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Republika Kosova - Republic of Kosovo

Qeveria - Vlada - Government

Ministria e Industrisë, Ndërmarrësisë dhe Tregtisë

*Ministarstvo Industrije, Preduzetništva i Trgovine - Ministry of Industry, Entrepreneurship
and Trade*

Monitoring the Implementation of the Strategy for Industrial Development and Business Support and the Action Plan 2023-2025

Semi-Annual Report

July 2024



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List of Abbreviations

KAS - Kosovo Agency of Statistics

EBRD - European Bank for Reconstruction and Development

GDP - Gross Domestic Product

DAK - Kosovo Accreditation Directorate

ID - Industry Department

GIZ - German Agency for International Cooperation

KIESA - Kosovo Investment and Enterprise Support Agency

MIET - Ministry of Industry, Entrepreneurship and Trade

MFLT - Ministry of Finance, Labour and Transfers

FTA - Free Trade Agreement

SDG - Sustainable Development Goals

PSWD - Private Sector-Led Workforce Development / IREX/USAID Project

GK - Government of Kosovo

SIDBS - Strategy for Industrial Development and Business Support

NDS - National Development Strategy

UNDP - United Nations Development Program

USAID - United States Agency for International Development

MVA - Manufacturing Value Added

OPM - Office of the Prime Minister



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EXECUTIVE SUMMARY

The Strategy for Industrial Development and Business Support (SIDBS) 2030 and the Action Plan (2023-2025) were approved in June 2023. The Strategy was prepared by the Government of Kosovo (GK) to provide a strategic policy framework for promoting industrial development. The drafting of this strategic document reflects the importance that the GK places on the manufacturing sector in achieving a structural transformation of Kosovo's economy.

The vision of Kosovo's Industrial Policy is that "By 2030, Kosovo's industry will be transformed into a more globally integrated industry capable of producing high value-added products and providing decent employment".

The Industrial Policy was developed using a well-known methodology, *"Upgrading the Quality of Industrial Policies,"* designed to support countries in developing inclusive industrial policies based on strong diagnostics. The logic of Industrial Policy intervention was developed by first defining the relevant strategic objectives of the National Development Strategy (NDS 2030), which would be positively impacted by a growing industrial base. Secondly, based on these alignments with the NDS, concrete objectives of the Industrial Policy were formulated. Thirdly, by understanding the fundamental gaps in the structure of industrial capacities in Kosovo, specific changes (hereafter "specific objectives") that are required to achieve the objectives of the Industrial Policy were identified. Fourthly, the identified specific objectives provided the basis for developing the key actions of the Industrial policy and the overall Action Plan.

The strategic and specific objectives of the Industrial Policy were identified based on a comprehensive analysis of the economic, social and environmental performance of the manufacturing sector.

To facilitate the realization of the developmental potential of the manufacturing sector in Kosovo and contribute to the achievement of the strategic goals of NDS 2030, the Strategy has five policy objectives: 1) expansion of industrial production; 2) reduction of the industrial trade deficit; 3) generation of decent and inclusive employment; 4) support for the growth of a green and circular industry; and 5) maximization of internal profit growth. The achievement of these policy objectives depends on significant changes that need to be made in 16 specific objectives and 75 activities.

The monitoring report for the first half of 2024 aims to provide a summarized implementation of the strategic objectives, specific objectives and activities of the IDBSS 2030 Action Plan.

The Industrial Development and Business Support Strategy 2030 is horizontally interconnected with other institutions and donors. During the monitoring process, there were delays and incomplete data provision from the responsible institutions for the implementation of the activities of the SIDBS Action Plan. The approval of the strategy on June 29, 2023, has impacted delays in the implementation of some planned activities. Specifically, MIET and ID have continuously requested from members of the interministerial coordinating body that the activities under the Action Plan of the Strategy, where their institution is responsible, be incorporated into their work plan. However, some of the activities have not been incorporated into their work plans and have not been implemented.



Methodology

The implementation of the activities of the Strategy for this report is exclusively based on the reports from the responsible and supporting institutions for the implementation of the activities. The units, departments, or institutions included in the report are in accordance with the decision of 13 November 2023, whereby the interministerial coordinating body was established to ensure regular monitoring and evaluation, conduct interim reviews, and perform the final assessment of the strategy.

The reporting formats were prepared by sending reporting requests to the responsible and supporting institutions and the relevant stakeholders of the Strategy who were required to report. The stakeholders' method of reporting was based on submitting input via email. The Industry Department submitted the reporting formats (according to the structure described above) via email to all members of the interministerial coordinating body for the implementation and monitoring of the Strategy. The members were given a regular deadline of three weeks and an additional week to report their inputs by submitting the completed forms to the Industry Department.

After the completed forms were submitted by some institutions, the Industry Department consolidated the inputs and developed the analysis. The analysis of the inputs in certain cases was accompanied by thematic meetings with the responsible officials, as well as additional correspondence via email to obtain additional information on the implementation of the activities. The timing and quality of reporting must be complied with and improved in future reports. Overall, the reporting by the stakeholders was limited to reporting the implementation of activities up to June 2024, without providing the output.

Strategic Objectives of the Document

The objectives of Industrial Policy are concrete and measurable goals that express why Kosovo pursues an Industrial Policy and what exact changes the Government of Kosovo aims to achieve in the manufacturing sector. The objectives of Industrial Policy belong to the impact level of the intervention logic.

To facilitate the realization of the developmental potential of the manufacturing sector in Kosovo and to contribute to the achievement of the strategic goals of NDS 2030, the Industrial Policy will pursue five policy objectives:

- 1) Expansion/Extension of Industrial Production;**
- 2) Reduction of Industrial Trade Deficit;**
- 3) Generation of Comprehensive and Better Employment;**
- 4) Support for the Growth of a Green and Circular Industry;**
- 5) Maximization of Internal Profit Growth.**

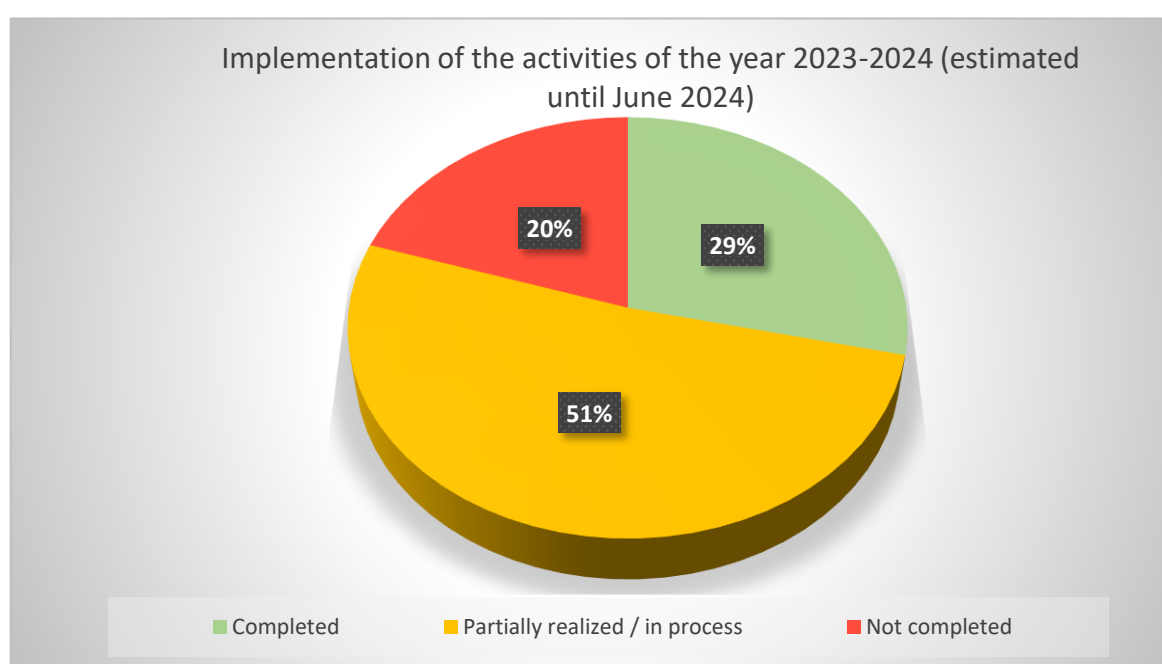
The achievement of these policy objectives depends on significant changes that need to be made in 16 different specific objectives, ranging from improving access to finance and product innovation to supporting manufacturers in expanding into export markets, providing the workforce with essential skills for the industry, improving green industry practices, and increasing the share of local inputs in production.

II. PROGRESS IN THE IMPLEMENTATION OF STRATEGY OBJECTIVES

The implementation of the objectives defined in the Action Plan of the Strategy is described in this section. The assessment of the implementation of activities according to this report is divided into three categories: 1) completed; 2) partially completed/in progress; and 3) not completed.

In the Action Plan 2023-2025 of the Strategy, 35 activities were planned to be completed between 2023 and June 2024, of which 29% were completed, 51% were partially completed/in progress and 20% were not completed.

Chart 1. Percentage of activities completed, partially completed and not completed for the period 2023-2024 (estimated as of June 2024)

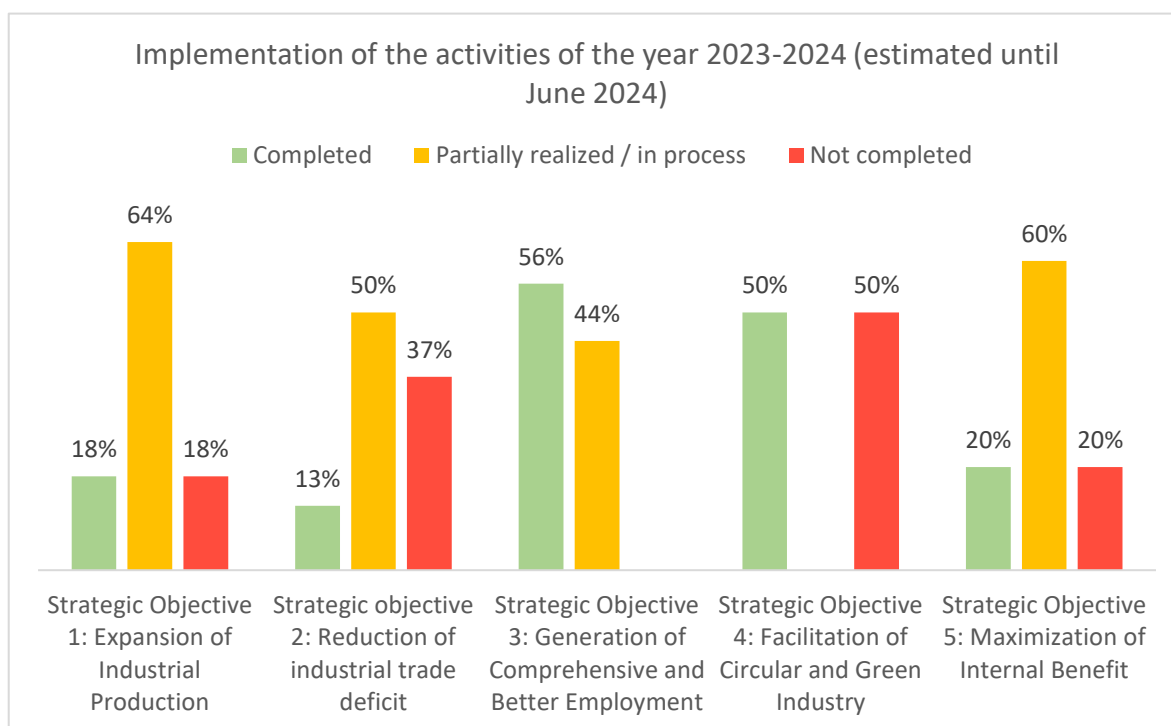


Source: Data from the reporting of responsible and supporting institutions for the implementation of the Action Plan of SIDBS 2023-2025

It can be concluded that delays in the implementation of some planned activities in the Action Plan indicate a lack of incorporation of the planned activities into the work plans of the responsible institutions. The role of the institutions responsible for implementing the Action Plan is crucial for developing and implementing the planned activities.

In this regard, members of the interministerial coordinating body for monitoring and implementing the Strategy should influence their institutions to ensure that the planned activities for which their institution is responsible are incorporated into the work plans and implemented.

Chart 2. Activities completed, partially completed and not completed during the period 2023 - 2024, according to the strategic objectives (estimated as of June 2024).



Source: Data from the reporting of responsible and supporting institutions for the implementation of the Action Plan of SIDBS 2023-2025

Strategic Objective 3 shows a better status in the implementation of activities, while Specific Objective 2 reflects a poor implementation status.

Table 1. Implementation of the activities of SIDBS - 2030, Action Plan 2023-2025 (estimated as of June 2024)

No.	Action	Deadline	Leading institution	Leading and supporting institution	Output	Progress status	A brief explanation of progress
Strategic Objective 1: Expansion of Industrial Production							
Specific Objective 1.1: Expansion of industrial production							
1.1.3	Establishing an Access-To-Finance Advisory Office	Q1 2024		MIET (KIESA)	Advisory Office established and operational	Partially realized / in process	In the process of initiating the drafting of secondary legislation under the Law on Sustainable Investments
Specific Objective 1.2: Increase investment in manufacturing							
1.2.1	Drafting the Law on the Sovereign Fund	Q4 2023	OPM	OPM	The Law on the Sovereign Fund completed and approved	Completed	Approved on 15 December by the Assembly of Kosovo
1.2.2	Drafting the bylaws under the new Law on Industrial and Technological Parks	Q2 2024	MIET - Industry Department	MIET (Industry Department and KIESA)	5 bylaws finalized and adopted	Completed	5 bylaws under the new Law on Industrial and Technological Parks drafted
1.2.3	Drafting of the study assessing the impact of the current industrial parks in the generation of jobs, export and economic development	Q4 2023	MIET-KIESA	MIET (KIESA, Industry Department and GIZ (EP)	A study assessing the impact of current parks completed	Partially completed/in process	The first draft of the study has been prepared and is being analyzed.
1.2.6	Preparing videos for FDI success stories in Kosovo	Q4 2023 Q4 2024 Q4 2025	MIET-KIESA	MIET (KIESA)	Promotional videos completed	Completed	In 2023, promotional videos were produced for sectors with potential and success stories in those sectors.
1.2.8	Providing corporate income tax relief for strategic investments	Q3 2023	MFLT	MFLT and OPM	The Law Corporate Income Tax amended to include the tax relief	Not completed	According to MFLT, this activity should be removed. The Law on TAK is under the mandate of MFLT and is not expected to be implemented

Specific Objective 1.3: Accelerating digital transformation in manufacturing							
1.3.5	Creating data protection agreement templates based on applicable legislation to serve manufacturing companies and other businesses	Q4 2023	MIET - ID	MINT (Industry Department) and the Information and Privacy Agency	Personal data agreement templates completed	Not completed	After consultations with other stakeholders and businesses, it has been found that due to the different nature of businesses, it is not possible to create model agreements. This activity moves to an Information Campaign, “Informing businesses of the Law on the Protection of Personal Data and the Law on the Protection of Trade Secrets”. As part of the “Business Days” activities organized by KIESA, around 500 businesses in 7 regions of Kosovo will be provided with information about these laws.
Specific Objective 1.4: Increase the quality and internationally recognized certification of products							
1.4.3	Drafting the Action Plan outlining the steps to be taken by the Kosovo Accreditation Directorate (KAD) to meet the requirements for full membership in the European Accreditation Organization (EAO)	Q4 2023	MIET - KAD	MIET (Kosovo Accreditation Directorate)	Action Plan completed	Not completed	As of the time of reporting, the KAD has not carried out any activities according to the Action Plan because the regulation on the organization and systematization of jobs has not yet been approved. This Regulation also presents the KAD structure and based on this structure, the KAD staff positions are assigned tasks, responsibilities and documents for the Quality Management System in accordance with the requirements of the ISO/IEC 17011:2017 standard.
1.4.4	Drafting the Law on the Supervision of the Conformity of Products on the Market	Q4 2023	MIET - ID	MIET (Industry Department)	The Law on the Supervision of the Conformity of Products on the Market approved	Partially completed/in process	In drafting

1.4.7	Organizing workshops for the implementation of technical legislation of quality infrastructure and supporting standards	Q2 2023 Q2 2024 Q2 2025	MIET - ID	MIET (Industry Department), GIZ (EP) and sectoral associations	3 workshops organized with businesses each year	Completed	3 workshops were held
1.4.8	Conducting information meetings with businesses for the establishment of certification bodies for certain groups of nonfood products	Q2 2023 Q2 2024 Q2 2025	MIET- ID - KIESA	MIET (Industry Department and KIESA)	7 regional meetings held each year with about 700 participating businesses	Partially completed/in process	2 workshops were held with the support of the GIZ Regional Project in the following areas: 1. Electrical and electronic equipment 2. Machinery safety
Strategic Objective 2: Reduction of Industrial Trade Deficit							
Specific Objective 2.1: Support enterprises to exploit their export potential							
2.1.3	Organizing sales missions abroad for export-ready companies in specific sectors	Q4 2023 Q4 2024 Q4 2025	MIET-KIESA	MIET (KIESA)	At least 500 manufacturing enterprises supported participation in fairs	Partially completed/in process	In 2023, around 120 companies were supported at 18 international fairs in various sectors. In 2024, 10 international fairs were held, where approximately 80 businesses from different sectors were supported.
2.1.5	Organizing regional B2B meetings between local and regional input suppliers to create networking opportunities	Q3 2023 Q3 2024 Q3 2025	MIET-KIESA	MIET (KIESA), GIZ (EP) and sectoral associations	3 B2B meetings held with at least 100 participating companies	Partially completed/in process	Economic forums have been held with countries such as Croatia, Hungary, Italy, Sweden and Israel and B2B meetings between Kosovo businesses and businesses from these countries have been organized. Similar events will continue to be organized in 2024 and 2025. In these activities, 165 Kosovo companies have been supported in organizing B2B meetings. The organization of an Economic Forum with Greece and Malta is in process, as well as an Outreach campaign for attracting investments from Austria.

2.1.6	Conducting an analysis to assess the impact of export promotion activities	Q4 2023 Q4 2024 Q4 2025	MIET-KIESA	MIET (KIESA)	Analysis completed annually	Partially completed/in process	The analysis is in progress and surveys are being conducted with businesses that participated in the fair.
Specific Objective 2.2: Diversification of export markets							
2.2.1	Preparing an analysis for the identification of the list of strategic manufacturing products for export	Q4 2023	MIET - ID	MIET/Trade Department and Industry Department	Analysis for strategic export products completed	Completed	The analysis "Identification of Products with Export Potential" has been completed. https://mint.rks-gov.net/desk/inc/media/7E935F6E-1015-4DF3-985F-94FFFF968295.pdf
Specific Objective 2.3: Replace imports of intermediate and final products by local production and promotion of local products							
2.3.2	Upgrading the import tariff regime to provide protection for strategic products	Q4 2023	MFLT	MIET (Trade Department), MFLT and Kosovo Customs	The fee regime for imports updated	Not completed	According to the MFLT, this activity may be feasible, but it must always be kept in mind that there are other applicable regulations that should not be affected. Additionally, the steps taken in this direction should be in line with EU practices.
2.3.4	Providing grants to young people, through innovation centres, to develop creative promotional projects for the consumption of local products	Q1 2024	MIET (KIESA) and innovation centers	MIET (KIESA) and innovation centers	10 beneficiaries from the young age group (at least half of them being women)	Not completed	
2.3.5	Launching an information campaign to increase citizens' awareness of buying local products	Q2 2024 Q2 2025	MIET (KIESA)	MIET (KIESA)	1 million citizens informed	Not completed	

2.3.6	Drafting the Trade Policy (Trade Program)	Q4 2023	MIET - ID	MIET (Industry Department)	Trade Program completed	Partially completed/in process	The Working Group, in cooperation with the Trade Department, is working on drafting the document/program for Trade Policy.
Strategic Objective 3: Generation of Comprehensive and Better Employment							
Specific Objective 3.1: Enhance qualification and certification of technical workforce and company managers							
3.1.1	Conducting comprehensive research to identify skills that are missing in the industry's labour market and to understand employers' challenges in finding qualified workers	Q4 2023	MIET - ID	MIET (Industry Department), USAID (PSWD) and GIZ	Research report completed	Partially completed/in process	The study is being carried out and will be completed in August 2024
3.1.2	Providing financial assistance to manufacturing associations to manage sectoral work councils	Q4 2023 Q4 2024 Q4 2025	USAID/IRE X	USAID (PSWD) and Sectoral Associations	Sectoral work councils established and functional for the wood sector, agro-processing, and a third industrial sector to be determined	Partially completed/in process	Sectoral Workforce Councils are operational for the information and communication technology (ICT), wood processing and agribusiness sectors. In 2024, PSWD will establish the Workforce Council in the energy sector as well.
3.1.4	Creating a manufacturing employment program within the framework of the Active Labour Market Measures (measures: internship at the workplace and wage subsidy)	Q4 2023 Q4 2024 Q4 2025	MFLT - Employment Agency	MPLT (Employment Agency)	At least 1,200 beneficiaries of the manufacturing employment program each year	Partially completed/in process	Through the Super Job project, 9,394 job seekers received wage subsidies for a six-month period. There is no data on how many benefited in the manufacturing sector. Additionally, there are benefits through the Government for Families. Internships have been conducted only in institutions and not in manufacturing enterprises. There is no reporting for the first half of 2024.
3.1.7	Supporting the designing of training programs for skills development in industry	Q4 2023 Q4 2024 Q4 2025	USAID - MEST	MESTI (National Qualifications)	15 new training programs created	Completed	USAID/IREX - From the first grant call announced in 2023 by PSWD,

				Authority) and USAID (PSWD)			the expected outcomes during the grant implementation period in 2024 and 2025 are that 12 programs will be developed in ICT, 2 in agribusiness and 3 in wood processing. In total, there will be 17 programs, of which 14 are new and 3 are advanced.
Specific Objective 3.2: Promote the generation of decent jobs in the industry							
3.2.1	Conducting an analysis to assess the degree of informality in employment according to industry activities	Q4 2023	MIET - ID	MIET (Industry Department)	Analysis of informality in the industry finalized	Completed	Completed in Q4 2023 https://mint.rks-gov.net/desk/inc/media/775DAC64-CDC0-4F65-A74F-A3AFCB406FB3.pdf
3.2.2	Establishing a decent (living) wage threshold in manufacturing (a nonbinding threshold above the minimum wage) and providing recognition for companies that pay wages above the threshold	Q4 2023 Q4 2024 Q4 2025	MIET - ID	MIET (Industry Department) and MFLT	Determining the decent wage and awarding the companies	Completed	Completed in Q4 2023 https://mint.rks-gov.net/desk/inc/media/D13AE9DA-B21A-425F-8D4C-1EEEDF4E3699.pdf
Specific Objective 3.3: Integrate women and youth in labour market and business							
3.3.1	Organizing women in industry week	Q4 2023 Q4 2024 Q4 2025	MIET-KIESA	MIET (KIESA)	150 women beneficiaries	Partially completed/in process	In 2023, the women's fair was held, which has now become traditional, not as a Women's Entrepreneurship Week. For 2024, the call for applications to participate in the women's fair has been made. The activity is not complete as there are no other events in the form of a Women's Week.

3.3.2	Supporting high school career centres to establish collaborative links with industry associations	Q4 2023		MESTI and MIET (Industry Department, Associations	10 career centres and universities supported for creating of memorandums of cooperation with key associations	Completed	From 2023 to June 2024, 9 new centers have been established in the VETI, and career guidance coordinators and business cooperation coordinators have been appointed. There are a total of 24 career centers in VET institutions, which are in continuous contact with businesses to enhance cooperation for the implementation of practical training in enterprises. In 2024, there are 12 profiles where Dual Education is being implemented, meaning that the theoretical part is conducted at school while the practical part takes place in businesses.
3.3.3	Supporting on-the-job training for women and young people	Q3 2023 Q3 2024 Q3 2025	EBRD and MIET-KIESA	EBRD and MIET-KIESA	300 women and young people trained 600 young people trained	Completed	2023: 186 trained January-June 2024: 30 trained
Strategic Objective 4: Facilitation of Circular and Green Industry							
Specific Objective 4.1: Support enterprises to increase recycling and circularity in manufacturing							
4.1.1	Organizing workshops for manufacturing enterprises to introduce them to the fundamentals of circular economy business models	Q4 2023 Q2 2024 Q2 2025	UNDP	MIET (Industry Department) and UNDP	5 seminars with 30 businesses informed of circular economy models	Completed	In October, two meetings were held with businesses to inform them of the program related to the basics of circular economy business models. A total of 30 businesses participated, and they were also trained in the green transition module. This activity was implemented in cooperation with the Boost program, UNDP
Specific Objective 4.3: Support technological upgrading with a focus on increasing energy and material efficiency							

4.3.1	Developing a program for investment in green technology in the manufacturing industry	Q4 2023	EBRD	EBRD and partner financial institutions	At least 80 beneficiary companies	Not completed	
Strategic Objective 5: Maximization of Internal Benefit							
Specific Objective 5.1: Increase the share of domestic inputs in production							
5.1.3	Drafting a study regarding the use of natural resources in industry	Q4 2023	MIET - ID	MIET	The study on the use of natural resources for industry has been completed	Partially completed/in process	Terms of Reference have been drawn up, the study is planned to be completed in December 2024.
Specific Objective 5.2: Improve product innovation towards higher value-added products							
5.2.1	Award for innovation in manufacturing products	Q4 2023 Q4 2024 Q4 2025	MINT-Innovation Department	MIET (Innovation Department and KIESA)	5 awards per year for innovative products	Partially completed/in process	These awards are typically presented on Innovation Day in April. However, the activity was not carried out in April and is planned to be realized in the coming months.
5.2.2	Corporate income tax reduction for large manufacturing companies that invest in selected innovative entities	Q4 2023	MINT - Innovation Department - MFLT	MIET (Innovation Department) and MFLT	At least 50 investments in innovative entities	Not completed	According to MFLT, this activity should be removed. The Law on TAK is under the mandate of MFLT and it is not expected that such a measure will be offered.
5.2.3	Finalization of the Industrial Property Program	Q2 2023	MIET-IPA	MIET (Industrial Property Agency)	The industrial property program completed and approved	Partially completed/in process	The industrial property program has been finalized, as well as the VNB has been finalized and is pending approval.
Specific Objective 5.3: Strengthen links with domestic industry-related service providers							
5.3.4	Establishing the National Council for Industry Development	Q4 2023	MIET - ID	MIET	The National Council for Industry Development established	Completed	The council was established by the decision of the Prime Minister and the first meeting was held.

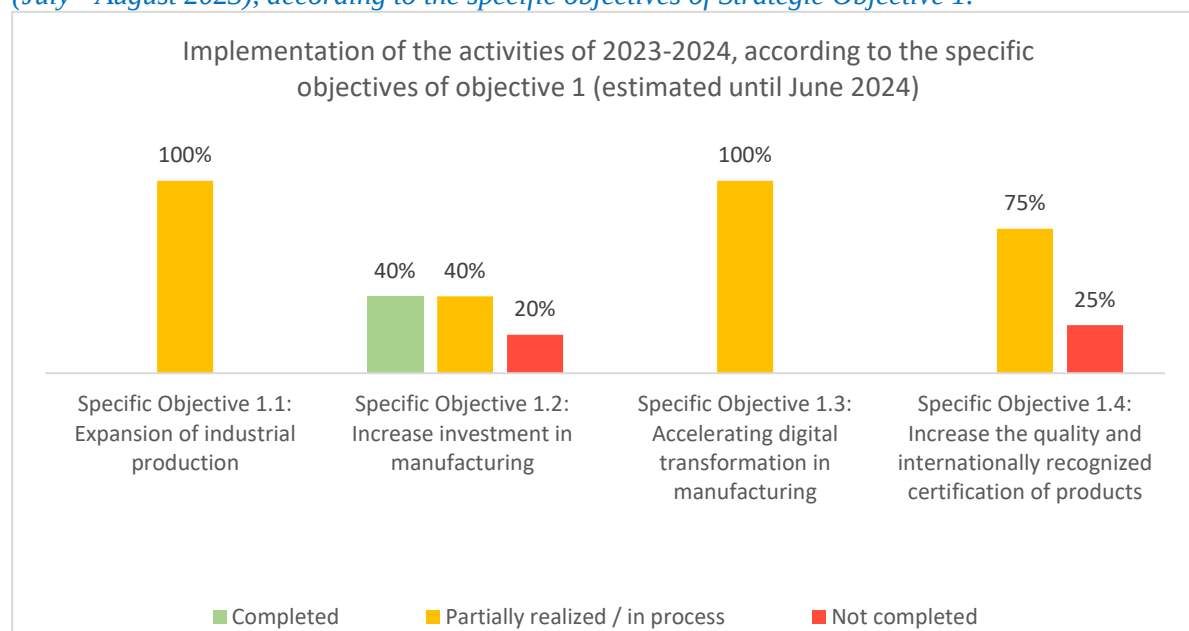
II.1 Progress against Strategic Objective 1: Expansion/Extension of Industrial Production

Strategic Objective 1: It aims to expand industrial production and will directly contribute to achieving the Sustainable Development Goals (SDGs).

Progress toward this objective will be measured by two indicators: the manufacturing value added per capita and the share of manufacturing value added in GDP, which gauges the relative importance of production to the overall economy.

This strategic objective encompasses 4 specific objectives and 26 activities. For the year 2023 until June 2024, 11 activities across 4 specific objectives have been planned for implementation.

Chart 3. Percentage of activities completed, partially completed and not completed during the period (July - August 2023), according to the specific objectives of Strategic Objective 1.



Source: Data from the reporting of responsible and supporting institutions for the implementation of the Action Plan of SIDBS 2023-2025

Specific Objective 1.1: Ease access to finance for domestic producers: This specific objective aims to mitigate the lending risks for manufacturers who face high collateral requirements by diversifying financing options and increasing overall access to information on financing opportunities.

Over a three-year period, 3 activities are planned under this objective. As of June 2024, the activity “Establishment of an Advisory Office for Access to Finance” is planned for completion. This activity is in progress, as it is linked to the Law on Sustainable Investments.

Specific Objective 1.2: Increase investments in manufacturing: This specific objective aims to boost the inflow of manufacturing capital, particularly through foreign investments, as well as expand domestic private investments. By June 2024, 5 activities are planned under this



objective. Of these, 2 activities have been completed, 2 are partially completed/in progress, and 1 activity has not been completed.

Activity 1.2.8. ***Specific Objective 1.2: Providing corporate income tax relief for strategic investments***: This activity was not implemented, although it was planned for execution in 2023. MFLT has requested its removal from the Action Plan as it will not be implemented.

Indicators: The achievement of Specific Objective 1.2 will be measured by two indicators: (i) the percentage of manufacturing FDI in the total FDI (%); and (ii) the percentage/share of imported capital goods in Gross Value Added (GVA).

Specific Objective 1.3: Accelerate digital transformation in manufacturing: This objective aims to enhance digitalization in the manufacturing sector, implying the application of digital tools to increase efficiency and productivity in management and production, as well as moving toward data-driven automation.

For 2023, only one activity was planned under this objective: Activity 1.3.5, ***“Creating data protection agreement templates based on applicable legislation to serve manufacturing companies and other businesses”***. However, this activity was not completed. After consultations with stakeholders and businesses, it was determined that due to the diverse nature of businesses, agreement models could not be created. Following discussions with other stakeholders, it was proposed that this activity be converted into an Information Campaign, ***“Informing businesses of the Law on Protection of Personal Data and the Law on Trade Secrets”***. As part of the “Business Days” activities organized by KIESA, around 500 businesses in 7 regions of Kosovo will be provided with information about these laws.

Indicators: The achievement of Specific Objective 1.3 will be measured by the following indicator: (i) the use of digitalization tools in overall manufacturing/production processes (%).

Specific Objective 1.4: Increase the quality and internationally recognized certification of products: This objective aims to enhance product quality, including various specifics such as safety, sustainability or compliance with established product standards, which can be verified with an appropriate certificate.

The objective consists of 9 activities, with 4 planned for implementation as of June 2024. Out of these, 75% have been partially completed or are in progress, while 25% have not been completed.

The uncompleted activity is 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)”***. As of the reporting time, KAD has not implemented any activities according to the Action Plan, as the regulation on the organization and systematization of jobs has not yet been approved. This Regulation also presents the KAD structure and based on this structure, the KAD staff positions are assigned tasks, responsibilities and documents for the Quality Management System in accordance with the requirements of the ISO/IEC 17011:2017 standard.

Indicators: The achievement of Specific Objective 1.3 will be measured by the following indicator: (I) the number of industrial products exported to the EU (at least €10 thousand per year).

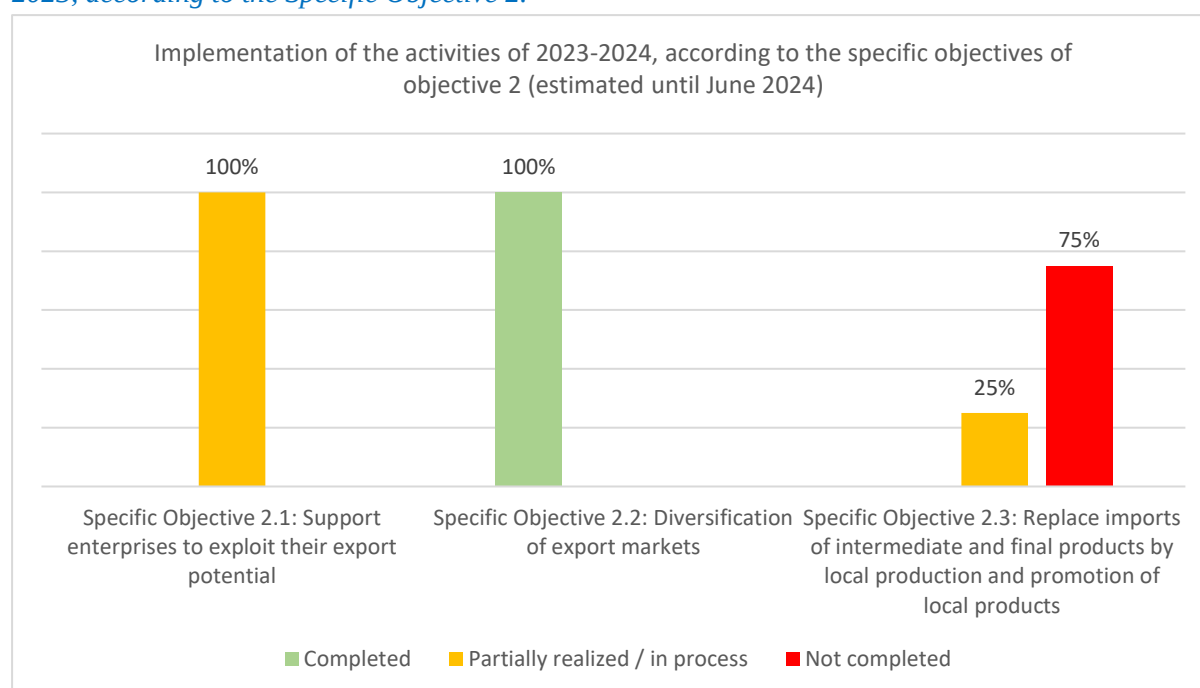
II.2 Progress against Strategic Objective 2: Reduction of Industrial Trade Deficit

Strategic Objective 2 focuses on reducing the industrial trade deficit. This involves both increasing the export of goods produced in Kosovo to foreign markets and replacing imported processed goods with domestic production.

Progress towards achieving this policy objective will be measured by the trade balance in manufacturing, calculated as the difference between manufactured exports and imports.

This strategic objective includes 3 specific objectives and 18 activities. As of June 2024, activities are planned across all 3 specific objectives, with 8 activities scheduled for implementation.

Chart 4. Activities completed, partially completed and not completed during the period (July - August 2023, according to the Specific Objective 2.



Source: Data from the reporting of responsible and supporting institutions for the implementation of the Action Plan of SIDBS 2023-2025

Specific Objective 2.1: Support enterprises to exploit their export potential: It aims to enable companies in Kosovo with products or the capability to produce competitive products internationally to export and enter foreign markets.

Under this objective, 3 activities have been partially implemented or are in progress, representing 100% of the planned activities for this period.

Indicators: The achievement of Specific Objective 2.1 will be measured by the following indicator: (i) the number of manufacturing enterprises that export regularly (at least €10,000

per year).

Specific Objective 2.2: Diversification of export markets: It focuses on expanding exports in general, including diversifying export products, with this sub-objective focusing on diversifying export markets.

Within this specific objective, 3 activities are planned to be implemented. In this reporting period, only activity 2.2.1, ***“Preparing an analysis for the identification of the list of strategic manufacturing products for export”*** has been planned and completed. Document in the link <https://mint.rks-gov.net/desk/inc/media/7E935F6E-1015-4DF3-985F-94FFFF968295.pdf>

Indicators: The achievement of Specific Objective 2.2 will be measured by the following indicator: (i) the geographical diversity of exports (number of countries accounting for 80% of production exports).

Specific Objective 2.3: Replace imports of intermediate and final products by local production and promotion of local products: It aims to reduce the import of manufactured goods. Intermediate and final imported goods that Kosovo manufacturers can produce should be gradually replaced by domestic production.

This objective has a total of 6 planned activities, and as of June 2024, 4 activities are planned to be implemented. Activity 2.3.2 ***“Upgrading the import tariff regime to provide protection for strategic products”*** has not been completed. According to the MFLT, this activity should be reconsidered for implementation, while considering Free Trade Agreements and ensuring alignment with EU practices.

Activity 2.3.4 ***“Providing grants to young people, through innovation centres, to develop creative promotional projects for the consumption of local products”***, planned for implementation in TM1 2024, has not been completed.

Activity 2.3.5 ***“Launching an information campaign to increase citizens' awareness to buy local products”***, planned for implementation in Q2 2024 and Q2 2025, has not been completed.

Indicators: Achievement of Specific Objective 2.3 will be measured by three indicators: (i) the share of replaceable intermediate goods imports (according to BEC classification) in total imports; (ii) the share of replaceable consumption goods imports (according to BEC classification) in total imports; and (iii) the percentage of domestic goods in the production market.

II.3 Progress against Strategic Objective 3: Generation of Comprehensive and Better Employment

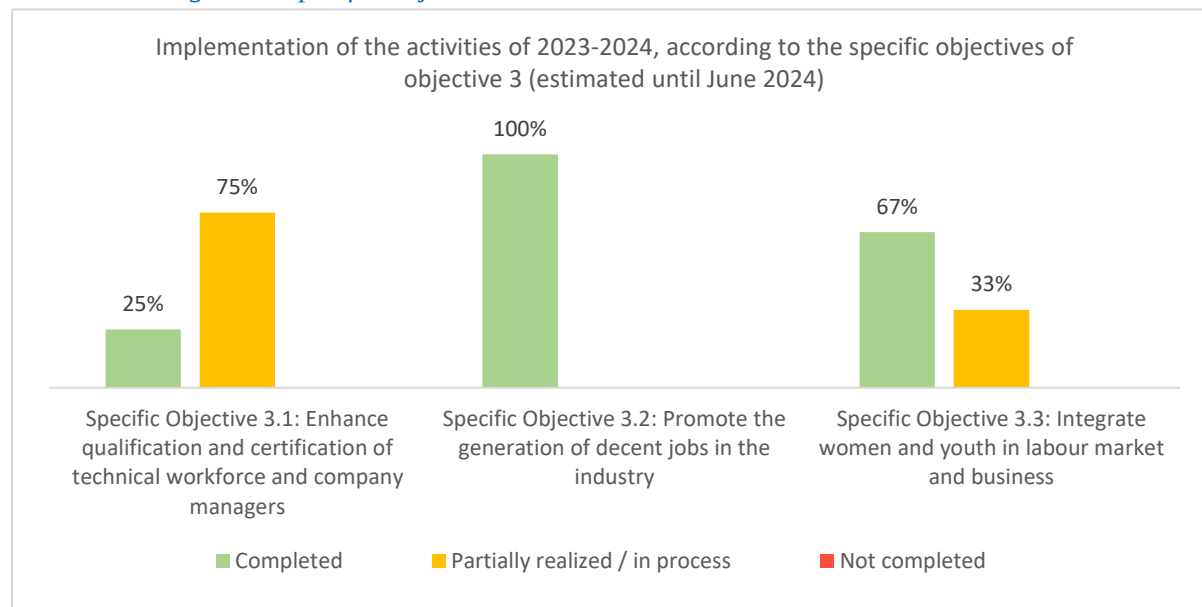
Strategic Objective 3 focuses on generating better and more comprehensive employment in manufacturing. This means supporting and potentially accelerating positive employment growth in the industry while simultaneously improving the quality of jobs.

Progress towards this objective will be measured by two indicators:

a) employment in manufacturing per capita, which will determine the workforce as a percentage of the population engaged in manufacturing; and b) the payroll of manufacturing as a part of MVA, which will measure the total labour income in manufacturing as part of the value added in production.

This strategic objective includes 3 specific objectives and 12 activities. As of June 2024, 9 activities are planned to be implemented.

Chart 5. Activities completed, partially completed and not completed during the period (July - August 2023, according to the Specific Objective 3.



Source: Data from the reporting of responsible and supporting institutions for the implementation of the Action Plan of SIDBS 2023-2025

Specific Objective 3.1: Enhance qualification and certification of technical workforce and company managers:

This specific objective aims to provide a qualified workforce as a key factor in production, enabling the production of goods that can compete based on price, quality and innovation. At the same time, the growth of businesses depends on professional managers who can guide companies through different stages of their growth cycle.

This specific objective includes a total of 7 activities, with 4 planned to be completed by June 2024. Out of the 4 planned activities, 1 activity (25%) has been completed, and 75% of the activities are either partially completed or in progress.

Activity 3.1.4. “Creating a manufacturing employment program within the Active Labour Market Measures”, (measures: on-the-job training and wage subsidies), where each year it is planned that there will be 1200 beneficiaries from the production employment program. The responsible institution for implementation is MFLT, namely the Employment Agency. Through the Super Job Project in 2023, 9,394 job seekers benefited from wage subsidies for a six-month period. Data on the number of beneficiaries in the manufacturing sector for the six-month period of 2024 is missing. Additionally, there are benefits through the Government for Families. Internships have been conducted only in institutions and not in manufacturing enterprises.

Indicators: Achievement of Specific Objective 3.1 will be measured by three indicators: (i) the number of accredited training institutions in production; (ii) the number of approved occupational standards in production; (iii) the percentage of workers receiving formal training in production (%); and (iv) the number of ISO certificates.



Specific Objective 3.2: Promote generation of decent jobs in the industry: It aims to generate jobs in production, generate decent jobs, ensure that producers pay fair wages, provide secure employment and improve overall working conditions.

This objective has a total of 2 activities planned for implementation, and these activities are scheduled to be completed as of June 2024. Both activities were implemented in 2023, documents as in the link <https://mint.rks-gov.net/desk/inc/media/775DAC64-CDC0-4F65-A74F-A3AFCB406FB3.pdf> AND <https://mint.rks-gov.net/desk/inc/media/D13AE9DA-B21A-425F-8D4C-1EEEDF4E3699.pdf>.

Indicators: Achievement of Specific Objective 3.2 will be measured by three indicators: (i) production workers declared in the Tax Administration of Kosovo/official employment in manufacturing; (ii) in-work poverty in the production process; and (iii) the number of workplace accidents in the production process.

Specific Objective 3.3: Integration of women and youth into the labour market and business: It aims for inclusive employment in production/processing to achieve broader and more inclusive employment, which benefits the entire society. Women and young people, as well as other disadvantaged groups, should be better integrated into the production labour market in Kosovo.

This objective has a total of 3 activities planned for implementation, all 3 activities were planned to be completed in 2023, with two activities continuing into 2024 and 2025. Out of the 3 planned activities, 2 activities or 67% have been completed, and 1 has been partially completed.

Activity 3.3.1 “**Organizing Women in Industry Week**”, which was planned to be implemented by KIESA, has been partially completed, continuing only with the implementation of the women’s fair but not the full Women’s Week in Industry.

Indicators: The achievement of Specific Objective 3.3 will be measured by two indicators: (i) the percentage of young people employed in production within the total young people employed; and (ii) the percentage of women employed in production.

II.4 Progress against Strategic Objective 4

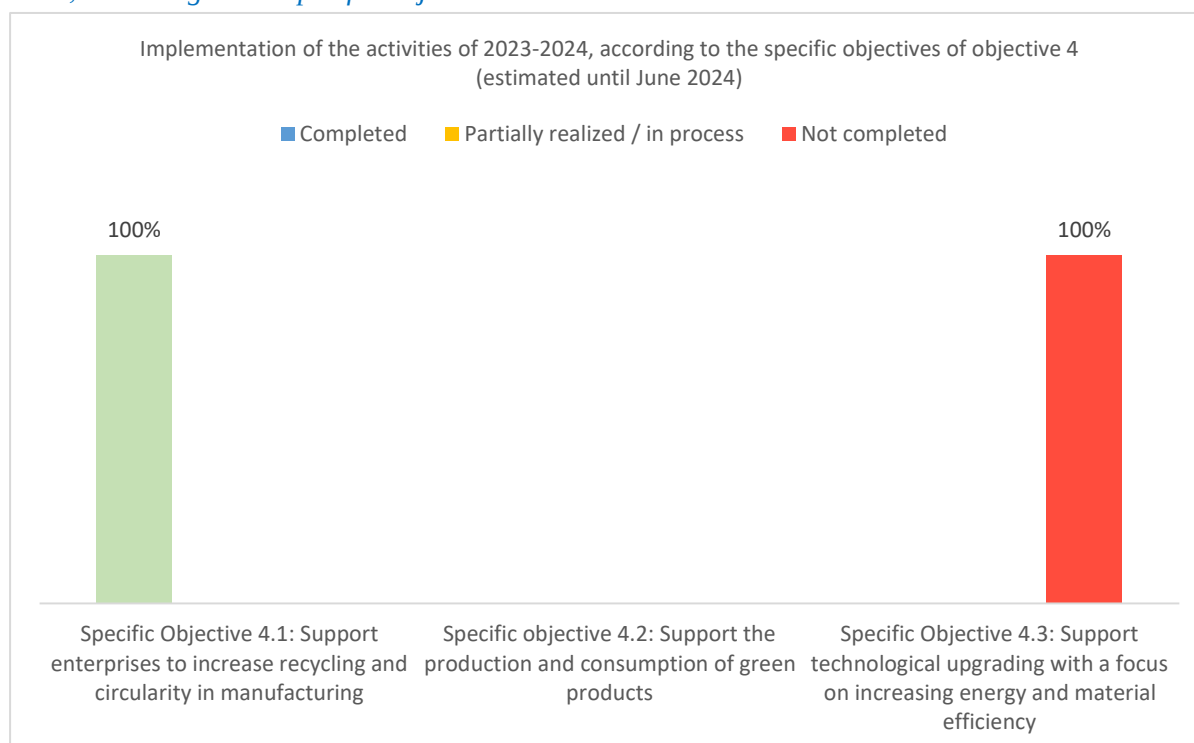
Strategic Objective: Facilitation of Circular and Green Industry

Strategic Objective 4 of Industrial Policy is to encourage the manufacturing sector to transition to green production. Creating a green industry aims to decouple economic growth from negative environmental externalities by maximizing the implementation of circular strategies, the application of renewable energy sources, and the efficient use of inputs.

Progress in achieving this policy objective will be measured by two indicators: a) CO₂ emissions per unit of GDP, which measures reductions in the CO₂ intensity of production activity; and b) a recycling/circulation indicator.

This strategic objective includes 3 specific objectives and 8 activities. As of June 2024, 2 activities with two specific objectives are planned to be completed.

Chart 6. Activities completed, partially completed and not completed during the period (July - August 2023, according to the Specific Objective 4.



Source: Data from the reporting of responsible and supporting institutions for the implementation of the Action Plan of SIDBS 2023-2025

Specific Objective 4.1: Support enterprises to increase recycling and circularity in manufacturing: It aims to maximize efficiency in resource use, reduce negative environmental impacts and lower costs by ensuring that recovered waste is reintroduced into production. This objective has 1 activity planned to be implemented over three years and is currently in progress.

Indicators: The achievement of Specific Objective 4.1 will be measured by two indicators: (i) gross added value in sectors related to the circular economy (% of total GDP); and (ii) use of recycled material (%).

Specific Objective 4.3: Support technological upgrading with a focus on increasing energy and material efficiency: It aims to maximize efficiency in resource use, reduce negative environmental impacts and lower costs by ensuring that recovered waste is reintroduced into production.

Within this objective, during 2023, Activity 4.3.1 “***Developing a program for investment in green technology in the manufacturing industry***” was planned to be implemented. The activity was planned to be implemented by the EBRD and other financial partner institutions, but it has not been implemented. The outcome of this activity would have been 80 beneficiary enterprises.

Indicators: Achievement of Specific Objective 4.3 will be measured by the following indicator: energy intensity in production (Toe/€M).

II.5 Progress against Strategic Objective 5

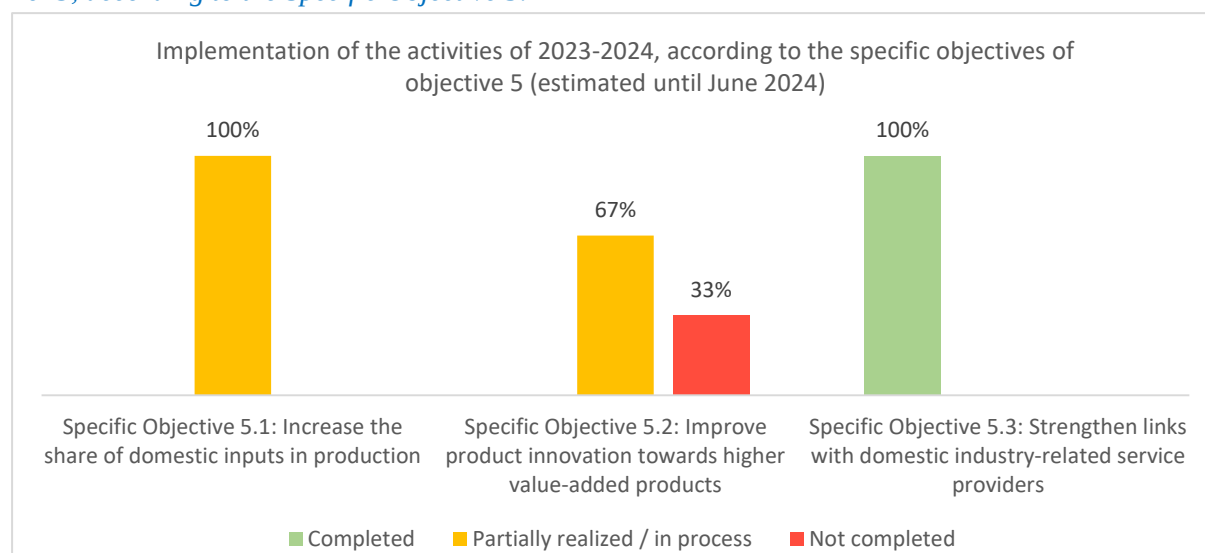
Strategic Objective: Maximization of Internal Benefit

Strategic Objective 5: The fifth objective of Industrial Policy is for Kosovo to benefit from industrial development inclusively by maximizing the addition of domestic value within the production process and beyond.

Progress in achieving this objective will be measured by GDP as a share of production output, which captures the extent to which the addition of local value will rely on internal resources.

This strategic objective includes 3 specific objectives and 11 activities. As of June 2024, 5 activities with 3 specific objectives are planned to be completed.

Chart 7. Activities completed, partially completed and not completed during the period (July - August 2023, according to the Specific Objective 5.



Source: Data from the reporting of responsible and supporting institutions for the implementation of the Action Plan of SIDBS 2023-2025

Specific Objective 5.1: Increase share of domestic inputs in production: It aims to expand the use of internal inputs to strengthen the addition of domestic value.

Out of the 3 activities planned in the Action Plan 2023-2025, in 2023, Activity 5.1.3 “**Drafting a study regarding the use of natural resources in the industry**” is planned to be implemented and is in the initial phase of processing.

Indicators: The achievement of Specific Objective 5.1 will be measured by the following indicator: (i) the value of imports of intermediate products (BEC classification) as a part of GDP.

Specific Objective 5.2: Improve product innovation towards higher value-added products: It aims to produce more marketable goods and specifically transition to higher value-added products, to enhance Kosovo’s domestic added value.

Out of a total of 4 activities, 3 are planned to be completed as of June 2024, of which 2 have been partially completed/in progress, and 1 activity has not been completed.



The activity that has not been completed is Activity 5.2.2 ***“Corporate income tax reduction for large manufacturing companies that invest in selected innovative entities”***, with the responsible institutions being MIET and MFLT. MIET has contacted and submitted information to MFLT to initiate the implementation of this activity, but MFLT has requested that this activity be removed, as such an activity is not expected to be implemented.

Indicators: Achievement of Specific Objective 5.2 will be measured by the following indicator: the percentage (%) of enterprises that have introduced a new product/service.

Specific Objective 5.3: Strengthen linkages with domestic industry-related service providers:

It aims to strengthen the links between manufacturers and local service providers, and minimize value leakage in production processes, thereby reducing the import of production services.

Within this objective, there are 4 activities. As of June 2024, Activity 5.3.4 ***“Establishing the National Council for Industry Development”*** is planned to be completed. The council has been established by a decision of the Prime Minister, and the first meeting has been held.

Indicators: The achievement of Specific Objective 5.3 will be measured by the following indicator: (i) domestic services purchased by industries.



III. RISKS AND STEPS TO ADDRESS THEM

III.1 Problems and risks

During the monitoring of the Action Plan, data shows that most activities have not been completed or have been partially completed. One reason is that the Strategy was approved on 29 June 2023, as well as the lack of incorporation of activities by the responsible institutions into their annual work plans.

A common risk for the non-implementation of activities for 2023 and up to June 2024, based on meetings and discussions with the responsible institutions for implementing the activities, is the lack of financial resources, as well as the need for legal framework amendments, specifically for some MFLT activities where amendments to laws are required.

The non-inclusion of planned activities in the Action Plan of the Strategy and in the work plans of the institutions responsible for implementing the activities poses a risk to the implementation of activities and the achievement of specific and strategic objectives.

III.2 Next steps

Each strategic objective presents unique challenges that require focused attention. Delays in implementing activities or changes to activities must be justified and reasonable by the institutions responsible for implementing them.

Members of the inter-ministerial coordinating body for monitoring, regular evaluation, conducting interim reviews and final evaluation of SIDBS 2030 and the Action Plan 2023-2025 should ensure that the activities planned for implementation by the institution they represent are included in the Work Plan.

MIET/Industry Department, in coordination with the member of the inter-ministerial body from KAS, should explore the possibility of providing data for the indicators of strategic and specific objectives in time for reporting (data for 2024 should be provided by KAS by February 2025).