inputs received from stakeholders during consultations: young generations are now perceiving manufacturing jobs as more lucrative than in the past, and youth is more and more willing to pursue technical education as opposed to general degrees.

4. **Facilitating green and circular industry.** Efforts to promote the greening and increased circularity of industry have given rise to slight improvements. More specifically, the emissions intensity of manufacturing processes (measured as kg of CO_2 emissions per USD of MVA in Purchasing Power Parity (PPP) terms) declined by 3,5% (from 0.58 to 0.56). This improvement is encouraging but to reach the 2030 target of 0.27 kg of CO_2 emissions per USD of MVA, emissions would need to decrease twice as fast. Moreover, due to Kosovo´s dependence on exports for growth, facilitating green and circular industry is also becoming increasingly relevant since key export markets are setting up higher environmental standards (e.g. the EU's Carbon Border Adjustment Mechanism, CBAM[8]) that Kosovo's company will need to meet to access markets. At the national level, promoting circular economy is perceived as crucial. Consultations pointed out the fact that Kosovo is overly reliant on imported raw materials and production inputs, that efficient waste management systems are lacking, and that landfill waste is becoming a rising concern that must be considered.

5. **Maximising domestic value addition.** Slight improvements have been registered between 2022 and 2024, and the manufacturing sector is now generating more value added per unit of output produced. More specifically, between 2022 and 2024, the share of MVA in manufacturing output increased by 1%, implying that manufacturers are adding slightly more value to the inputs that they are processing and transforming during their production processes. This expansion in value addition is corroborated by stakeholders' perception who mentioned during interviews that Kosovar firms now possess high-quality machines for manufacturing across all key sectors (e.g. wood, metal, etc.). However, other impediments to maximising value addition creation remain,

[8] The CBAM is the primary tool for addressing carbon emissions embedded in goods exported to the EU.

such as the insufficient supply of adequate skills (e.g. to manage production lines) which prevents companies from unleashing their full productivity potential.

3.2. OVERVIEW OF ACHIEVEMENTS ON THE SPECIFIC OBJECTIVES

This subsection analyses how much progress has been achieved since the launch of the Action Plan on the specific objectives or "intervention areas" under each strategic objective. A main goal of this subsection is to identify correlations between industry's performance on a given strategic objective and the progress made in associated interventions areas that are preconditions to improve industry's performance.

To do so, Table 1 shows potential correlations between the progress in the different intervention areas (i.e. specific objectives) and industry's performance (i.e strategic objectives) by mapping interlinked objectives (as defined by the intervention logic of the Industrial Policy)[9]. To facilitate the identification of potential correlations, the results are presented with the following colour code:

- Elements in dark green represent an improvement in an objective
- Elements in light green represent a partial improvement in an objective
- Elements in red represent a worsening in an objective.
- Elements in black indicate that no data was available

To analyse the results, the reader must proceed in three steps. Table 1 is essential for Step 1 and Step 2, while Figure 2 presents the necessary information to perform Step 3. The three steps are as follows:

- **Step 1.** Analyse the colours of the entries in the right column of Table 1 to understand the performance on a given specific objective
- **Step 2.** Compare this with the colours of the entries in the left column which reveals potential positive or negative correlations between achievements in a given intervention area and progress towards its associated strategic objective.
- **Step 3.** Identify key driving factors of the results by looking at the performance of the indicators measuring the intervention areas.

Step 1 and Step 2 enable us to spot correlations between the performance of strategic objectives and specific objectives. In other words, this analysis helps us to highlight enablers, preconditions or industrial capabilities that potentially drive the performance of the industry with regard to the strategic objectives they fall under.

Step 3 consists in a thorough analysis of progress in the various intervention areas. This relies on Figure 2 which shows the percentage change from 2022 to 2024 in the KPIs that were defined to measure improvements in those key enablers, capabilities and preconditions for industrial development that were captured in the Specific Objectives of SIDBS 2030. This will help to highlight the drivers of the results observed at the level of Strategic Objectives.

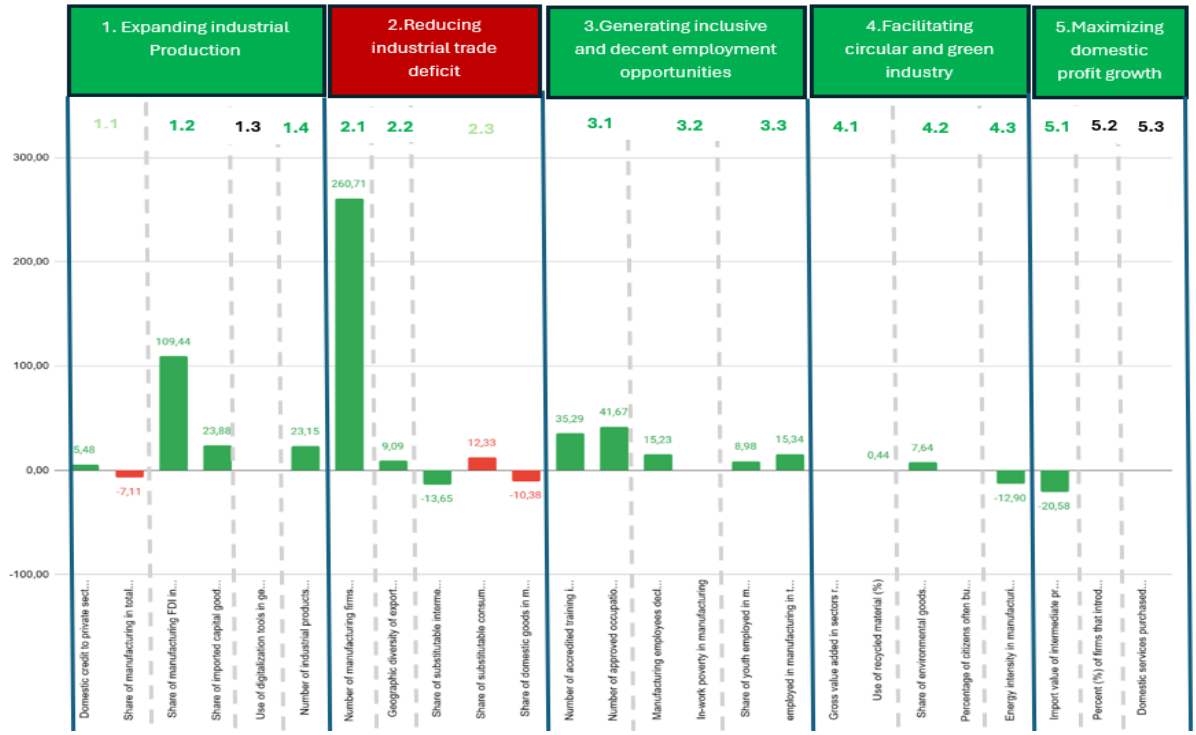
[9] Recall that the assessment of performance for each specific objective is based on the percentage change in at least one indicator (as defined in the action plan). See the methodology section for further details.

TABLE 1: PROGRESS IN THE INTERVENTION AREAS ACROSS STRATEGIC OBJECTIVES

Strategic Objective	Specific Objective Name
1. Expanding industrial Production	1.1 Facilitate access to finance for domestic producers
	1.2 Increase investment in manufacturing
	1.3 Accelerate digitalization in manufacturing
	1.4 Enhance the quality and certification of internationally recognized products
2. Reducing industrial trade deficit	2.1 Support enterprises to exploit their export potential
	2.2. Diversification of export markets
	2.3 Replacement of imports of intermediate and final products with domestic production and promotion of local products
3.Generating inclusive and decent employment	3.1 Enhance qualification and certification of technical workforce and enterprise managers
	3.2 Promote decent job creation in industries
	3.3 Integration of women and youth into the labor market and business
4. Facilitating Circular and Green industry	4.1 Support for enterprises to increase recycling and circulation in production
	4.2 Support for enterprises to increase recycling and circulation in production
	4.3 Supporting technological improvement with a focus on increasing energy and material efficiency
5. Maximising domestic profit growth	5.1 Increasing the share of domestic inputs in production
	5.2. Improving product innovation towards higher value-added production
	5.3 Strengthening the link (connection) with local industry-related service providers

Improvement; Partial improvement; Worsening.

Figure 2: Percentage change in the indicators measuring the performance of drivers of the performance of the industrial preconditions and between 2022 and 2024.



Overall, this three-step analysis reveals a great deal of coherence (or correlation) between the advances made in the intervention areas and the positive trends towards reaching the Strategic Objectives that were noted above.[10] In other words, progress on strengthening the enabling factors and industrial capabilities that were prioritized by the SIDBS 2030 (and

[10] The rest of this subsection presents in detail the performance of the indicators.

encapsulated in the Specific Objectives) indeed seems to be associated with (i.e. rewarded by) improvements in industry performance (*policy impact*).

More specifically, results show that there have been clear achievements in eleven of the intervention areas while there has been partial improvement vis-à-vis two of the specific objectives. For three intervention areas, progress cannot be measured due to a lack of data. The rest of this subsection looks at each of the strategic objectives and presents an interpretation of the findings with regard to changes in the underlying industrial preconditions, enablers, drivers and capabilities since 2022.

A. EXPANDING INDUSTRIAL PRODUCTION

The **positive performance** on this strategic objective, which we have documented above and which is reflected in improvements in both underlying KPIs, has been **driven by positive developments in the associated intervention areas**. Our indicators show that over the past two years, **access to finance for producers in the manufacturing sector** partially increased. More specifically, while domestic credit by banks to private firms overall (measured in % of GDP) increased by 5.5%, the share of these commercial loans that is received by manufacturing firms has decreased by 7%. Stakeholder consultations nuanced these generally encouraging results as it appears that access to local sources of finance remains a key impediment to increasing industrial production for SMEs in Kosovo.

Industrial output growth can be boosted by external sources of funding, and **foreign investments** are indeed increasingly important for Kosovo's manufacturing sector. In line with this, the analysis shows an **astonishing increase in the share of total inward FDI** that goes to **manufacturing**, which more than doubled in two years (i.e. 109% increase). Moreover, there have been encouraging trends towards productive investments and capital accumulation. For capital goods, Kosovo is mostly reliant on foreign supply. The data point to a significant expansion in such capital goods imports (which have **grown by almost 24%** when measured as a share in MVA). Stakeholder consultations confirmed that access to and investments in capital goods, which were an issue in the past, are **not a major bottleneck** anymore, and that foreign funds did play a role in increasing investments in the sector.

Exporting is key to expand industrial production in Kosovo, in particular to leverage economies of scale that bring down marginal and average costs. However, products need to be of a certain quality, as attested by internationally recognized certifications, to be able to penetrate export markets. Evaluation results show that **more and more companies are obtaining relevant certifications**, and the number of industrial products exported to the EU (with an annual export value of at least €10,000) has increased by more than 23% (from 298 in 2022 to 367 in 2024). Stakeholder consultations highlighted however that while access to quality and conformity assessments has become easier for large companies more support is needed to allow medium-size enterprises to **keep improving product quality and obtain related certifications**.

Due to a lack of data, it is not possible to determine whether **digitalization** in the manufacturing sector accelerated. Overall, though, progress or at least partial progress has been made in strengthening those preconditions, drivers and industrial capabilities that were identified in the Action Plan as being essential for an expansion of industrial production.

B. REDUCING THE INDUSTRIAL TRADE DEFICIT

Evaluation results show that the support to enterprises to unleash their export potential has been fruitful as **the number of manufacturing firms that export regularly** (more than EUR 10,000 a year) has **almost quadrupled** (from 733 in 2021 to 2,644 in 2024, representing an increase of 261%). This is remarkable as it implies that the 2030 target of 2,478 has already been reached well ahead of time[11].

Likewise, the **diversification of export markets slightly improved by 10%,** with Kosovo exporting 80% of its manufacturing products to 11 different countries in 2024 compared to just 10 in 2020, which also has positive spillovers in terms of a reduced exposure to external trade shocks. However, to reach the 2030 target of 18, the country is slightly behind schedule as it should already reach 13 countries to meet the expected trends of the 2030 targets.

This deeper analysis at the level of intervention areas illuminates that **one of the most pressing issue is the replacement of imports** (both of intermediate and final products) **with domestic production** as the promotion of local products remains a key challenge:

- Although **the share of substitutable intermediate goods in total imports decreased** by more than 13% (from 52% in 2022 to 44.9% in 2024), it is still far in excess of the 22% target for 2030. Moreover, the trend is going at a much slower pace than expected, and to reach the 2030 target, it should already have come down to 28.5%.
- The **share of substitutable consumption goods imports in total imports shows a reverse trend** as it increased by 12% (from 30% in 2022 to 33.7% 2024). It remains a key factor to be addressed as figures remain far off the 2030 target of 22%.
- Moreover, the **market share of local products decreased** by 10% (from 28.8% in 2022 to 25.8% in 2023), which confirms that **expanding the presence of domestic goods in manufacturing markets remains a clear obstacle.**

To sum up, despite an improvement in exporting capacities and a diversification in export markets, the industrial trade deficit worsened. This seeming discrepancy or incoherence suggests that there are also structural factors at play that the industrial policy alone cannot overcome. In fact, the negative trend in the trade balance is primarily associated with the persistent dependency on foreign supplies of manufactured products, including consumer goods. Therefore, their (at least partial) replacement with domestic production continues to be a priority. Moreover, the increase in the export performance of local companies does

[11] The Annex includes more explanation on the methodology for the analysis related to targets and the speed of the change.

not compensate the lack of competitiveness of local companies to serve the Kosovo market.

C. GENERATING INCLUSIVE AND DECENT EMPLOYMENT

Kosovo' manufacturing sector was quite successful in creating inclusive and decent employment between 2022 and 2024. In coherence with these positive developments in the manufacturing labour market, **all the interventions areas** under this Strategic Objective have **exhibited positive trends**. On the one hand, there were advances on the supply side of the labour market. More specifically, **qualification and certification of the technical workforce improved** as witnessed by the increase in both the number of accredited training institutions in manufacturing (by 35%) and the number of approved occupational (profession) standards in manufacturing (by almost 42%).

On the other hand, there was also progress on the demand side as manufacturing industries created additional jobs, with official **manufacturing employment growing by 15%.** The **increase in jobs coincided with growing opportunities for women and youth**. This is reflected in a rise in the share of youth employed in manufacturing in total youth employment by 9%. Similarly, the share of the manufacturing sector in total female employment went up by 15%. Stakeholder consultations have revealed some explanatory factors for these trends. They have pointed out, for example, how a shortage in manufacturing skills created opportunities for people (incl. youth) to reap the benefits of dual trainings opportunities to access well paid manufacturing jobs.

D. FACILITATING CIRCULAR AND GREEN INDUSTRY

Encouraging trends on the Strategic Objective of promoting circular and green industries have been driven by advances in all three main intervention areas targeted by the industrial policy.

First, results show **certain improvements in recycling and circulation in production**, as Kosovar manufacturers have slightly increased their use of recycled material (by a bit less than 0.5%). Accelerating this trend further is crucial as stakeholder consultations revealed important challenges to recycle products and to valorise waste. Moreover, current landfills have almost reached full capacity, and this issue should be tackled urgently. Some key sectors, such as the textile industry, are slowly considering using recycled intermediate goods and waste from the industry (e.g. cuts), but the initiative is nascent and should be further supported.

Second, industrial policy **efforts to foster the production and consumption of green products appear to have been effective.** This is reflected in a 7%-increase in the the share of environmental goods in total imports, which shows that firms are increasingly investing in (foreign) clean technologies while demonstrating a growing preoccupation with environmental issues. Going forward, a breakdown of the different environmental goods imported would enable to identify potential products that could be produced locally to meet local demand. Finally, evaluation results suggest that efforts to **promote**

technological improvements (especially with regard to **energy and material efficiency**) have borne fruit, as the Kosovar manufacturing sector's energy intensity has decreased by 13%.

E. MAXIMISING DOMESTIC VALUE ADDITION

Above we saw that Kosovo's manufacturing sector has become more productive since the launch of the SIDBS Action Plan and is now generating more value added per unit of output produced than before. A lack of data inhibits us from examining the role of product innovation and of strengthened linkages with local industry-related service providers in driving this trend.
However, we are able to observe progress in the third intervention area under this Strategic Objective: The **share of *domestic* inputs in production has increased** since 2022. Conversely, the ratio of *imported* intermediate inputs to MVA (which is the KPI that has been deployed) has decreased by more than 20%. However, data limitations prevent us from elaborating a more comprehensive analysis on the potential causal links between enablers and domestic profit growth.

To sum up, the analysis of the correlations or "coherence" between (i) the performance of industry (vis-à-vis the SIDBS Strategic Objectives) and (ii) the potential policy drivers and enablers (as targeted in the different SIDBS intervention areas) shows overall logic. It also highlighted the need to dig deeper into a main impediment for improving the trade deficit: the slow or lacking progress on "replacing imports of intermediate and final products with domestic production while promoting local products" (Specific Objective 2.3) whose in-depth analysis may give rise to the identification of the main driving factors behind the country's persistent industrial trade deficit.

4.

POLICY ACTIONS: STATUS OF IMPLEMENTATION AND CONTRIBUTION TO SIDBS OBJECTIVES

4.1. IMPLEMENTATION STATUS AND DRIVERS

This section summarizes to what extent the policy actions foreseen in the 2023-2025 Action Plan have already been implemented. It then seeks to identify some key factors determining whether or not planned activities have actually been put into practice.

Table 2 describes the implementation status of all policy actions across the five Strategic Objectives. Out of the 75 actions originally envisaged, two have been dropped since the launch of the 2023-2025 Action Plan. As of September 2025, among the remaining 73 actions, 37 have been implemented to date, 15 activities are partially implemented, and 21 activities are not implemented yet. In other words, three months before the end date of the Action Plan, more than half of the planned policy actions have been reported to have been implemented while around a third of them still awaits their launching.

The planned actions were distributed across strategic objectives as follows:

- 26 activities were planned to address Strategic Objective 1 "Expanding Industrial Production"
- 18 activities were planned to contribute to the Strategic Objective 2 "Reducing the industrial trade deficit"
- 12 activities were planned to address Strategic Objective 3 "Generating inclusive and decent employment".
- 7 activities were planned to foster Strategic Objective 4 "Facilitating Circular and Green Industry"
- 10 activities were planned to achieve Strategic Objective 5 "Maximising domestic value addition"

TABLE 2: IMPLEMENTATION STATUS OF POLICY ACTIONS IN THE 2023 - 2025 ACTION PLAN

IMPLEMENTATION STATUS	ALL	STRATEGIC OBJ. 1	STRATEGIC OBJ. 2	STRATEGIC OBJ. 3	STRATEGIC OBJ. 4	STRATEGIC OBJ. 5
Not implemented	21 (= 29%)	9	6	0	1	5
Partially implemented	15 (= 20%)	7	2	3	2	1
Implemented	37 (= 51%)	10	10	9	4	4
Sum	**73**	**26** (= 36%)	**18** (= 25%)	**12** (= 16%)	**7** (= 10%)	**10** (= 16%)

In the following, we aim to identify factors that potentially determine whether (and how timely) the planned policy actions have actually been executed. First, we want to better understand if there is any correlation between a policy action's implementation status and (1) whether a budget has been allocated for its execution and (2) whether part of the funding is coming from a donor. Of course, there are certain types of policy actions that do not require a separate or new allocation of budget as their implementation is foreseen with existing resources (e.g. the drafting of a law by civil servants in a ministry). In general, however, we would expect a positive correlation, backed by the hypothesis that a lack of budget allocation signals a lack of prioritization or, conversely, that the allocation of funding reflects a serious intent and success in resource mobilization.

TABLE 3: STATUS OF THE IMPLEMENTATION OF POLICY ACTIONS AND THEIR SOURCE OF FUNDING

IMPLEMENTATION STATUS	SOURCE OF FUNDING NOT IDENTIFIED*	SOURCE OF FUNDING IDENTIFIED*	FUNDING FROM KOSOVO BUDGET*	(CO-FUNDING) FROM DONORS*
Not implemented	**53% (10)**	**24% (11)**	**32% (9)**	**0% (0)**
Implemented or partially implemented	**47% (9)**	**76% (35)**	**68% (19)**	**100% (15)**

*at the time of the design of the policy
Note: numbers in brackets correspond to the number of policy actions

Table 3 reports the implementation status of policy actions with reference to whether a source of funding had been identified at the time of the design of the industrial policy. The table confirms that **initial planning and resource mobilization matters** as more than half (53%) of the activities for which no source of funding was pre-identified are not implemented yet. This contrasts with the fact that **only one quarter (i.e. 24%) of the activities for which a potential funder was pre-identified have not been implemented yet.**

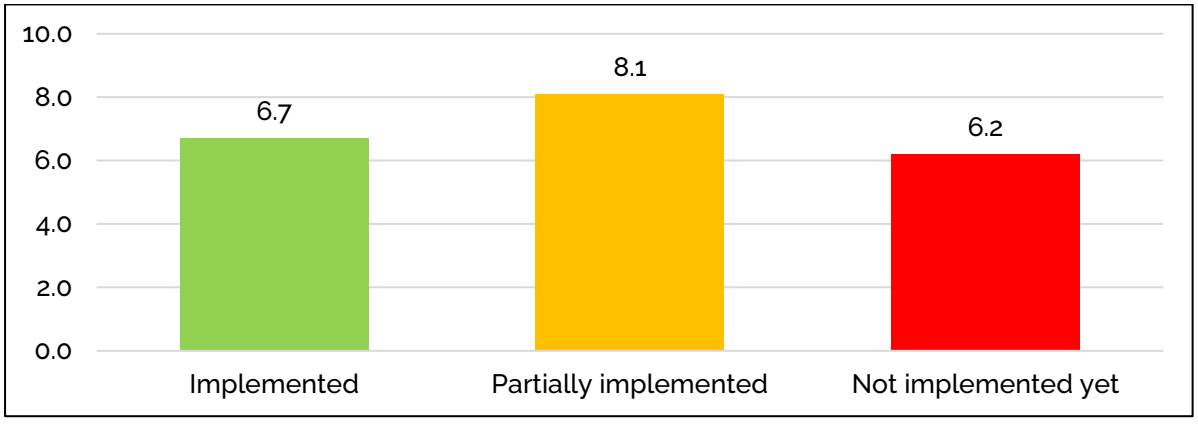
Planning alone is not sufficient to ensure implementation, and the **ability of the funding source to unleash budgets in a timely manner also matters**. Results show that **the Kosovo Government had on average more difficulties to stick to financial commitments**: When

funding was supposed to come exclusively from the (future) Kosovo budget and without the support of any external donors, levels of implementation (68%) were lower than compared to the average for activities with an identified funding source (76%). These results are in line with the assumption, which was voiced in stakeholder interviews, that **the current political standstill may have negatively impacted the disbursement of public funds from the government** to implement activities according to plan.

By contrast, without any exception, ***all*** **the activities that were to be funded by donor partners have started implementation** (and been fully or at least partially implemented to date). So, it seems that budget cuts in key agencies such as USAID have not impacted the implementation of the Action Plan too much up to now. However, as discussed in stakeholder consultations, it is likely that activities that have not been implemented yet will suffer from these budget cuts, for example activities under the Action 5.2.4 "Support for higher education institutions to create executive innovation programs in industry". More analysis at a disaggregated level is needed to understand whether the nature of the planned activities across the different types of funders impacts these results.

Next, we checked whether the (perceived) **relevance of policy actions played a role**. Figure 5 suggests that this indeed seems to be the case. As can be seen there, policy actions that have not yet seen any implementation are also those that, on average, have lower relevance scores. In comparison, the average relevance scores of policy actions that have been partially or fully implemented are significantly higher. Interestingly, though, the ex-ante prioritization of certain policy actions did not increase the likelihood of implementation. It could have been expected that more attention and effort would be dedicated to launch those ten policy actions that have been highlighted in chapter 7 of the SIDBS document and in the preamble of the Action Plan as being essential[12]. In reality, however, their pattern of implementation basically mirrors the average implementation progress of the policy package, with 30% of these priority action not yet implemented.

Figure 3: Average relevance score by implementation status



The online survey that was conducted as part of the evaluation and that was mentioned above was also used to collect more information that helps to better understand the driving factors of – and impediments for – the implementation of policy actions.

[12] See footnote 6 above.

On the one hand, when implementation of planned policy actions had not yet started, respondents were asked to identify the main obstacles for their execution. Table 4 summarises the insights gained from survey responses and describes a non-exhaustive list of the main impediments to the implementation of the actions that have not taken place yet. Results go beyond financial constraints, and the impediments mentioned by the respondents can be classified into six categories, namely:

- Budgetary constraints
- Human resources
- Structural or legal dependencies
- Coordination challenges
- Timing and planning
- Other external factors.

TABLE 4: KEY IMPEDIMENTS TO THE IMPLEMENTATION OF THE ACTIONS OF THE ACTION PLAN (BASED ON RESPONSES FROM THE STAKEHOLDER SURVEY)

TYPE	EXPLANATION	EXAMPLE OF ACTIONS MENTIONED
Budgetary Constraints	Lack of funding	5.2.1, 3.1.3
Human resources	Lack of structure or human resources in key agencies	1.3.1 1.1.1 and 1.1.2
Structural or Legal Dependencies	Activities could not begin because they depend on other laws, agencies, or prior actions that are incomplete.	1.1.3, 1.2.7, 1.4.5, 5.1.3
Coordination Challenges	Difficulty mobilising universities, faculties, and other actors Weak institutional coordination or unclear ownership	1.3.4 1.2.8 and 1.3.4
Institutional or Administrative Gaps	Lack of structure or human resources in key agencies and No initiative or reporting mechanisms in place	1.3.1 1.1.1 and 1.1.2
Timing and Planning	Activities not expected to start yet or are in early planning phases	4.1.2, 4.2.3
Other External Factors	Political transitions or global disruptions (e.g. trade) affected implementation	1.2.8, 2.3.3, 4.2.4 2.3.2

As expected, some respondents mentioned that a lack of or delay in financial resources were a key impediment to implementation. Some activities were also hindered by insufficient human resources in key agencies to run programmes efficiently and according to plan. However, implementation issues and complications go beyond deficiencies in the

availability and timely allocation of resources. Activities are implemented within complex policy packages and ecosystems with multiple actors.

In line with this, the survey highlighted that some activities could not begin because of their dependence on other laws, agencies, or prior actions that are incomplete. Still other activities were impeded by new legislations or legal frameworks not yet in place (e.g. the Law on the Sovereign Fund, or the Law on Sustainable Investments). Such phenomena are intrinsic to policy implementation and could be mitigated, for instance by improved, planning and coordination mechanisms.

Coordination issues are reflected at various levels in Kosovo. For instance, mobilising the right human resources across complex ecosystems appears challenging and respondents reported that some activities were impeded by the difficulty in getting relevant stakeholders such as universities, faculties, and other actors on board. Moreover, additional governance issues, including weak ownership, may have delayed the implementation of certain activities.

In some instances, activities were simply not planned properly, for example by not being anchored and foreseen in the lead institution´s annual work plan or by not being concretely scheduled for future implementation. Finally, a few activities were replaced or restructured due to sector-specific needs. Last but not least, external factors such as the political transition (e.g. government reshuffles) or global policy or value chain disruptions have provoked further delays in the implementation of specific activities.

On the other hand, for those actions that have already started (and been fully or at least partially executed), respondents were also asked to identify the driving factors that positively influenced the implementation. Basically mirroring (or flipping) the results on the key impediments to implementation, early budget allocations (at the time of the drafting of the Action Plan) was perceived as instrumental to ensure actual implementation, with higher implementation rates for donor-funded activities.

Integrating the action in the workplan of the lead institution is perceived as another key success factor. Moreover, inter-institutional (incl. public-private) coordination and alignment of objectives was mentioned as another important driver of implementation. Finally, it helps if the relevance of a policy action is seen and acknowledged by relevant actors: Actions that are seen to be responding to clear gaps (in skills, certifications, etc.) – that is, gaps on which there was a consensus and where a clear need for action was identified by core stakeholders – are more likely to be actually put into practice.

4.2. ACTIVITIES AND CONTRIBUTION TO THE OBJECTIVES OF THE INDUSTRIAL POLICY

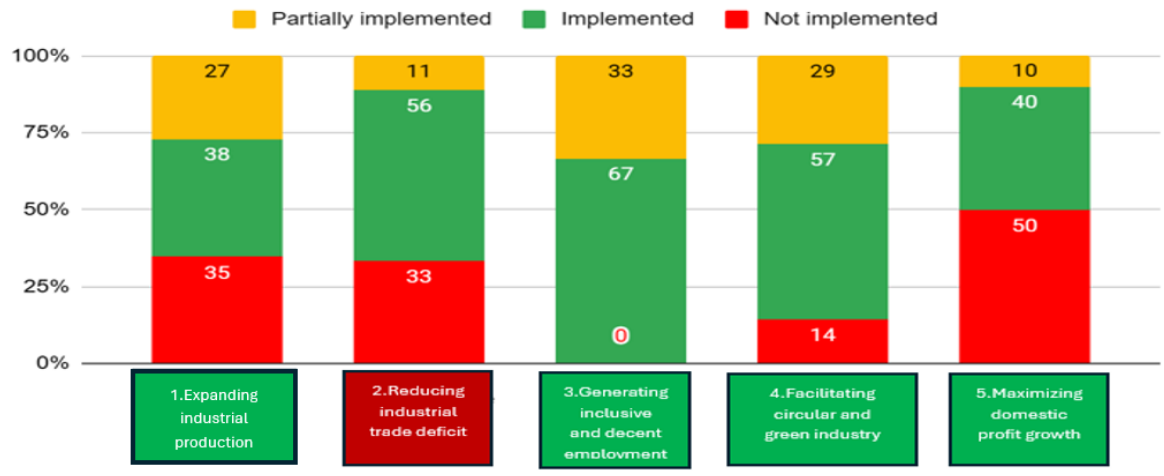
This subsection aims to shed light on how the implementation of the Action Plan may have contributed to the recent performance of Kosovo's industry which we have examined above. To do so, we first analyse the correlation between the implementation statuses of

the policy actions on the one hand and the performance of the strategic objectives to which they are expected to contribute (according to the intervention logic of the Industrial Policy) on the one hand. Can more progress on a given strategic objective be observed if the relevant policy action package is characterised by a higher degree of implementation?

Figure 4 tries to address this question and shows for each strategic objective the degree of implementation of the actions of the Action Plan (in relative percentage). Strategic objectives can be classified in three group, as follows:

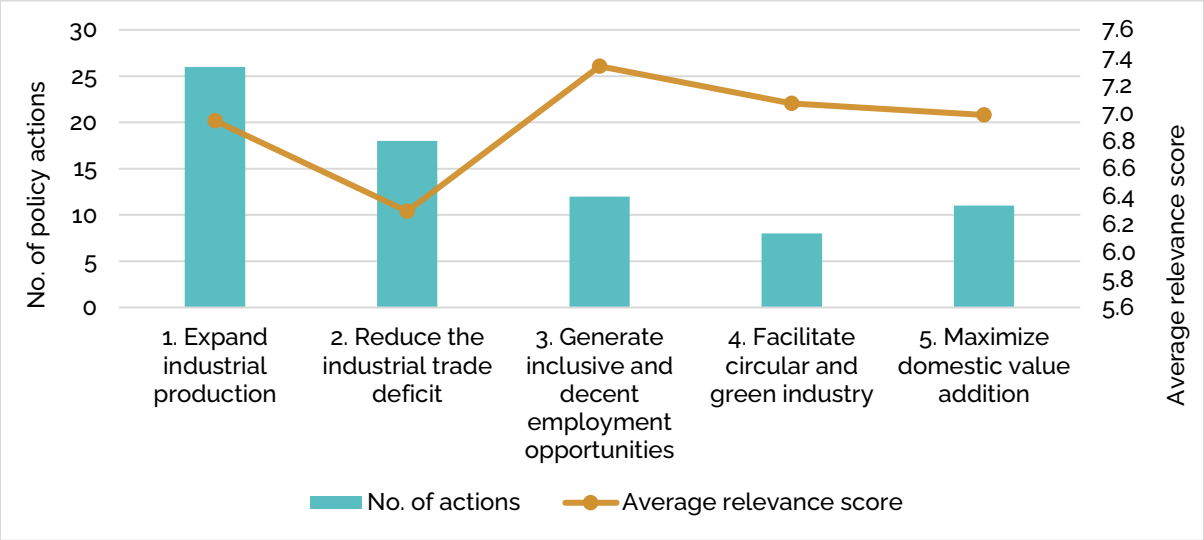
- **Strategic Objectives 3 and 4 are those with the highest level of implementation** with respectively 100% and 86% of the activities either implemented or partially implemented, which is coherent with the good performance of these strategic objectives.
- **For Strategic Objectives 1 and 2, no real pattern emerges.** In both cases, around one third of the activities are not implemented yet, but while there have been improvements under Strategic Objective 1 the KPIs for Strategic Objective 2 indicate a negative trend.
- **Objective 5 is the one that faces the lowest level of implementation** of its related actions with 50% of them not implemented yet. However, the strategic objective shows good performance. Further in-depth qualitative analysis is needed to better understand the relevance and the nature of the activities already implemented and those that are missing.

Figure 4: Implementation status of policy actions across strategic objectives (in %)



Analysing the level of implementation alone is not sufficient to understand how actions may have contributed to results. Figure 5 presents both the size (in terms of the number of policy actions foreseen in the Action Plan) and the (perceived) relevance (in terms of the average relevance score) of the policy packages across the five strategic objectives of the industrial policy. As can be seen there, a high number of policy actions does not guarantee success (= progress on the objective): Strategic Objective 2 is supported by the second-highest number of activities, but still is the only impact area with a negative trend (with a continuing increase in the industrial trade deficit).

Figure 5: Size and relevance of the policy packages across strategic objectives



From Figure 5 it is also worthwhile noting that **the two Strategic Objectives with the highest degree of activity implementation** (namely objectives #3 and #4) **are also among those with the lowest number of policy actions foreseen** (see

Table 2). One lesson to consider is that it might be better to have a concise, focused package of policy instruments that are actually delivered rather than envisaging a broad set of measures which is not feasible to be implemented in full (e.g. due to insufficient implementation capacities, arising coordination difficulties, or budgetary trade-offs). In other words, **a well-defined, well-calibrated and targeted policy mix appears to be a more effective and more efficient approach to advancing on strategic objectives.**

The analysis of the relevance of the policy packages provides two interesting insights[13]. First, as mentioned, the **most pressing challenge is to reduce the industrial trade deficit**. Although **important resources were planned** to improve the manufacturing trade deficit, with 25% of the actions of the Action Plan (i.e. 18 activities) allocated to this objective, **the policy package for this area is perceived as the relatively least relevant** set of actions across the five strategic objectives.

Second, Objective 3 has one of the **lowest numbers of planned actions** despite showing **high performance**. However, the analysis of the relevance of the actions shows that the positive trend correlates with the fact that the **policy package of this objective is perceived as the most relevant.** This suggests that a few targeted actions that are directly relevant may be more efficient that too ambitious policy packages that are hard to implement.

To better understand the extent to which activities contributed to results, an analysis at a lower level of disaggregation is needed, i.e. at the level of intervention areas. Table 5 presents the implementation status of actions across intervention areas. This enables us to classify the specific objectives in four types as follows:

- **Coherent.** Activities are mostly implemented and the related intervention areas show good performance, or most activities are not implemented yet and the related specific objectives show poor performance.
- **Incoherent:** Activities are mostly implemented and the related industrial preconditions, enablers or capabilities show poor performance, or most activities are not implemented yet and the related specific objectives show good performance.
- **Unclear.** No specific pattern of coherence or incoherence can be defined.
- **N/A** Lack of data inhibited us from determine the performance in the given intervention area.

TABLE 5: ASSESSMENT OF THE COHERENCE BETWEEN PERFORMANCE IN INTERVENTION AREAS AND IMPLEMENTATION STATUS OF THE PLANNED POLICY ACTIONS

SPECIFIC OBJECTIVE NUMBER	INTERVENTION AREA NAME OF SPECIFIC OBJECTIVE	NO. ACTIVITIES IMPLEMENTED	NO. ACTIVITIES PARTIALLY IMPLEMENTED	NO. ACTIVITIES NOT IMPLEMENTED YET	ASSESSMENT OF COHERENCE
1.1	Facilitate access to finance for domestic producers	0	0	3	Incoherent
1.2	Increase investment in manufacturing	5	2	0	Coherent

[13] See methodology section for more information on how the relevance scores of the actions are calculated.

1.3	Accelerate digitalization in manufacturing	1	1	2	**n/a**[14]
1.4	Enhance the quality and certification of internationally recognized products	4	4	1	**Coherent**
2.1	Support enterprises to exploit their export potential	7	1	1	**Coherent**
2.2	Diversification of export markets	2	0	1	**Coherent**
2.3	Replacement of imports of intermediate and final products with domestic production and promotion of local products	1	1	4	**Unclear**
3.1	Enhance qualification & certification of technical workforce and enterprise managers	4	3	0	**Coherent**
3.2	Promote decent job creation in industries	2	0	0	**Coherent**
3.3	Integration of women and youth into labor market and business	3	0	0	**Coherent**
4.1	Support for enterprises to increase recycling and circulation in production	2	1	0	**Coherent**
4.2	Support for enterprises to increase recycling and circulation in production	1	1	1	**n/a**
4.3	Supporting technological improvement with a focus on increasing energy and material efficiency	1	0	0	**Coherent**
5.1	Increasing the share of domestic inputs in production	1	1	1	**Unclear**
5.2	Improve product innovation towards higher value-added production	1	0	3	**n/a**
5.3	Strengthen link with local industry-related service providers	2	0	1	**n/a**

In most cases, the implementation status of the relevant policy actions is **coherent** with the performance of the associated intervention areas. This is true for Specific Objectives 1.2, 1.4, 2.1, 2.2, 3.1, 3.2, 3.3, 4.1, and 4.3. In all these cases, a majority of planned policy actions has at least been partially implemented which, in turn, is also reflected in positive progress towards achieving these Specific Objectives. This can be taken as an indication that **these policy instruments** (or at least the mix of policy measures) **were effective** in triggering the desired changes and developments.

Let's now briefly discuss the other cases. **For intervention area 1.1**, results appear incoherent as the partial improvement in "access to finance to domestic producers" has been achieved without any of the following three planned actions actually having been implemented so far:

[14] n/a corresponds to intervention areas for which no data was available to calculate the KPIs, hence we were unable to correlate the results of the intervention areas with the implementation status of the activities.

- Drafting a feasibility study for the establishment of the Kosovo Development Bank
- Completing the regulatory framework for the corporate securities market and other similar financing instruments
- Establishment of the Advisory Office for Access to Finance.

While none of them has been fully implemented yet, the intervention area still shows partial improvement. Two indicators are used to analyse the performance on this specific objective: the volume of *domestic credit to private sector by banks* (measured as % of GDP), which improved; and the *share of manufacturing in total commercial loans*, which worsened slightly. Taken together, it appears that while commercial banks expanded their lending, a larger share of these new loans went to sectors outside manufacturing. In other words, **the manufacturing sector appears to not have been able to fully exploit the increasing availability of finance**. Still, overall access to finance for local producers has improved even when related industrial policy actions have not yet been completed.

The intervention area 2.3 ("Replacement of imports of intermediate and final products with domestic production and promotion of local products") shows partial improvement. The origin of this mixed result is difficult to interpret since, on the one hand, only one KPI shows improvement and two exhibit negative trends and, on the other hand, only one of the six actions defined within the Action Plan for this intervention area was implemented (while one was partially implemented, and four not implemented yet). Table 6 summarises the implementation status of the actions under the intervention area 2.3.

TABLE 6: IMPLEMENTATION STATUS OF THE ACTIONS UNDER THE INTERVENTION AREA 2.3 "REPLACEMENT OF IMPORTS OF INTERMEDIATE AND FINAL PRODUCTS WITH DOMESTIC PRODUCTION AND PROMOTION OF LOCAL PRODUCTS"

ACTION NUMBER	DESCRIPTION OF THE ACTION	IMPLEMENTATION STATUS
2.3.1	Preparing an analysis to identify imported final products with potential to be substituted	Implemented
2.3.2	Improving the import tariff regime to provide protection for strategic products	Not implemented yet
2.3.3	Inclusion of a transitional preferential margin in public procurement for local products (note: does not apply to products originating from the EU, CEFTA, the USA and EFTA)	Not implemented yet
2.3.4	Providing grants to young people, through innovation centers, to develop creative promotional projects for the consumption of local products	Not implemented yet
2.3.5	Launching an information campaign to increase citizens' awareness of buying local products	Not implemented yet
2.3.6	Drafting trade policy (trade program)	Partially implemented

To better understand the mixed results under this intervention area, looking at the potential impact of the actions on the three indicators of the intervention area may be informative, either to understand (i) current trends or (ii) what may mitigate in the future these negative trends, provided that the full policy package is implemented.

On the positive side, as mentioned, there was an improvement on the KPI that measures the **share of substitutable intermediate goods in total imports decreased**. At the time of the evaluation, the Trade Policy was only partially drafted (Action 2.3.6), and future actions under the Trade Policy may trigger further positive changes. Current actions that are not under this intervention area might have triggered positive change in this indicator. Key impediments identified through stakeholder discussions is the access to certification, as companies tend to import certified intermediate goods to then re-export final goods. Therefore, the creation of the National Certification Facility may have played a positive role.

On the negative side, the **share of substitutable consumption goods in total imports increased**. So, although an analysis to "identify imported final products with potential to be substituted" was carried out (Action 2.3.1), more must be done to trigger positive change since several unfavourable preconditions may prevent local companies from competing in local markets. Additional actions that have been planned but that are yet to be implemented may be directly beneficial and trigger positive changes, such as the upgrading of the import tariff regime to provide protection for strategic products (foreseen under Action 2.3.2), the inclusion of a transitional preferential margin in public procurement for local products (Action 2.3.3), or the promotion and awareness-raising of buying local products (Actions 2.3.4 and 2.3.5). It is however hard to anticipate the potential impact of these actions since Kosovo is a member of several trade agreements[15] which put strong disciplines and constraints on the discrimination against imported goods, prohibiting the imposition of additional tariffs or the introduction of selective subsidies in favour of domestic products (violation of trade conditions).

[15] Kosovo is a member of CEFTA, SAA (EU), Turkey, and EFTA (expected to be ratified by Parliament).

Finally, as explained above, the **share of local manufacturing products in domestic markets has further shrunk**, which confirms that expanding the presence of domestic goods in manufacturing markets remains a clear obstacle. Several actions that were planned under this intervention area but which have not yet been launched might actually impact positively on the market share of local manufacturing products (incl. Actions 2.3.2, 2.3.3, 2.3.4 or 2.3.5). However, their feasibility and effectiveness are likely to face the same limiting external factors such as the constraints on policy space imposed by trade agreements.

5.

DEEP DIVES INTO INTERVENTION LOGICS AND SELECTED ACTIVITIES

This section presents an in-depth analysis of three policy actions of particular interest and how they have been contributing to making progress towards relevant specific and strategic objectives. These policy instruments were also the focus of the semi-structured interviews that were conducted in early September 2025. The objective of these deep dives is to create a better understanding of the intervention logics and implementation mechanisms behind specific policy measures in the hope of identifying common factors that determine their effectiveness. The policy actions selected are the following:

- Creation of the National Product Certification Facility
- Expansion of the export window under the Kosovo Credit Guarantee Fund
- Creation of a manufacturing employment program within the framework of Active Labour Market Measures

5.1. CREATION OF THE NATIONAL PRODUCT CERTIFICATION FACILITY

Industrial production in Kosovo has expanded from 2022 to 2024, indicating that there was progress towards Strategic Objective 1 in the Industrial Policy. To promote and support such an industrial expansion, the 2023-2025 Action Plan defined four priority intervention areas, including to "enhance the quality and certification of internationally recognised products". The KPI deployed to track achievements in this intervention area shows progress: The number of industrial products that Kosovo has been able to export to the EU has clearly increased since 2022 when the Action Plan was launched.

To enhance the quality and certification of internationally recognised products, the 2023-2025 action plan defined nine activities. Up to date, four of them were implemented (among them the Product Certification Facility which was created) and may have contributed to create desired outcomes (i.e. the increase in the number of industrial products exported). Of the remaining five policy actions, four have been partially implemented and one not implemented yet. Table 7 shows the implementation status of all the activities under this intervention area.

TABLE 7: IMPLEMENTATION STATUS OF THE ACTIONS UNDER SPECIFIC OBJECTIVE 1.4 "ENHANCE THE QUALITY AND CERTIFICATION OF INTERNATIONALLY RECOGNIZED PRODUCTS"

ACTIVITIES IMPLEMENTED	ACTIVITIES PARTIALLY IMPLEMENTED	ACTIVITIES NOT IMPLEMENTED YET
1.4.1 Creation of the National Product Certification Facility	**1.4.2** Providing financial support to conformity assessment bodies (CABs) to upgrade their equipment and build operational capacities	**1.4.5** Drafting of sub-legal acts deriving from the law on the supervision of product conformity on the market
1.4.7 Organization of workshops for the implementation of technical legislation on quality infrastructure and supporting standards	**1.4.3** Drafting an action plan that sets out the steps to be taken by the Kosovo Accreditation Directorate (KAD) to meet the requirements for full membership in the European Accreditation Organization (EA)	
1.4.8 Information meetings with businesses on the establishment of certification bodies for certain groups of non-food products	**1.4.4** Drafting the law on the supervision of product compliance on the market	
1.4.9 Organizing awareness campaigns to promote the provisions of the Consumer Protection Law regarding product warranties	**1.4.6** Drafting of sub-legal acts deriving from the law on general product safety	

In Kosovo, certification costs remain a major barrier to expanding industrial production. Compliance with established standards and access to related certification are, however, crucial to enable local firms to improve the quality of their products, to optimize production setups and processes (to make them more efficient, thereby increasing productivity), to gain trust of customers and consumers (both domestic and foreign), and to export to important markets such as the EU and US. In principle, hence, offering certified products should help local firms to tap more strongly into both domestic markets (potentially replacing imports) and foreign markets and, thereby, to increase total production. Two types of certifications are needed to reduce the trade deficit: certifications to increase exports in finished products and certifications of intermediate goods to reduce dependency on foreign inputs.

One of the main impediments is the lack of local certification bodies, making certification costly and inaccessible for many businesses. Moreover, there are no local laboratories for product testing, creating dependency on external institutions, delaying further certification times. As a consequence, certification must be done abroad, and very few companies can bear the costs to certify their products. On the positive side, there are enough skilled local consultants in Kosovo to help businesses to prepare for certification.
Many local companies rely heavily on the imports of inputs from abroad, which are already certified. Therefore, interest in certifications for final products is seen as more essential than for intermediary goods. Some sectors, such as the wooden furniture sector, would benefit from having access to locally sourced wood. This would also enable to increase by a factor of ten the value of the local wood, which is now mostly used to make fire. However,

managing forests and preparing them for certification may take years[16]. Other sectors, such as the fresh fruits and vegetable sector, face low bargaining power issues with local distributors, making the local market unprofitable. Therefore, they rely exclusively on exports. Access to certification is then even more crucial to them.

To address this issue, the Product Certification Facility is a grant scheme that assists manufacturing companies with export and import substitution potential to acquire internationally recognised product certification. The government covers 60% of the cost with a maximum amount of up to 15,000 EUR. Beneficiary companies have to contribute 40% of the expenses. Given that the certification cost for metal products is generally higher, the maximum amount foreseen for that category is up to 50,000 EUR. The cost-sharing formula is the same, i.e. 60%-40%. Eligible costs for product certification include testing, verification, certification, and inspection. The grant is open annually, and beneficiary companies have 12 months for implementation.

Key sectors in Kosovo that benefit from improved access to certification are the wood, the plastic, the construction, the metal and the textile industries. The scheme has supported 9 manufacturing companies in 2023, another 23 in 2024, and 27 manufacturing companies in the first half of 2025 to get their product certified. This enabled them to access new export markets, expanding production along the way.

The scheme has proved instrumental to unleash the export potential of companies in Kosovo – which also becomes visible in the KPI for this Specific Objective. However, key informants interviewed for this evaluation pointed out that the scheme is mostly supporting companies that are already mature enough to access certification. In fact, in 2023 and 2024, the instrument fell short of the target of reaching 30 beneficiary firms annually. It was reported that while the budget and planning were for up to 30 businesses to be supported, there were not enough successful applications. In line with this, there is a demand for complementary actions at earlier stages of the process to help companies that are growing to anticipate the needs for certification.

Moreover, with the future implementation of the EU's Carbon Border Adjustment Mechanism (CBAM), which is the primary tool for addressing carbon emissions embedded in goods exported to the EU, exporting companies in Kosovo will need to comply to avoid custom duties being levied on their products. It is then essential to expand the scheme to support companies in affected sectors (e.g. metal processing) to meet these new requirements.

[16] According to the stakeholders interviewed, most local wood is burned for heating at low value whereas processed wood could earn ten times more. Wood for processing is actually mostly imported from Austria and already certified. Improved forest management is key to shifting toward higher-value products. Though Kosovo exports €80M annually in wood goods, few require certification, such as doors. The country's production capacity is underutilized, with only 60% of machinery in operation. Rather than investing in more equipment, emphasis should be placed on innovative design and product differentiation. Efforts to geolocate wood sources are underway, which could enhance traceability and support future certification.

5.2. EXPANSION OF THE EXPORT WINDOW UNDER THE KOSOVO CREDIT GUARANTEE FUND

To achieve Strategic Objective 2 of the Industrial Policy, i.e. to reduce the trade deficit, which – as we have seen above – is still a pressing issue, the Action Plan has focused on three main intervention areas. One of them is to offer support to manufacturers to exploit their export potential.

Although the trade deficit has worsened between 2022 and 2024 due to increasing imports, this trend is somewhat mitigated by the growing number of manufacturing firms exporting regularly.[17] To support enterprises to exploit their export potential, nine activities were defined within the 2023-2025 Action Plan of the Industrial Policy. Table 8 shows their implementation status. Seven activities have been fully implemented, which included the expansion of the export window within the framework of the Kosovo Credit Guarantee Fund (KCGF), one has been partially implemented, and one has not been implemented yet.

TABLE 8: IMPLEMENTATION STATUS OF THE POLICY ACTIONS UNDER SPECIFIC OBJECTIVE 2.1 "SUPPORT ENTERPRISES TO EXPLOIT THEIR EXPORT POTENTIAL"

ACTIVITIES IMPLEMENTED	ACTIVITIES PARTIALLY IMPLEMENTED	ACTIVITIES NOT IMPLEMENTED YET
2.1.1 Expansion of the export window within the framework of the KCGF	**2.1.2** Establishment of the Export Market Information Center (EMIC).	**2.1.9** Engaging diaspora members to assist exports in the industry within the Citizen Diplomacy Program
2.1.3 Organizing foreign sales missions for export-ready companies in specific sectors		
2.1.4 Identifying potential customers of enterprises in foreign markets and organizing purchasing visits within the country		
2.1.5 Organizing regional B2B meetings between local and regional input suppliers to create networking opportunities		
2.1.6 Conducting an analysis to assess the impact of export promotion activities		
2.1.7 Creating a mentoring program to connect members of the Kosovo diaspora with manufacturing experience with potential exporters		
2.1.8 Completing the catalogue (register) of Kosovo exporters		

In principle, Kosovo benefits from its proximity as well as its potential candidate status for accession to the European Union which facilitates access to European customers and producers of intermediary products thanks to favourable conditions (e.g. neither import duties and VAT on processing machines, nor export duties on re-exports). Due to the limited size of the local market with 1.6 million inhabitants[18], exporting remains crucial for local

[17] As we have seen above, the KPI for this Specific Objective showed such a dynamic improvement that, in fact, the target value set for 2030 has already been reached.

[18] Kosovo's Agency of Statistics reported 1.59 million inhabitants in its April 2024 census.

companies in Kosovo to grow and leverage economies of scale. Lowering average unit costs by exploiting economies of scale could also make them become more competitive in local markets, and reduce the dependence of the country on imports, which is a major issue in Kosovo.

Local companies often fall into a trap when they find opportunities to export, for instance through trade fairs, as they need important financial support to expand their production quickly but lack collaterals to obtain loans from commercial banks. The Export Window of the KCGF supports manufacturing companies that face difficulties meeting collateral requirements. Companies who want to access the window must meet the following requirements: employ less than 250 workers, have at least one resident shareholder, and operate in a priority sector (furniture, plastics, beverages, food, and non-metal minerals). The maximum loan amount to be guaranteed is 3 million EUR for loans with a maturity of up to 120 months. The coverage of guarantees is for up to 50% of the loan principal but not more than EUR 1,000,000.[19]

Stakeholder consultations highlighted that the scheme was paramount for industries in which collaterals are by nature of low value (e.g. fresh fruits exporters) compared to industries who require heavier machinery and equipment to produce (e.g. metal, wood, etc.). It also very attractive to young growing companies with low credit history. Companies who need financing quickly and face urgent liquidity needs may also find the scheme attractive as the registration of a collateral can be a lengthy process.

Although the scheme has been successful in its mission to support companies to access the financing necessary to export, two main issues remain, as has been highlighted in key informant interviews. First, despite the fact that the scheme reduces the credit risk for the commercial banks giving out the loan, interest rates are often not reduced and, in some cases, have reportedly been higher for KCGF beneficiaries than for regular customers. More specifically, clients are charged, on average, an interest rate of 7% (including bank fees) and between 1.5% and 2% of administrative fees from the fund. Considering that Kosovo has low default rates (around 2%), there seems to be room for improvement.
As a consequence, it appears that more should be done not to harm the competitiveness of the exporting companies, which are crucial engines of growth for the country. The lower credit risk of guaranteed loans for the commercial banks involved ought to be reflected in the interest rate charged to companies benefitting from the export window. To ensure this, relevant institutions such as the Kosovo Central Bank may regulate the interest rates and the fees charged by commercial banks.

Second, another limitation of the KCGF export window with regard to the Strategic Objective of narrowing the industrial trade deficit is that access is confined to exporters. To also address the import side of the trade deficit, it could, thus, be considered to extend the window's coverage to some additional key sectors, in particular those in value chains with potential for import substitution. This could help to reduce dependence on foreign products.

[19] See https://fondikgk.org/en/export-window/ for more details.

5.3. CREATION OF A MANUFACTURING EMPLOYMENT PROGRAM WITHIN THE FRAMEWORK OF ACTIVE LABOUR MARKET MEASURES

To generate inclusive and decent employment opportunities (Strategic Objective 3 of the Industrial Policy), the Action Plan foresees interventions in three main areas. One of them is to enhance the qualification and certification of the technical workforce as well as enterprise managers. To achieve this, seven concrete policy actions were planned within the 2023-2025 Action Plan. Among them, four policy instruments were already deployed (including the inception of the manufacturing employment program) and three partially implemented; see Table 9.

TABLE 9: IMPLEMENTATION STATUS OF THE POLICY ACTIONS UNDER SPECIFIC OBJECTIVE 3.1 "ENHANCE QUALIFICATION AND CERTIFICATION OF TECHNICAL WORKFORCE AND ENTERPRISE MANAGERS"

ACTIVITIES IMPLEMENTED	ACTIVITIES PARTIALLY IMPLEMENTED	ACTIVITIES NOT IMPLEMENTED YET
3.1.1 Conducting comprehensive research to identify skills gaps in the industry's labour market and understand employers' challenges in finding qualified workers	**3.1.5** Creation of a credit scheme for improving skills in the labour market	
3.1.2 Providing financial assistance to producer associations to manage sectoral labour councils	**3.1.6** Support for the opening of accredited non-public training centres with programs for upgrading skills in industry	
3.1.3 Drafting the law on industrial councils	**3.1.7** Support for the design of training programs for skills development in industry	
3.1.4 Creation of a manufacturing employment program within the framework of Active Labour Market Measures		
3.2.1 Drafting an analysis to assess the degree of informality in employment by industry activities		
3.2.2 Establishing a living wage threshold in industry		
3.3.1 Organizing Women in Industry Week		
3.3.2 Supporting career centres in high schools and universities to establish collaborative links with industry associations		
3.3.3 Supporting on-the-job training for women and young people		

Despite a young and dynamic workforce, Kosovo has been struggling to produce the right skills to meet the needs of its economy. More specifically, in the past decade, university degrees were perceived as the main ambitious career goals, which made potential students shy away from technical schools. Therefore, important shortages in technical

skills relevant for industry, and in particular for manufacturing, have prevented companies in Kosovo from reaching their full potential. This has been exacerbated by continuous emigration and brain drain.

However, recent efforts to reduce the mismatch between supply and demand gave rise to encouraging results. For instance, in 2024, more students engaged in technical training than in university-related career paths. Several factors have contributed to this change in mindset. The shortage in technical skills has improved the bargaining power of employees with such skills, and even students in dual learning programs or young graduates can earn salaries that are way above the minimum wage (e.g. between 700 and 800 euros for trainees in the wood sector, or 1,000 euros for patronage graduates in the textile industry).

Although the improvement in technical skills is encouraging overall, stakeholder consultations revealed that some key skills such as those needed in production line management, maintenance, middle management, innovation, or for chief financial officers are rare. This applies to most key sectors such as furniture production, food and beverages, metal or textiles. Therefore, more efforts must be made to identify and develop such skills.

To enhance qualification and certification of technical workforce and enterprise managers, a production employment program within the framework of Active Labour Market Measures has been designed and started to be implemented. It involves two main measures: workplace internships and wage subsidies. The first measure targets unemployed graduates from high education institutions, Vocational Training Centres (VTCs), and other vocational training institutions accredited by the National Qualifications Authority (NQA). The internship duration for each internee is six months, and the compensation is equivalent to the minimum wage. The second measure also targets the unemployed. The contract for each beneficiary will be at least 12 months. The subsidy will cover 50% of the salary.

According to stakeholder consultations, the scheme appears to be a success for both employers and graduates. For trainees, it has been offering opportunities to develop and refine relevant skills and qualifications through on-the-job learning, enhancing their employability and productivity. Moreover, high associated salaries in some sectors enabled students to contribute substantially to income of their household, which made the scheme even more appealing to families. Companies benefitted from financial support to compensate learning costs from trainees. In some sectors, especially in production that involves heavy machinery, onboarding and learning costs can be high (and come in the form of damage to the machines, or outputs not meeting the standards to be sold). The scheme, therefore, has been very well received by companies.

To improve the impact of the scheme, longer financial support would enable companies to hire graduates once they are already profitable for them, hence reducing further their financial risk. In some sectors, especially when learning costs are high, giving access to labs to companies so that they can train their trainees at lower cost may be a welcome complementary measure. Finally, additional training related to soft skills and mentorship may further increase the likelihood of fruitful collaborations and, hence, the success of the scheme.

5.4. INSIGHTS FROM THE THREE DEEP DIVES ON HOW TO ADDRESS THE INDUSTRIAL TRADE DEFICIT

The preceding analysis highlighted that a persistent pressing challenge for Kosovo is to reduce its industrial trade deficit. The deep dives into the three actions enabled to shed light on promising solutions to boost exports and support import substitution, which is crucial to reduce Kosovo's industrial trade deficit. More specifically, these three instruments form a comprehensive strategy to tackle the trade deficit by improving market access, workforce skills, and supply chain independence.

First, the KCGF Export Window plays a key role by helping firms access larger markets, which is essential for achieving economies of scale and enhancing competitiveness both domestically and internationally. This instrument addresses a fundamental constraint for Kosovo's enterprises, enabling them to grow beyond local market limitations. However, to impact to a greater extent the trade deficit, improving access to the scheme for smaller SMEs is essential, as well as scaling up funding to reach more companies.

Another critical factor in reducing the trade deficit is workforce development through dual learning programs. The dual learning programme provides specialised skills that directly increase production capacity in key export-oriented sectors like textiles, wood, agri-business, plastics, and metals. By improving human capital, Kosovo can enhance its manufacturing capabilities, making domestic production more viable as an alternative to imports. However, to further increase competitiveness, expanding the scheme to train production line managers must be encouraged.

Certification barriers represent a major impediment to both exports and import substitution. Kosovo currently depends heavily on imported certified intermediary goods (such as wood) to manufacture export products. Enhancing local certification systems—particularly for raw materials and intermediate products—would not only facilitate exports by meeting international standards but also reduce reliance on foreign inputs. Addressing certification challenges is therefore vital for strengthening Kosovo's industrial base and creating a more self-sustaining manufacturing ecosystem. Certifications are expensive, especially for the less mature SMEs, and besides expanding the scheme, supporting companies at an early stage to prepare for certifications would certainly be beneficial in the medium term.
To sum up, to improve the trade deficit, it is recommended to not only continue these three actions but to scale them up or to reinforce them with complementary measures.

6.

SUMMARY AND CONCLUSION

Impact and outcomes: Progress in industry performance and in intervention areas

This evaluation has revealed that the overall performance of Kosovo's industry since the launch of the SIDBS Action Plan has been positive: The key performance indicators (KPIs) for four out of five strategic objectives have moved in the right direction since the implementation of the Action Plan was started in 2023. They have revealed that industrial production has expanded, that inclusive employment has been generated, that domestic value addition has increased, and that Kosovo's industry has moved to becoming greener and more circular.

These positive results have been driven by advances in most intervention areas. There were actually only two exceptions. That is, only the following two Specific Objectives did not record any improvements: (i) access to finance for domestic producers, and (ii) the substitution of imports of intermediate and final products by domestic products.

The worsening of the manufacturing trade deficit, i.e. the failure to achieve progress towards Strategic Objective 2, is the only concerning trend that must be addressed urgently as it threatens broader industrial development and exposes Kosovo to harmful economic shocks. The manufacturing trade deficit is driven by high imports of both intermediate inputs and final goods, which impacts all key sectors of the Kosovo economy such as wood, agri-business, textile or metal.

Good implementation progress on policy actions has been found to be often associated with positive trends in industry performance on Strategic Objectives. The industrial policy package can, hence, be considered quite effective.

Overall, the relevance of the policy actions foreseen in the SIDBS Action Plan has been assessed to be fairly high – but it varies for policy packages across strategic objectives. The average relevance score is highest for policy actions aimed at generating inclusive and decent employment opportunities (Strategic Objective 3) – which is also the best-performing Strategic Objective. By contrast, it is lowest for policy actions put in place to reduce the industrial trade deficit (Strategic Objective 2) – which is also the worst-performing Strategic Objective.

Notably, under Strategic Objective but also Strategic Objective 4, good results were achieved with a comparatively low number of policy actions – pointing to good policy

efficiency in these areas. These are also the Strategic Objectives with the highest degree of implementation of actions. By contrast, a comparatively high number of policy actions did not lead to the desired progress on Strategic Objective 2, signaling low policy efficiency in this domain.

Implementation of policy actions

Comprising 75 measures, the Action Plan is actually quite comprehensive – maybe overly comprehensive? In general, however, implementation progress has been quite encouraging with more than two thirds of the actions either fully (51%) or partially (20%) implemented.

The key driving factor of implementation was whether a funding source had been identified at the time of policy design. More than half of activities without pre-identified funding remained unimplemented, compared to just 24% of those with secured financing. Donor funding has increased the likelihood of execution even further: In fact, all pre-identified donor-funded activities were either partially implemented or fully implemented.

Delays in or lack of implementation can mostly be traced back to structural or legal dependencies, coordination challenges, institutional or administrative capacity gaps, budgetary constraints, and inadequate timing and planning.

Remaining challenges

The trade deficit is the only area of industry performance with a negative trend. This is despite the fact that the 2023-2025 the Action Plan foresaw significant resources to address this issue. In fact, 25% of the instruments in the Action Plan (i.e. 18 policy actions) were allocated to this Strategic Objective. Two thirds of these activities have either been implemented or partially implemented, which is just slightly below the overall figures for the whole policy (71%). Moreover, the policy package for this area has been perceived as the least relevant among the five strategic objectives.

Among the six activities specifically targeting the challenge of replacing imports by local production—the root cause of the trade deficit—only one has been fully implemented. This suggests that, despite substantial effort, the current approach may not be sufficiently effective in addressing the core challenges.

Kosovo's small internal market size poses a structural challenge, limiting companies' ability to achieve economies of scale and forcing them to compete in niche markets rather than mass production. Successful sectors, such as wood products and textiles, have focused on high-value niches and segments through design and custom-made products. However, broader progress towards narrowing the industrial trade imbalance requires overcoming key barriers for high-potential exporters, including access to capital, certification hurdles, and adequate production skills. Future policy efforts should prioritise removing these obstacles as a means of reducing the trade deficit and fostering sustainable industrial growth.

In conclusion, while the Action Plan has delivered positive outcomes in terms of advancing industrial competitiveness, employment and environmental sustainability, the persistent manufacturing trade deficit remains a critical vulnerability. The evaluation highlights the

need for more targeted, effective policy interventions—particularly in financing, certification, and skills development—to address this challenge. Additionally, stronger coordination, institutional capacity-building, and early funding commitments will be essential to ensure the continued success of industrial policies. By focusing on these areas, Kosovo can strengthen its industrial base, reduce import dependency, and enhance its position in regional and global markets, ultimately securing long-term economic resilience.

Update and revision of the SIDBS Action Plan

One key purpose of the evaluation is to draw lessons from the past experience and to inform the crafting of the next Action Plan for the upcoming three-year period from 2026 to 2028. The evaluation findings were therefore taken to reflect upon which instruments of the current Action Plan should be continued (with either no or only minor adaptions) in the next Action Plan and which ones should rather be discontinued (or modified substantially).

To derive such recommendations, various pieces of information were analyzed. More specifically, these recommendations were informed by (1) whether a specific policy action has been reported as "implemented" with a deadline in the past (i.e. instruments that can be considered "completed"), (2) whether a policy action has not yet even started despite the Action Plan foreseeing its launch, (3) the relevance score, and (4) the results from a voting exercise with the wider Monitoring Group in September 2025.

The resulting recommendations were then discussed in detail with MIET's Industry Department. Together with GPI, the Industry Department staff went through the Action Plan and step-by-step decided on one final recommendation for each policy action, taking into account the evaluation findings and the different inputs mentioned above. Annex 2 explains the methodology in more detail and includes a table that provides an overview of the recommendations for each of the policy instruments in the Action Plan for 2023-2025.

The recommendations presented there start from the premise that, containing 75 policy initiatives, the SIDBS Action Plan for 2023-2025 was quite comprehensive and ambitious – maybe too ambitious for the existing implementation capacities in government institutions. Therefore, one purpose was also to see whether the number of instruments can be reduced to make the industrial policy package more compact and targeted and feasible for implementation.

As can be seen in the table in Annex 2, there are 24 Actions that are recommended to be discontinued or dropped (with many of them already having been fully completed since the launch of the industrial policy in 2023). In addition, for six of the existing policy actions it is proposed to substantially modify or replace them. For the remaining policy instruments, it is recommended to continue them (although for some of them some minor modifications will be suggested). They will be complemented with a few new instruments, whose selection will be done in a targeted and strategic manner. Together, they will form the new Action Plan for 2026-2028.

ANNEX

6.1. ANNEX 1: ADDITIONAL ANALYSES ON THE PROGRESS TOWARDS STRATEGIC OBJECTIVES

In chapter (0 above, we evaluated progress towards the SIDBS Strategic Objectives through one measure, namely the percentage change in the underlying key performance indicator (KPI) for the time period 2022-2024.

As a complementary analysis, here in this Annex two additional measures of performance are calculated. First, we compute how much (in percentage terms) of the 2026 and 2030 targets[20] have already been achieved by 2024. To do so, we use the following formulas for measuring progress towards the quantitative targets for 2026 and 2030, respectively:

$$(i)\ \%Achievement_{2026} = \frac{Value_{2024} - Baseline_{BaselineYear}}{Target_{2026} - Baseline_{BaselineYear}} \times 100$$

$$(ii)\ \%Achievement_{2030} = \frac{Value_{2024} - Baseline_{BaselineYear}}{Target_{2030} - Baseline_{BaselineYear}} \times 100$$

With:

- $\%Achievement_{year}$ the percentage of the targets for year 2026 or 2030 that had already been achieved by 2024
- $Value_{2024}$ the value of the indicator in 2024
- $Target_{year}$ the target value for year 2026 or 2030
- $Baseline_{BaselineYear}$ the baseline value at the baseline year
- $BaselineYear$ the year of the baseline value (as determined by the Action Plan)

Basically, this metric measures the following: If we consider the difference between the baseline value and the target value as distance to be travelled, how much of this distance have we already covered? This complements the evaluation that was presented in the main text which had helped to answer the questions: Has progress been made towards achieving the SIDBS Strategic Objectives? *Have KPIs moved in the right direction* since the Action Plan was launched? With this "Achievement Rate", we can additionally address the question: *How much progress was achieved*, i.e. *how much have the KPIs moved* towards the targets for 2026 and 2030 (compared to the baseline of the year when the targets were set)?

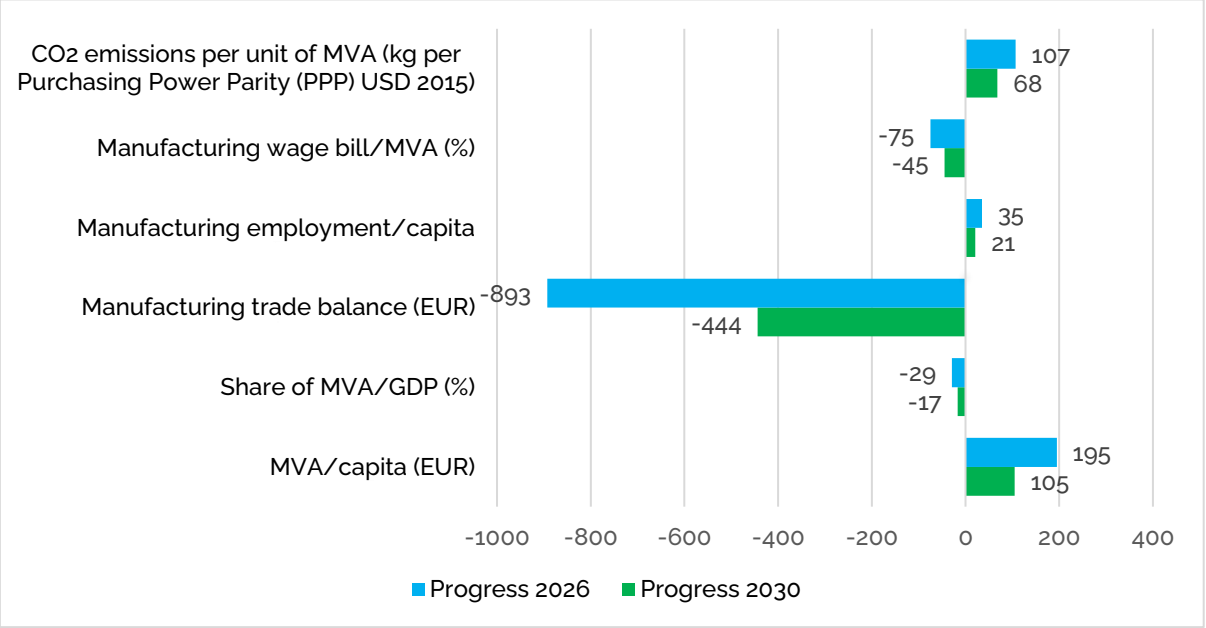
Figure 6 shows the results of the corresponding calculations for the seven indicators measuring industry's performance. It reveals that industry has actually over-performed on two KPIs (namely MVA per capita and CO_2 emissions per unit of MVA) where the target values for 2026 were exceeded. Figure 6 also indicates that 35% of the employment target (measured in terms of manufacturing employment per capita) for 2026 were achieved. However, it also shows negative achievement rates for the remaining three KPIs, i.e. share

[20] Concrete quantitative targets were defined for each Strategic Objective at the time of the formulation of the Action Plan.

of MVA in GDP, share of manufacturing wage bill in MVA and, most strikingly, manufacturing trade balance.

Please note that this has to do with the choice of different baseline years for the analyses here compared to those presented above: For the calculations here, we take the baseline value that was used for setting the quantitative target value which typically is *not* from the year 2022. By contrast, 2022 was the reference year for our calculations presented in chapter (0 above. In most cases, the baseline value here is actually for the year 2020 or 2021 – which was the most recent data point at the time when the Action Plan was crafted. This explains some of the discrepancies that can be observed when comparing the results from this analysis with the results presented in chapter (0 above. Please also note that no baseline and target values were defined in the SIDBS Action Plan for the KPI on Strategic Objective 5; hence the present metric cannot be calculated for that KPI. The same two caveats also apply to the analyses presented further below (around Figure 7).

FIGURE 6: ACHIEVEMENT RATES ON THE 2026 AND 2030 TARGETS FOR THE KPIS MEASURING THE STRATEGIC OBJECTIVES (IN % OF THE DIFFERENCE BETWEEN TARGET VALUE AND BASELINE VALUE)



Second, we performed another analysis that helps to better understand whether the *pace* of any observed progress was fast enough. In technical terms, this calculation allows us to determine whether the results or values observed for 2024 were in line with expected linear trends, which we calculate based on the baseline values and the 2030 target. To do so, we use the following formula:

$$(i)\ Expyinc_{2030} = \frac{(Target_{2030} - Baseline_{BaselineYear})}{(2030 - BaselineYear)}$$

With:

- $Expyinc_{2030}$ the expected yearly linear increase based on the 2030 target
- $Target_{2030}$ the target value for 2030

- $Baseline_{BaselineYear}$ the baseline value at the baseline year
- $BaselineYear$ the year of the baseline value (as determined by the Action Plan)

$(ii)\ ExpValue_{2024} = \ Baseline_{BaselineYear} + (2024 - BaselineYear) \times Expyinc_{2030}$
With:

- $ExpValue_{2024}$ the expected value based on a linear projection based on the 2030 target

$$(iii)\ \%AchievementNormalised_{2030} = \frac{Value_{2024} - ExpValue_{2024}}{ExpValue_{2024}} \times 100$$

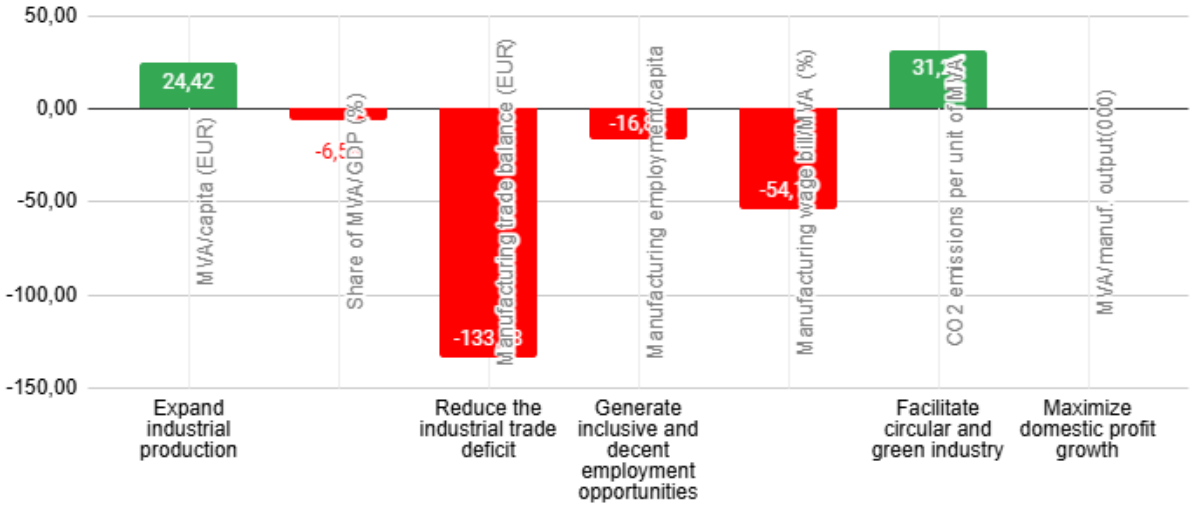
With $\%AchievementNormalised_{2030}$ the percentage achievement of the normalised 2030 target.

Compared to the previous indicators, this metric allows us to additionally address the following evaluation question: Has *progress been fast enough* to achieve the targets for 2030 *on time*?[21] In other words, it not only allows us to say something on whether KPIs have moved in the right direction and how much they have done so, but it also brings in the component of time (or timeliness). For this, we compare the actual value of each KPI in 2024 with its expected value for 2024 (i.e. the variable $ExpValue_{2024}$ described above). Here, the expected value basically expresses where the KPI would be if progress had been exactly as anticipated (or targeted) at the time when the Action Plan was designed. In the graph, we call it "normalised target".

Figure 7 displays for each KPI the percentage achievement of the normalised targets for 2024. It is to be interpreted as follows: A result of 10% means that the corresponding indicator has improved 10% more than expected (whereby "expected" is defined by the normalised target for 2024). Figure 7 shows actually only two KPIs are on track to reach their target values for 2030 in a timely fashion: MVA per capita and CO_2 emissions per unit of MVA. Progress on three other KPIs (share of MVA in GDP, manufacturing employment per capita, share of manufacturing wage bill in MVA) is revealed to be behind schedule. Finally, one of the KPIs (manufacturing trade balance) is shown to have regressed, i.e. to not have recorded any progress but, in fact, to be going in the wrong direction (as indicated by a negative "achievement rate" below -100%).

[21] As mentioned, this metric is using the assumption that progress is linear, i.e. that the respective KPI changes by the same amount every year (whereby the amount of this annual change corresponds to the difference between target and baseline values divided by the number of years of the time period covered).

FIGURE 7: ACHIEVEMENT RATE OF THE 2030 NORMALISED TARGETS FOR THE KPIS MEASURING THE STRATEGIC OBJECTIVES (IN % OF THE DIFFERENCE BETWEEN ACTUAL VALUE AND EXPECTED VALUE FOR 2024)



6.2. ANNEX 2: RECOMMENDATIONS WHETHER OR NOT TO CONTINUE THE POLICY INSTRUMENTS IN THE 2023-2025 ACTION PLAN

BACKGROUND AND METHODOLOGY

To monitor progress on the implementation of its Strategy for Industry Development and Business Support 2030 (SIDBS 2030), the Ministry of Industry, Entrepreneurship and Trade (MIET), on behalf of the Government of Kosovo, regularly collects information on the status of execution of the policy "actions (or policy instruments) listed in the 2023-2025 Action Plan. The last round of such data collection occurred in July 2025 and the results were published in a Monitoring Report.

Moreover, as part of the project to undertake an evaluation of the 2023-2025 Action Plan of the SIDBS, an online survey was conducted by the project team under the leadership of GPI to gather additional data. Members of the SIDBS 2030 (Industrial Policy) Monitoring Group were invited to participate in this survey between from 7 August 2025 and 6 September 2025.

The evaluation itself analyzes the achievements that have been made vis-à-vis the Strategic Objectives and within the intervention areas of the SIDBS 2030. It also systematically examines the progress that has been made with regard to putting the different policy instruments (listed in the Action Plan) into practice and the driving factors behind their implementation. The purpose of the evaluation is to draw lessons from the past experience and to inform the crafting of the next Action Plan for the upcoming three-year period from 2026 to 2028.

On the basis of the evaluation findings, the project team has been tasked to reflect upon which instruments of the current Action Plan should be continued in the next Action Plan and which ones discontinued (or modified). To do so, the project team looked at various pieces of information and carried out some additional targeted activities. More specifically, the recommendations which policy actions to continue or discontinue were informed by the following inputs (which can also be useful for MIET's own decision-making):

- A list identifying those policy actions that were reported as having been "implemented" and where the deadline (that was specified in the Action Plan) lies in the past (i.e. this is a list of instruments that can be considered "completed" and, hence, potentially be dropped from the new action plan)
- A list identifying those policy actions that were reported as not having been implemented yet, i.e. that have not yet even started despite the Action Plan foreseeing their launch (i.e. this is a list of instruments where it is unclear whether the institution in charge still intends to implement them).
- The relevance score assigned to all policy actions (calculated as an average of the scores given by three groups of stakeholders: the Industrial Policy Monitoring Group during a workshop in early August 2025, respondents to the online, and GPI experts)

- The results from a voting exercise (using the online Mentimeter platform) with the wider Monitoring Group which took place during a workshop on 30 September 2025.

The resulting recommendations were then discussed in detail with MIET's Industry Department during a workshop on 18 and 19 October 2025. Together with GPI, the Industry Department staff went through the Action Plan and step-by-step provided an expert judgement to decide on one final recommendation for each existing policy action, taking into account the evaluation findings and the different inputs that GPI had gathered (see above). In doing so, they were also weighing the feasibility of initiating those policy instruments that had been foreseen in the Action Plan but not yet started. This feasibility appraisal covered various dimensions, including the buy-in of the institution that would be in charge of implementing it, cost implications, as well as whether or not the duration of the next Action Plan (which is to run from 2026-2028) provides a realistic timeframe for implementation.

The following section and the table below briefly summarize the outcomes from all these activities and reiterations and synthesizes the resulting final list of recommendations from the project team on which policy actions to discontinue.

RECOMMENDATIONS

This section gives an overview of what recommendation the project team derived on each of the policy instruments in the current Action Plan. At the outset, it merits to be noted that, containing 75 policy initiatives, the SIDBS Action Plan for 2023-2025 was quite comprehensive and ambitious – maybe too ambitious for the existing implementation capacities in government institutions. Therefore, one overall purpose of this exercise was also to see whether the number of instruments can be reduced to make the industrial policy package more compact and targeted and to increase the likelihood of implementation.

Below table presents the full list of policy instruments that are mentioned in the 2023-2025 Action Plan for the SIDBS 2030. It also reports the implementation status (in particular whether implementation has been reported as "completed" or, conversely, "not yet started"), the average relevance score, and the share of participants in the Monitoring Group workshop in September 2025 who favored the continuation of the particular instrument in question.

The final column contains the recommendation. Those in red font are the instruments where the recommendation is to drop them; in green font are the instruments we are proposing to continue; in orange font are the policy actions where some modification or substitution is recommended.

As you be seen in this table, there are 24 Actions that are recommended to be discontinued or dropped. Many of them already have been fully completed since the launch of the industrial policy in 2023. Moreover, basically all policy actions where implementation has not yet started and which we recommend to discontinue are characterized either by

comparatively low relevance scores and/or a low share of stakeholders voting for their continuation. In the few cases where this pattern is not so strong, the key argument for dropping this specific instrument is existing concerns about its feasibility.

In addition, for six of the existing policy actions it is proposed to substantially modify or replace them. For the remaining policy instruments, it is recommended to continue them (although for some of them some minor modifications will be suggested). They will be complemented with a few new instruments, whose selection will be done in a targeted and strategic manner. Together, they will form the new Action Plan for 2026-2028.

Table of instruments in the 2023-2025 Action Plan with recommendations

No.	Name of policy action	Implementation status	Relevance score	Share of workshop respondents who favor continuation (Sept. 2025)	Recommendation
1.1.1	Draft feasibility study on establishment of Kosovo Development Bank	Implementation not started yet	5.6	69%	Discontinue / drop
1.1.2	Complete the regulatory framework for the corporate securities market and similar financing instruments	Implementation not started yet	8.7	77%	Discontinue / drop
1.1.3	Establishment of the Advisory Office for Access to Finance.	Implementation not started yet	7.0	69%	Continue
1.2.1	Drafting the law on the Sovereign Fund	Implementation completed	7.1	23%	Discontinue / drop
1.2.2	Drafting of bylaws deriving from the new law on industrial and technological parks	Implementation completed	6.0	46%	Discontinue / drop
1.2.3	Draft study assessing impact of current industrial parks on job creation, exports & economic development	Implementation completed	6.3	62%	Discontinue / drop
1.2.4	Finalization of three specialized industrial parks with environmentally friendly features	Under implementation	9.0	100%	Continue
1.2.5	Creation of a green industrial park	Under implementation	8.5	92%	Continue
1.2.6	Preparation of promotional videos for FDI success stories in Kosovo	Under implementation	4.2	58%	Continue
1.2.7	Drafting the law that determines the status of national champions	Implementation not started yet	3.3	17%	Discontinue / drop
1.2.8	Providing corporate income tax relief for strategic investments	Implementation not started yet	6.1	75%	Discontinue / drop
1.2.9	Drafting an investment promotion program (strategic document)	Under implementation	9.6	83%	Continue
1.3.1	Organizing a digital exhibition for the manufacturing industry	Implementation not started yet	6.8	91%	Continue
1.3.2	Providing vouchers (with co-financing) for digital transformation and cybersecurity	Under implementation	8.7	64%	Modify / replace
1.3.3	Providing public facilities for the opening of digital innovation centers in the service of industry	Under implementation	6.2	73%	Continue
1.3.4	Creating a program for digital volunteers in the service of traditional manufacturing enterprises	Implementation not started yet	5.7	55%	Discontinue / drop
1.3.5	Creating data protection agreement templates based on applicable legislation to serve manufacturing companies and other businesses	Implementation not started yet	3.3	45%	Discontinue / drop
1.4.1	Creation of the National Instrument for Product Certification	Under implementation	9.0	90%	Continue
1.4.2	Providing financial support to conformity assessment bodies (CABs) to upgrade their equipment and build operational capacities	Under implementation	8.7	80%	Continue
1.4.3	Draft an action plan that sets out steps to be taken by Kosovo Accreditation Directorate (KAD) to meet requirements for full membership in European Accreditation Organization (EA)	Under implementation	9.1	90%	Modify / replace

1.4.4	Drafting the law on the supervision of product compliance on the market	Under implementation	8.4	70%	Continue
1.4.5	Drafting of sub-legal acts deriving from the law on the supervision of product conformity on the market	Implementation not started yet	7.6	50%	Continue
1.4.6	Drafting of sub-legal acts deriving from the law on general product safety	Under implementation	8.6	82%	Continue
1.4.7	Organization of workshops for the implementation of technical legislation on quality infrastructure and supporting standards	Under implementation	5.7	82%	Continue
1.4.8	Information meetings with businesses on the establishment of certification bodies for certain groups of non-food products	Under implementation	6.7	91%	Continue
1.4.9	Organizing awareness campaigns to promote the provisions of the Consumer Protection Law regarding product warranties	Under implementation	5.0	100%	Continue
2.1.1	Expansion of the export window within the framework of the KGFK	Under implementation	9.1	90%	Continue
2.1.2	Establishment of the Export Market Information Center (EMIC).	Under implementation	7.3	70%	Continue
2.1.3	Organizing foreign sales missions for export-ready companies in specific sectors	Under implementation	6.5	100%	Continue
2.1.4	Identifying potential customers of enterprises in foreign markets and organizing purchasing visits within the country	Under implementation	7.3	90%	Continue
2.1.5	Organizing regional B2B meetings between local and regional input suppliers to create networking opportunities	Under implementation	7.7	90%	Continue
2.1.6	Conducting an analysis to assess the impact of export promotion activities	Under implementation	5.3	50%	Continue
2.1.7	Creating a mentoring program to connect members of the Kosovo diaspora with manufacturing experience with potential exporters	Under implementation	6.7	100%	Continue
2.1.8	Completing the catalog (register) of Kosovo exporters	Implementation completed	5.7	50%	Discontinue / drop
2.1.9	Engaging diaspora members to assist exports in the industry within the Citizen Diplomacy Program	Implementation not started yet	3.7	90%	Continue
2.2.1	Preparation of the analysis for identifying the list of strategic manufacturing products for export	Implementation completed	6.3	70%	Discontinue / drop
2.2.2	Negotiation of three partial scope trade agreements	Under implementation	4.7	70%	Continue
2.2.3	Support for the creation of external brands to facilitate the penetration of manufacturing enterprises into new export markets, in cooperation with external business and diaspora partners	Implementation not started yet	7.0	90%	Discontinue / drop
2.3.1	Preparing an analysis to identify imported final products with potential to be substituted	Implementation completed	6.7	44%	Discontinue / drop
2.3.2	Improving the import tariff regime to provide protection for strategic products	Implementation not started yet	3.7	89%	Continue

2.3.3	Inclusion of a transitional preferential margin in public procurement for local products (note: does not apply to products originating from the EU, CEFTA, the USA and EFTA)	Implementation not started yet	6.5	33%	Discontinue / drop
2.3.4	Providing grants to young people, through innovation centers, to develop creative promotional projects for the consumption of local products	Implementation not started yet	5.0	78%	Discontinue / drop
2.3.5	Launching an information campaign to increase citizens' awareness of buying local products	Implementation not started yet	6.3	78%	Discontinue / drop
2.3.6	Drafting trade policy (trade program)	Under implementation	7.8	56%	Continue
3.1.1	Conducting comprehensive research to identify skills gaps in the industry's labor market and understand employers' challenges in finding qualified workers	Implementation completed	9.3	50%	Discontinue / drop
3.1.2	Providing financial assistance to producer associations to manage sectoral labor councils	Under implementation	6.8	60%	Continue
3.1.3	Drafting the law on industrial councils	Implementation completed	7.5	30%	Discontinue / drop
3.1.4	Creation of a production employment program within the framework of Active Labor Market Measures (measures: on-the-job training and wage subsidy)	Under implementation	9.3	50%	Continue
3.1.5	Creation of a credit (voucher) scheme for improving skills in the labor market	Under implementation	7.9	80%	Modify / replace
3.1.6	Support for the opening of accredited non-public training centers with programs for upgrading skills in industry	Under implementation	9.3	90%	Continue
3.1.7	Support for the design of training programs for skills development in industry	Under implementation	8.5	80%	Modify / replace
3.2.1	Drafting an analysis to assess the degree of informality in employment by industry activities	Implementation completed	3.0	56%	Discontinue / drop
3.2.2	Establishing a living wage threshold in industry (a non-binding income threshold higher than the minimum wage) and offering recognition to companies that offer wages above the threshold	Under implementation	7.3	56%	Continue
3.3.1	Organizing Women in Industry Week	Under implementation	4.7	70%	Continue
3.3.2	Support career centers in high schools and universities to establish collaborative links with industry associations	Implementation completed	6.7	90%	Modify / replace
3.3.3	Supporting on-the-job training for women and young people	Under implementation	7.7	80%	Continue
4.1.1	Organizing seminars for manufacturing companies to familiarize them with the basics of circular economy business models	Under implementation	5.0	91%	Continue
4.1.2	Promoting industrial symbioses to facilitate the exchange of materials (by-products) or waste streams	Implementation completed	6.9	91%	Modify / replace

4.1.3	Creating a window for innovation towards the circular economy within the framework of the innovation fund	Under implementation	7.4	100%	Continue
4.2.1	Transposition of the relevant provisions of the EU Regulation on "ecolabel" into local legislation	Under implementation	5.7	18%	Continue
4.2.2	Incorporation of relevant provisions of the EU ecodesign directive into domestic legislation	Under implementation	6.7	27%	Continue
4.2.3	Development of a system for classifying sustainable (green) economic activities.	Under implementation	7.3	100%	Continue
4.2.4	Incorporating green procurement criteria in the food, textile and furniture industries	Implementation not started yet	8.6	91%	Continue
4.3.1	Development of a program for investments in green technology in the manufacturing industry	Under implementation	9.0	92%	Continue
5.1.1	Create input-output tables to understand structure of inputs used in industry	Under implementation	7.3	42%	Continue
5.1.2	Transposition of the relevant provisions of the EU directive relating to unfair trading practices in the food industry supply chain	Under implementation	6.8	58%	Continue
5.1.3	Drafting a study regarding the use of natural resources for industry	Under implementation	8.0	67%	Continue
5.2.1	Award distribution for innovation in manufacturing products	Implementation not started yet	6.1	10%	Discontinue / drop
5.2.2	Corporate income tax reduction for large manufacturing companies that invest in selected innovative entities	Implementation not started yet	6.5	100%	Continue
5.2.3	Finalization of the Industrial Property Program	Implementation completed	8.0	50%	Discontinue / drop
5.2.4	Support for higher education institutions to create executive innovation programs in industry	Implementation not started yet	8.3	90%	Continue
5.3.1	Development of a digital platform with detailed profiles of service providers related to the industry	Implementation not started yet	6.5	91%	Continue
5.3.2	Supporting preventive measures for machinery maintenance in manufacturing enterprises	Under implementation	6.7	27%	Discontinue / drop
5.3.3	Creation of a common fund for spare parts for machinery maintenance	Implementation not started yet	5.7	18%	Discontinue / drop
5.3.4	Establishment of the National Council for Industrial Development	Implementation completed	7.0	18%	Discontinue / drop