

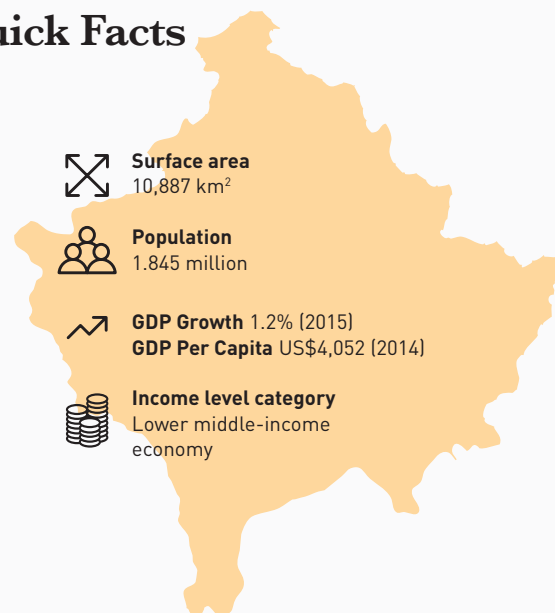


1. Context

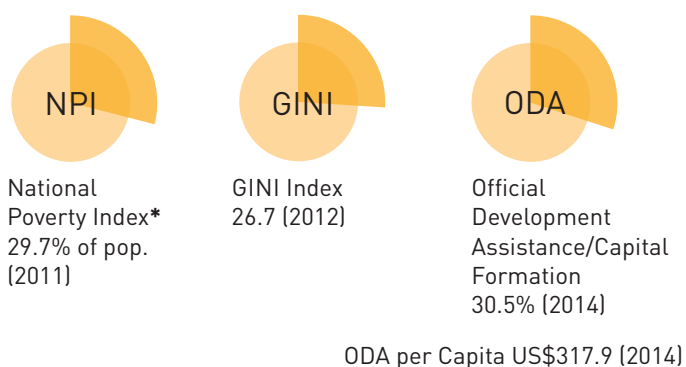
Kosovo has a lower middle-income status and is a potential candidate for European Union membership. It signed the Stabilisation and Association Agreement with the EU in 2015 and continued negotiations with the EU will determine its political agenda in 2016. Kosovo joined the International Monetary Fund and the World Bank Group in mid-2009 and later joined the European Bank for Reconstruction and Development. HDI has increased significantly from 0.678 in 2007 to 0.714 in 2012, but Kosovo still faces challenges especially in addressing the economic, socio-political and gender disparity dimensions.

Kosovo suffered one of the highest levels of economic disparities in 2015, as net FDI dropped to 2.3% of GDP from 4.5% in the previous year, the unemployment rate climbed to 35.1% and the trade deficit accounted for more than 30% of GDP. Nearly 30% of Kosovans live below the poverty line, many among them unemployed, which aggravates the social welfare burden. However, Kosovo has maintained a consistent GDP growth rate of 3.5% since 2014, remittances increased to 12.6% of GDP and the poverty rate is declining.

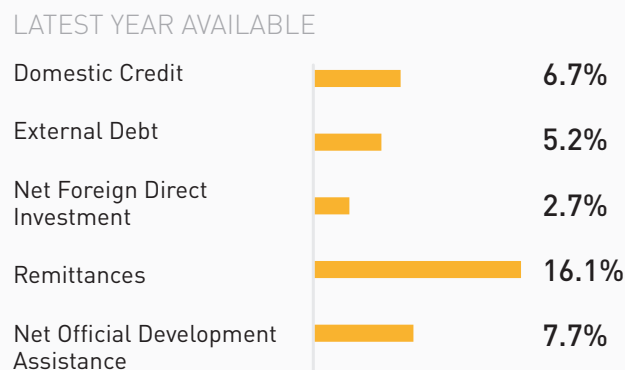
Quick Facts



Key Development Indices:

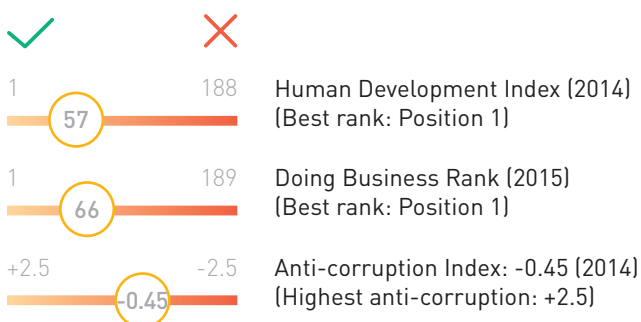


Inflows (% Gross Domestic Product)



Key Development Challenges

Kosovo has experienced solid economic growth since 1999, while limited integration into the global economy protected its economy from impact of the 2008 financial crisis. Kosovo also has a steady influx of partner support from a number of international organizations and bilateral stakeholders such as the United States and Germany. However, the fragile political context, lack of effective rule of law and reluctance to assume responsibility for partner coordination are major constraints to effective development co-operation.



*as designated by the World Bank

¹ References to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999).

2. Efforts to Implement the Effectiveness Principles

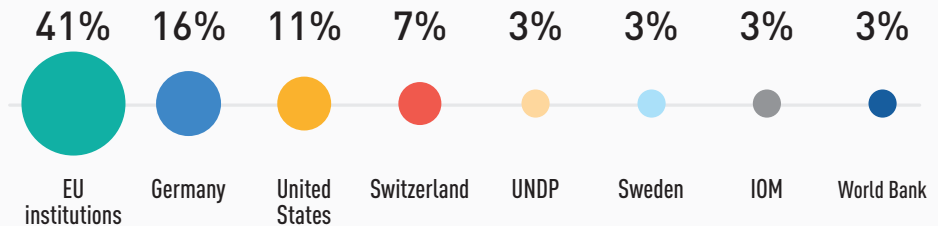
A. Policies and Tools for Partners' Alignment

Policy mechanisms such as the National Economic Development Council, chaired by the prime minister with members of ministries and private sector associations, have been established for partner participation and consultation,

encouraging non-governmental stakeholders' engagement in the policy drafting level through participation in working groups and public consultation process. 'Rules of Procedure of the Government' has been established to increase non-

governmental stakeholder involvement in development priority setting process. Specific guidelines on the policymaking process were published in 2011.

Major Development Partners of this Round (by Reported Disbursements)



Participation in 2014 Monitoring

Yes



Existence of a Co-operation Policy

Yes

B. Governance and Management of Development Finance and Co-operation

Kosovo's development priorities are established within the National Development Strategy 2016-2021, which builds consensus around and envisions the long-term development goals in terms of economic growth, social inclusion and cohesion. Non-governmental stakeholders, especially development partners, were engaged in consultations during the drafting process to ensure alignment with the Sustainable Development Goals. The monitoring framework will be developed based on the SDGs. The main focus of development co-operation regulation is coordination, programming and harmonization of development priorities, as well as an increase in the effectiveness

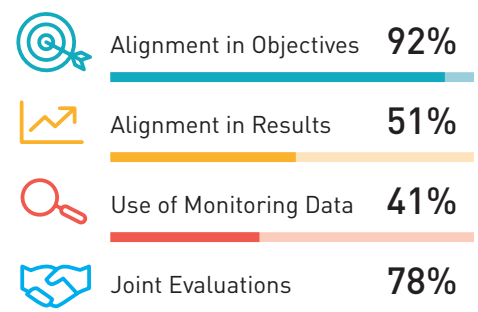
and transparency of the process. The coordination of development co-operation is based on three pillars: 1) the High-Level Forum, which determines Kosovo's priorities to be funded by development assistance, defines key indicators for monitoring of development co-operation and launches high-level discussions on development policies and strategies; 2) the Sector Working Group, which specifies the sectoral priorities and harmonizes activities of relevant sectors with policies and budget planning; and 3) the Sub-sector Working Group, which identifies and monitors sub-sector activities and ensures the implementation of development co-operation mandates.

3. Local Ownership

Indicator 1: Partners' Alignment and Use of Results Frameworks

The legal framework for strategic planning is supported by laws such as public financial management and accountability law, organic budget law, the Law on State Administration, and the Regulation of Rules and Procurement of the Government and is underpinned with several regulations on specific aspects of policy management. Institutional responsibilities for setting development

priorities and results are consistent with specifications in the legal framework. A medium-term development plan and budget framework are in place and partners and civil society were engaged in budget planning. Sector plans and strategies in transportation and education have been established while health care and public finance strategies are currently under development.

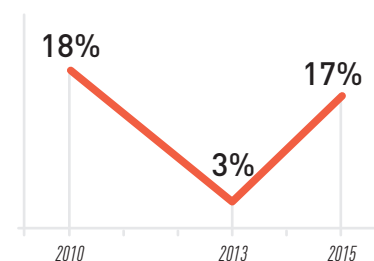


Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

The proportion of scheduled development co-operation finance recorded in the annual budgets significantly increased from 3% in 2013 to 17% in 2015, demonstrating increased connections between development co-operation programmes with policies and process for ownership and enhanced accountability

for the use of development co-operation finance. However, the amount of scheduled disbursements and the amount of finance recorded in annual budget have declined due to a reduction in earmarked ODA to Kosovo.

Percentage on Budget



Indicators 9 and 10. Use of Local Systems

Development co-operation partners significantly increased the use of public financial management and procurement systems in 2015 compared to the prior monitoring round. The use of Kosovo's budget execution procedures increased from only 0.4% in 2013 to 12% in 2015; the use of financial reporting procedures instead of a separate accounting system

and recording standards also improved from 0.4% to 12%; the use of auditing procedures reached 4% compared to 1.5% in 2013; and the use of Kosovo's procurement procedures as they were established in the legislation without making additional requirements increased from 2% in 2013 to 4%. Partners' increased use of public financial

management systems for development co-operation programmes reflects improved programme implementation and enhanced ownership of development co-operation. CPIA remained the same from 2005 to 2014. Untying of official development finance slightly declined, from 56% in 2013 to 54% in 2014.

| | Budget (ideal: 100%) | Financial Reporting (ideal: 100%) | Auditing (ideal: 100%) | Procurement (ideal: 100%) | CPIA* (maximum: 6) | Untying (ideal: 100%) |
|------------------------|-------------------------|---|---------------------------|------------------------------|-----------------------|--------------------------|
| INDICATOR 9B. | 12% ▲ | 12% ▲ | 4% ▲ | 4% ▲ | | |
| INDICATORS 9A & 10. | | | | | 4.0 ▶ | 54% ▼ |

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Civil society organizations are consulted in the initial policy drafting phase, with limited involvement in subsequent monitoring and implementation processes. The adoption of the Assembly Partnership Declaration with civil society in 2014 promotes inclusiveness and accessibility and has opened the window of opportunity for CSO participation. On the local level, the limited scope and quality of civil society consultations, the politicization of municipal institutions and the lack of trust create barriers to effective dialogue. Most

interviewed partners, especially the EU, indicate that they have been in dialogue with Kosovo on building an appropriate legal framework for a free, open and capable civil society and encouragement of CSO participation in policy processes. Private sector representation in policy planning and implementation is fragmented and insufficient. Although the willingness to engage in public-private dialogue has been expressed, the private sector currently has only been formally engaged in the initial consultation stage

for policy drafting, while initiatives still need to be taken for Kosovo to integrate the needs and concerns of the private sector into policymaking and implementation. There are promising laws on energy efficiency, environmental protection and cost reduction for businesses in Kosovo, which establish essential links between the private sector and the public sector. However, implementation has been weak due to the lack of adequate human resources allocated to education and engagement with business owners.

Indicator 8. Gender Empowerment

Gender-based exclusion is apparent in Kosovo: women are generally less likely to finish schooling, to engage in private economy, to own land and business and to take political roles. Fourteen percent of rural women are illiterate, compared to 4%

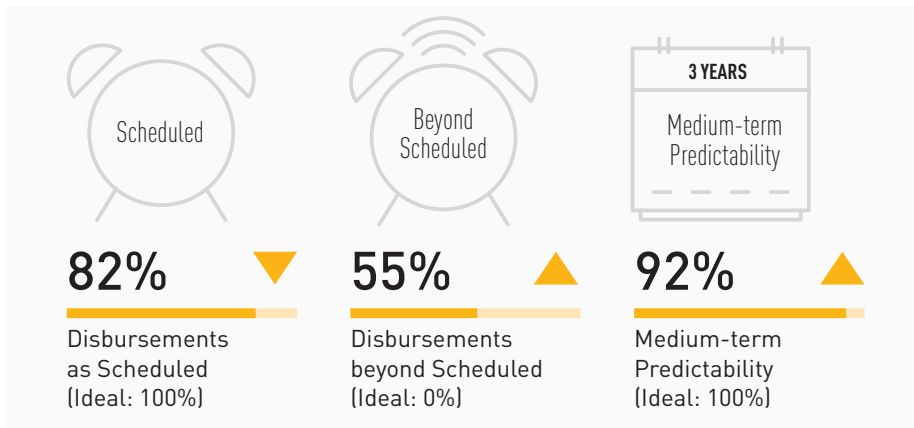
of rural men. Gender equality has received relatively limited attention from the public sector. In the Medium-Term Expenditure Framework, which sets priorities and budget expenditures, no gender-specific indicator or sex-disaggregated data

inform budget allocation at the sectoral or local level. The Framework also lacks a regular impact assessment of how men and women benefit respectively from public expenditures.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

The proportion of annual disbursements of development co-operation as scheduled has remained above 80% since 2010; however, medium-term predictability has significantly improved, as evident in the rise of indicator 5b from 65% in the 2013-2014 monitoring around to 92% in the current monitoring round.



Indicator 7. Mutual Accountability

Kosovo has established a policy framework on official development finance that defines development co-operation priorities and focuses on coordination, programming and harmonization of development priorities

and on increasing the effectiveness and transparency of the partner coordination process; development targets are set for Kosovo and development co-operation partners; a senior-level joint assessment of the targets has been implemented;

non-governmental stakeholders and local governments have been involved in the target review process; and comprehensive results of the exercises have been published.

Priorities Going Forward

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Kosovo approved the Government Programme 2016-2018 in the beginning of 2015, setting forth the policy priorities for the medium term. Five areas are identified as top priorities: 1) economic development, employment and welfare; 2) rule of law; 3) European agenda and foreign policy; 4) education, science, culture, youth and sports; and 5) modern health care.

The five priorities were reiterated and further elaborated in the Statement of Medium-Term Priorities and a new Medium-Term Expenditure Framework (MTEF) adopted during 2015 and covering budget planning for 2016-2018. Kosovo also prepared a National Development Strategy (NDS) for the period 2016-2021, which was adopted in January 2016. NDS is divided into four thematic pillars: human capital; the rule of law and good governance; development of competitive industries; and development of infrastructure. These strategic pillars commit to employment, law, business and construction. The setting of priorities in the multi-annual plans provide foreign partners the necessary guidance and allows them to harmonize their plans with Kosovo's top priorities. Thus, contribution to the Global Partnership will help Kosovo set the baselines for the indicators that would be used for other planning and programming of assistance and policies.

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Fatmir Ramaj, National Coordinator of Kosovo