



# Swiss Cooperation Strategy Kosovo 2017-2020



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# Foreword

The stability and prosperity of the Western Balkan countries constitute a fundamental aim for Swiss foreign and security policy. Switzerland's engagement in the region was initiated in the 1990s, by providing humanitarian assistance and refuge for many people. Switzerland and the Balkans have developed close ties over the years, best documented by a sizeable diaspora living in Switzerland and an intensive cooperation programme. More than 500,000 residents of Switzerland have family ties to the Western Balkans.

Starting with humanitarian assistance in 1998, Switzerland's cooperation with Kosovo has increasingly been shifted to supporting transition processes and has developed a trusted partnership based on mutual interests. The new Swiss Cooperation Strategy 2017–2020 is rooted in the spirit of the agreements of cooperation between the governments of Switzerland and Kosovo. It represents a strong commitment to continue supporting the economic, social and political transition processes in Kosovo, building on Switzerland's long-term presence in the country and earlier achievements. Over the years, Swiss-Kosovar cooperation has grown and today, Switzerland is Kosovo's third largest bilateral development partner.

Kosovo has achieved substantial progress in political and macroeconomic stability. Switzerland is determined to support the country in addressing remaining challenges in line with the priorities defined by its government in specific sectors.

The overall goal of the Swiss programme is to contribute to the progress of Kosovo on its path towards regional and European integration, fostering a democratic political system, a peaceful and cohesive society, providing inclusive access to essential services, the rule of law and a social market economy. The Cooperation Strategy focuses on four thematic domains, all of which complement each other and are mutually reinforcing. The foreseen financial commitments for the period 2017–2020 amount to CHF 85 million.

This document provides an overview of recent political and economic trends in Kosovo, and develops the rationale for Swiss-Kosovar cooperation. On the basis of the achievements and experiences of past engagement, it draws implications for the new Swiss Cooperation Strategy 2017–2020, followed by an outline of the priorities and objectives for the upcoming period. It concludes with information about programme management, monitoring and steering.

The Swiss Cooperation Strategy 2017–2020 has been developed by the Swiss Agency for Development and Cooperation (SDC), the State Secretariat for Economic Affairs (SECO), and the Directorate of Political Affairs (DP), in close consultation with Kosovar government offices and civil society partners. All three institutions closely cooperate and coordinate in the implementation of their respective parts of the Cooperation Strategy.

We are confident that the strategic goals and priorities set out in this strategy are particularly relevant to the sustainable development of Kosovo and the well-being of its people.

Berne, December 2016

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# List of Abbreviations

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ASM	Association of Serb Municipalities
CSO	Civil Society Organization
CoE	Council of Europe
COPD	Chronic Obstructive Pulmonary Disease
DANIDA	Danish International Development Agency
DGHS	Democratic Governance and Human Security
DwP	Dealing with the Past
ENE	Economy and Employment
FDFA	Federal Department of Foreign Affairs
FIFA	Fédération Internationale de Football Association
GIZ	German International Cooperation
GoK	Government of Kosovo
HSD	Human Security Division
IFC	International Finance Corporation
IMF	International Monetary Fund
IMWC	Inter-Ministerial Water Committee
KFOR	Kosovo (NATO) Force
KLA	Kosovo Liberation Army
KNDS	Kosovo National Development Strategy
KNWS	Kosovo National Water Strategy
LuxDev	Luxembourg bilateral Development Agency
MERV	Monitoring of development-relevant changes
MEST	Ministry of Education and Science and Technology
MHI	Mandatory Health Insurance
MLSW	Ministry of Labour and Social Welfare
M4P/MSD	Making Markets Work for the Poor / Market Systems Development
ODA	Overseas Development Assistance
PHC	Primary Health Care
RAE	Roma, Ashkali and Egyptians
RWC	Regional Water Company
SAA	Stabilization and Association Agreement
SCO	Swiss Cooperation Office
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goal
SECO	State Secretariat for Economic Affairs
SEM	State Secretariat for Migration
SME	Small and Medium Enterprise
TI	Transparency International
UEFA	Union of European Football Associations
UNDP	United Nations Development Programme
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
VBS	Federal Department of Defence, Civil Protection and Sport
VET	Vocational Education Training
WB	World Bank
WCCR	Water and Climate Change Resilience
WWTP	Waste Water Treatment Plant

# Glossary

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**Brussels Agreement:** Kosovo and Serbia concluded the "Brussels Agreement" on 19 April 2013 with the aim of integrating Serb-majority municipalities from northern Kosovo into the regular institutional landscape of Kosovo. Furthermore, the Serb-majority municipalities had a large number of Serbs working in parallel institutions. The integration process and the dissolution of the parallel Serb institutions is progressing, albeit slowly. On the one hand it is feared that many Serbs who lose their jobs might emigrate and on the other hand the establishment of the Association of the Serb Municipalities has resulted in resistance from Kosovar parties that see this as undermining Kosovo sovereignty.

**EULEX:** is the EU's support for Kosovo's EU integration in the rule of law and in 2009 took over a large proportion of the tasks managed by UNMIK. It continues to fight against corruption, organized crime and war crimes with 800 international and local staff and a mandate until June 2018. Switzerland is also contributing to the EULEX mission.

**RAE:** Kosovo's Roma, Ashkali and Egyptians are historically its poorest and most economically, politically and socially marginalized. Roma have been marginalized because of their cooperation with the Serb minority during the war and are seen as 'collaborators', whereas the Albanian-speaking Ashkali and Egyptians are ethnically marginalized. Their population has been shrinking from 200,000 before the war to 38,000 today or roughly 2% of the population.

**Serb majority municipalities:** 10 of Kosovo's 38 municipalities have a Serb majority. Four of these municipalities in northern Kosovo have operated under direct control from Belgrade since after the war in 1998/99. Only recently has Kosovo started exercising some control over

municipal activities and standards as a result of the Brussels Agreement mediated by the EU and signed in 2013. The other six municipalities with Serb majority constitute enclaves, although they have been integrated into the state institutions of Kosovo.

**SAA:** The Stabilization and Association Agreement (SAA) with the EU was signed in 2015 and entered into force on 1 April 2016. It paves the way for formal negotiations of EU membership and visa liberalization. The agreement was signed by the EU as a legal entity and thus did not need to be ratified by all member states, as has been the case for previous SAAs with other Western Balkan states.

**Poor and discriminated groups:** The poverty headcount, in relation to the national poverty threshold, is 29.7% of the population, according to the latest available data from 2011. Beyond an overall aim of reducing poverty, the Swiss programme focuses particular attention on those who are most unlikely to benefit from development and those most likely to remain under the poverty threshold. RAE communities suffer from exclusion based on multiple reinforcing inequalities: they are devalued, face unfair distribution of assets and a lack of access to opportunities, and these disadvantages are furthermore passed down from one generation to the next. Particular measures and careful monitoring are needed to ensure the SDC contributes to supporting RAE social inclusion. Gender inequalities are particularly prevalent in Kosovo and will be systematically addressed through gender mainstreaming. Other excluded population groups such as the disabled, young people and citizens living in rural areas may also have special needs requiring particular attention.

# Executive Summary

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**Background:** With the signing of the Stabilization and Association Agreement (SAA) in 2015, Kosovo has made further progress towards integration into European Union structures. Nevertheless the political situation is characterized by polarization and a deficit of democratic culture, expressed by a lack of power sharing and limited participation of citizens owing to a serious mistrust in politics. Kosovo's peace and reconciliation process remains fragile. Relations between the Kosovo Albanian majority and the Serb minority continue to be tense and complex. The economy has grown moderately in recent years but is still very weak and unable to provide the number of jobs needed to absorb those entering the market every year (around 30,000). Disparities within Kosovar society are growing because many are excluded from the labour market. The country is unable to cope with the transition from a system where the government was the principle provider of employment. A modern and democratic legal framework has been put in place, national and sectorial strategies and policies are of a high quality, but the principal problem is poor or lacking implementation.

**Main goal and outcomes of the new strategy:** Switzerland and Kosovo enjoy close bilateral relations. Switzerland is one of Kosovo's main partners and a major donor. Switzerland is also home to the second-largest diaspora of Kosovars, i.e. about 180,000 persons. With this new strategy for 2017-2020, Switzerland intends to contribute to the progress of Kosovo on its path towards regional and European integration, fostering a democratic political system, a peaceful and cohesive society providing inclusive access to essential services, the rule of law and a well-functioning economy for the benefit of all. Switzerland's engagement aims to address the root causes of poverty and fragility, and strengthen the sound functioning of state and non-state institutions.

**Implementation approaches:** The inclusion of specific disadvantaged minorities (Roma, Ashkali and Egyptians [RAE]) and other excluded

categories of the population (women, youth and disabled) will require a multi-faceted approach across programme cycles and as transversal issues. This will be complemented by efforts to mainstream gender equality and good governance across the Strategy's domain portfolios. Furthermore, the most disadvantaged groups (RAE) will be targeted throughout the Swiss programme either through project activities or specific additional measures in each domain. In all domains the participation of women – whether as staff of implementing organizations or as beneficiaries – will be encouraged, through appropriately designed activities and more systematic gender disaggregated monitoring. Switzerland is the lead donor in the “Water and Climate Change Resilience” domain and plays an important role in donor coordination in the other domains of “Democratization, Governance and Human Security”, “Health” and “Employment and Economy”.

**Actors and aid modalities:** Besides the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO), which have been providing assistance to Kosovo for several years, the Human Security Division (HSD), which had its own strategy until 2016, will also contribute to the implementation of the Swiss Cooperation Strategy Kosovo 2017-2020. Furthermore, the State Secretariat for Migration (SEM) will implement additional activities through the Swiss Migration Partnership Strategy for the Western Balkans 2016-2019. The implementation modalities will include a variety of bilateral projects with Swiss, international and local implementers as well as cooperation with international and multilateral agencies (e.g. the IFC and the World Bank).

**Resources:** Switzerland's support to Kosovo will be coordinated by the Swiss Cooperation Office in Pristina. The overall financial framework for the period 2017-2020 (CHF 85 million) remains at a similar level to the amount disbursed during the previous Cooperation Strategy for Kosovo.

# 1 Context

## 1.1 Political developments

Eight years after declaring independence, Kosovo's state-building process is not yet completed and will require further substantial efforts. Regional and European integration is at a very early stage and full UN membership remains a distant goal. With the signing of the Stabilization and Association Agreement (SAA) in 2015, Kosovo has made further progress towards integration into European structures, but the road towards EU accession is likely to be long and difficult. Since both Kosovo and Serbia want to join the EU, they are eager to fulfil the necessary conditions as quickly as possible. This may speed up the normalization process between them. Kosovo's goal for international state recognition has made some progress by joining International Organizations (i.e. Permanent Court of Arbitration, FIFA) although access to UNESCO membership was denied.

A modern and democratic legal framework has been put in place, national and sectorial strategies and policies are of a high quality, but the principal problem is poor or lacking implementation. All necessary institutions and standards exist yet these institutions function only partially or not as intended. The ruling elite is monopolizing power at the central level, servicing its own clientele while excluding large parts of the population. Moreover, the political situation, the pace of sectorial reforms and the normalization of relations with Serbia are heavily influenced by international actors (i.e. EU and the US) often favouring stability over reform and the rule of law.

The political situation is characterized by polarization and a lack of democratic culture, which is expressed by a lack of power sharing and a limited participation of citizens, as well as non-functioning accountability mechanisms.

Frequent and sometimes violent protests by the opposition since the autumn of 2015 – reflecting a very high level of frustration with bad governance and monopolization of power – are hampering the smooth functioning of parliament and jeopardizing any form of political stability. The government is not accountable enough to parliament and checks and balances are weak.

The judiciary is highly politicized and largely unable to tackle the clientele system and widespread corruption. The situation is more promising at municipal level, especially since the last local elections in 2013 when the electorate voted several non-performing mayors out of office and candidates with a citizen-oriented reform programme gained power. Civil society organizations (CSOs), including critical media, are active but remain financially dependent on international donors and have weak local constituency links.

Kosovo's peace and reconciliation process remains fragile. Relations between the Kosovo Albanian majority and the Serb minority continue to be tense and complex. Still many Serbs do not really feel welcome in Kosovo and remain economically, politically and socially isolated. Many Serbs do not feel they are part of Kosovo at all. This crystallizes in diverging visions





between ethnic groups. Dismantling of parallel structures and integration of Serb majority areas into Kosovo's institutional life is progressing very slowly, further complicated by political interference from Belgrade which remains a destabilizing factor, especially in northern Kosovo. The slow pace of the integration process, the lack of immediate benefits from the peace process and negotiations with Serbia are fuelling a general feeling of frustration.

Kosovo's authorities agreed to the establishment of the Specialist Chambers for war crimes committed by KLA members (located in The Hague) and signed key agreements with Serbia in August 2015, although major parts of these agreements remain unacceptable to the political opposition.

The above-mentioned efforts, with the backing of the SAA, are signs of continued progress and reforms that offer interesting prospects for development. However, there is little evidence that these stepping-stones have been embraced by the political elites on the necessary path towards gradual and coherent reform of all public sectors. As a result, there are serious political risks that could undermine these efforts and even lead to growing internal divisions and destabilization, such as the continuation of the deep inter-ethnic divide between the Albanian and Serb communities.

## 1.2 Socio-economic developments

Kosovo is a lower-middle-income country with a GDP per capita of USD 3,551 (World Bank Overview Report). It still has a very low level of public debt (around 6%) and has a sound fiscal policy and financing sector. There are only limited direct foreign investments (USD 186 per capita in 2012), which are complemented by a substantial inflow of remittances and investments from among the diaspora (USD 586 per capita). Official development assistance is also significant (USD 314 per capita), being still one of the highest in the world. This is a result of the post conflict situation, which remains fragile.

The economy has grown moderately in recent years but is still very weak and unable to provide the number of jobs needed to absorb those entering the market every year (around 30,000). Unemployment, which stands at around 30%, is especially high among women: 72% in the age group 18-24 compared to 56% for men in the same age group (2014).

Disparities in Kosovar society are growing because many are excluded from the labour market through nepotism, ethnic-based discrimination, gender-biased attitudes and ill-conceived and managed services that don't take

the needs of vulnerable population groups into account. Whether non-elite Kosovar Albanians, ethnic minorities, women, people living in rural areas, the young, the elderly or disabled persons, social and economic exclusion affects a large part of the population. For ethnic minorities these categories intersect with ethnic-specific forms of exclusion, making Serbs, Roma, Ashkali, Egyptians and others significantly more at risk of poverty and exclusion. These structural barriers to inclusion contribute to Kosovo's fragility.

The country is unable to cope with a growing demand for good-quality services and to manage the transition from a system where the government was the principal provider, to a more market-oriented system with space for private actors. As a result, both in health and in education, access and quality levels are low. Human resources capacities in the public healthcare system are especially inadequate and widespread corruption excludes large segments of the population from proper treatment. Health indicators are among the poorest in Europe.

Kosovo's demographic situation is characterized by the fact that half of its population is under 30 years old and half of them are unemployed. Migration from rural to urban areas, mainly Pristina, and other opportunities elsewhere have fuelled growth in the capital and contributed to a brain drain abroad over the past few years. Exclusion from economic



opportunities, from the job market and the above-mentioned lack of access to services such as education and health are contributing push factors. Additionally, public institutions struggle to deliver high-quality public services such as water and electricity, which would be the basis for a stable economy.

The forthcoming steps towards visa liberalization might provide some relief and a sense that the road towards EU integration is worth pursuing. However continued jobless growth of the economy poses severe risks that can fuel frustration among the youth with a risk of radicalization and/or drifting into illegal activities that would result in adding to the fragility of the country.

### 1.3 Environment

The environmental situation is problematic and affects negatively the health status and well-being of the population. Air, water and soil pollution are decidedly evident, stemming mostly from the lignite-fuelled thermal power plants, lack of wastewater treatment, wasteful residential household heating, and emissions from vehicles. Also poor solid waste management is another source of pollution. The treatment of growing volumes of solid waste and wastewater is a challenge. The existing public infrastructure is inadequate, inappropriate and/or unable to meet EU standards. Environmental legislation is mostly in place, but not implemented.



## 2 Rationale for cooperation between Switzerland and Kosovo

Switzerland and Kosovo enjoy close bilateral relations. Switzerland is one of Kosovo's main partner countries and donors. Switzerland is also home to the second-largest diaspora of Kosovars, i.e. about 180,000 persons. During the crisis and the war of 1998–99 Switzerland provided humanitarian aid for those who had remained in the country or the region, and supported the safe return and reintegration of those who had fled. Swiss humanitarian activities were subsequently replaced by reconstruction and development programmes.

27 February 2008. Since then, the two countries have signed a number of bilateral agreements, especially in the areas of technical and financial cooperation, civil aviation, road transport for passengers and freight, trade and investment protection. Bilateral relations are forged by the above-mentioned large Kosovar diaspora present in Switzerland and persons with dual citizenship. This creates a dense network of intensive relations and exchanges, including business relations. Furthermore, several Swiss NGOs are active in humanitarian and



Through peace promotion activities and the SWISSCOY deployment under KFOR (by far the largest Swiss Armed Forces contingent in the world with about 200 military personnel), Switzerland further promotes long-term stability and democracy in the country. These contributions to Kosovo's stability and its integration into Western European structures represent a fundamental security interest of Switzerland.

Switzerland was one of the first countries to recognize the new Republic of Kosovo and established diplomatic and consular relations on

development cooperation. The Swiss private sector, however, remains largely absent owing to the difficult business environment. Because of this past and on-going cooperation between the two governments, Switzerland enjoys exceptionally good relations and in-country access to institutions and people.

Since 2010 Switzerland and the Government of Kosovo have formed a migration partnership aimed at establishing coherent and effective policies in areas of migration management.<sup>1</sup> Switzerland has an interest in supporting regular migration and at the same time reducing

<sup>1</sup> The framework strategy for the Western Balkans' Migration Partnership (including Kosovo, Bosnia and Herzegovina and Serbia) has been extended for the period 2016-2019.

irregular migration. Since Kosovo is considered a “safe country”, migrants from Kosovo are not likely to be granted asylum and work in Western Europe. However it is in the interests of Kosovo to have access to regular migration into Western European countries and to obtain the long-awaited visa liberalization, which was announced recently by the EU. Moreover, while the region has to deal with migrants originating mainly from the Middle East and Africa, this migration has not had a direct impact in Kosovo as of yet. This is predominately due to the fact that the main route migrants take is through neighbouring countries.

The Government of Kosovo (GoK) is focusing on the right priorities based on the Programme of the Government of the Republic of Kosovo 2015-18. The document identifies five main pillars: (1) Sustainable economic development, employment and welfare, (2) Rule of law, (3) The European agenda and foreign policy, (4) Education, science, culture, sports and youth development and (5) Modern healthcare. These priorities are reiterated within the new Kosovo National Development Strategy (KNDS) 2016-21 (approved in January 2016) although it is structured across new headings and more focused on economic development: (1) Human capital, (2) Good governance and rule of law, (3) Competitive industries and (4) Infrastructure. It clearly outlines the top priorities for Kosovo in

the coming years, namely that the labour force becomes an engine of development, that legal certainty and effectiveness of institutions is a pre-requisite to economic welfare, that the state should address market distortions and deliver an environment conducive to business, and that reliable and affordable infrastructure (especially secure power and water supply) are essential.

The Swiss Cooperation Strategy is fully aligned to both the Federal Dispatch on International Cooperation and to the Sustainable Development Goals. It is specifically striving to build effective, accountable and inclusive institutions at all levels (SDG 6) and to promote sustained, inclusive and sustainable economic growth, in order to achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities (SDG 8).

In recent years, Kosovo has received between USD 213 million (2012) and USD 441 million (2014) in aid. This generates substantial challenges in terms of coherence and coordination, with frequent and sometimes contradictory interference. Big external supporters of the development process and reforms are the EU, World Bank, IFC and UNDP, and bilateral donors Germany, the United States, Switzerland (SDC, SECO, HSD and SEM), Norway, Austria and numerous other actors.



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# 3 Results of the Swiss Cooperation Strategy Kosovo 2013–2016

Over the period of the Cooperation Strategy Kosovo 2013–2016 Swiss support was focused on four domains: Democratic Governance and Decentralization, Economy and Employment, Water and Sanitation, and Health. A special migration programme (covering the Western Balkans region) was implemented and the Kosovo activities were closely coordinated with the Cooperation Strategy. The strategy was implemented with close cooperation between the involved Swiss actors: SDC, SECO, HSD and the SEM. The main results achieved and lessons learnt as a result of the Swiss contribution are:

## 3.1 Democratic Governance and Decentralization

Through the support of 17 (out of 38) municipalities, including 6 Serb-majority municipalities (out of 10 in Kosovo), downward accountability has improved, as citizens better understand their roles and demand better services. Around one third of the population of Kosovo benefited from improved municipal services, mostly public spaces, waste management and public lighting.

Civil society was strengthened through institutional support and grants. This has increased the influence of civil society at policy-making level. However, the development of strong constituency relations remains a challenge. Through Swiss co-financing, a web platform was established where cases of mismanagement, corruption and misuse of public functions can be reported ([www.kallxo.com](http://www.kallxo.com)). More than 4,000 cases were reported and around 400 of them were further investigated resulting in 33 court cases.

The contribution to the Association of Kosovar Municipalities (AKM) has effectively represented municipal interests in the policy dialogue (e.g. about reserving 10% of the state budget for municipalities or to cover costs for the health insurance of municipal staff by the state), the collection of membership fees has gradually but consistently increased and in 2014 Serb majority municipalities in the southern part of Kosovo paid membership fees for the first time.

A specific success story is the introduction of a nationwide notary service in 2012 with Swiss

support. The 74 licensed notaries (incl. 18 women and 5 from minorities) dealt with thousands of cases per month (i.e. formalization of real-estate transactions or other issues relevant to the livelihood of citizens) and thus reduced the workload from the overloaded courts.

Lessons learned were: i) There is evidently clear potential gain for promoting democratic governance and accountability at the municipal level. The Swiss programme has an important role to play in supporting the continuation of these efforts and supporting drivers of democratic change. ii) Selected alternative options for access to justice have proven very effective. The successful establishment of the notary service has relieved the court system: “An excellent example of an important niche in the judicial reform supported by a sole donor” (quote from the external review).



## 3.2 Economy and Employment

Kosovo has moved forward in instigating business environment reform processes. The Swiss support for a reformed business environment has helped improve Kosovo's position in the “doing business report” by 60 places over the last 4 years. The support to mainstreaming business licenses and permits has resulted in a considerable reduction of the compliance costs for businesses. In addition the launch of the national online e-registry that includes all the relevant information regarding

the official requirements (licenses and permits) as well as the related fees is now made public. This contributes directly to making the processes of obtaining licenses and permits more transparent and easier. Support in modernising the tax administration helped improve revenue collection. In 2014 the revenues collected exceeded the budgeted target by 8%.

Efforts were also made to close the gap between job offers and available skills. The advertisement of job openings by public and private job portals has massively increased and contributed to a better functioning of the labour market. As a result around 9,500 women and men found a job through interventions by the improved public and private job matching system. Investments by new and growing private companies mainly in the ICT and agriculture business sectors resulted in around 2,000 new jobs. The total employment rate among the age group 15-34 in Kosovo is around 110,000 people employed. This age group is targeted through Swiss activities.

Female participation in both categories was 40%. Additionally 5,000 young men and women have improved their skills, knowledge and outlook mainly in the ICT, tourism and agriculture sectors and are transitioning now from school to work, while several thousand students have been counselled in career guidance services. Significant achievements were also made in the facilitation of a dialogue between public authorities and the private sector.



There have been several efforts to address the needs of the Serb communities in the north mainly by providing support in the ENE domain. For example the International Business College

in Mitrovica, construction of market places, business centre promotion for women and private sector initiatives in the areas of tourism and food processing were supported.

Lessons learned were: (i) In order to have an impact on employment a stronger focus on skills development is needed. (ii) The current composition of the ENE portfolio consisting of SECO and SDC measures at different levels is an effective way to leverage results. (iii) Addressing the special needs of RAE through mainstreaming had limited results; therefore a more targeted approach will be implemented.

### 3.3 Water and Sanitation

Access to drinking water in rural areas has increased from 60 to 70% (or an additional 98,000 persons) during the past three years. An additional 290,000 inhabitants of urban areas benefited from a substantially improved water supply in terms of quality and quantity.



Several schemes were implemented in municipalities with minorities, representing 11% of the overall beneficiaries. Although the overall payment collection for water services improved by 2% and the non-revenue water (water losses and unpaid water) was reduced by 1%, the total amount of non-revenue water is still unsustainably high, accounting for 57% of the distributed water in the system. Switzerland has supported preparatory work for the construction of wastewater treatment plants in two cities (Gjakova and Peja).

Switzerland has also significantly contributed to institutional development by the establishment of the Inter-Ministerial Water Council, the elaboration of sector policies and investment plans, the integration of rural water systems, and maintaining the position of Regional Water Companies (RWCs). This has enabled Kosovo to establish a future-oriented water sector with relevant policies and legal requirements in place. By playing a leading role in the water sector Switzerland has been contributing to the policy dialogue (improving laws, setting priorities and standards, coordination among the various stakeholders, etc.) and coordinating sector activities, thus maintaining the high profile of this sector. However, a number of management constraints remain and the sustainability is hampered by weak management capacity and the proper governance of water service institutions – for example the seven RWCs – remains a challenge.

Therefore, as a lesson learned, future Swiss engagement will put special emphasis on management issues as well as on the aspect of governance.

### 3.4 Health

Switzerland is well positioned in its support of key elements of the health sector reforms: planning and prioritization mechanisms for drugs, the establishment of mandatory health insurance (MHI) and strengthening of Primary Health Care (PHC). Owing to the fact that the portfolio was newly established, support is still in its initial implementation stage. Capacity development in health management, better

targeting of subsidies and improvement of coverage (inclusion of vulnerable groups) are areas in need of a programmatic boost. Swiss support has contributed to the adoption of a health insurance law and bylaws as well as to improving the planning and prioritization mechanisms for drugs. Unfortunately, the pace of the reform is rather slow owing to governance issues, lack of political willingness as well as limited capacities at both at central and local level.

### 3.5 Migration

The migration partnership – based on close cooperation between the SEM and the SDC – has supported Kosovar authorities in developing a whole-of-government approach to migration management and in establishing the respective institutional mechanisms; in addition, specific projects targeted RAE communities (housing improvement, income generation and education for children) and benefited several hundred households. Several grants were provided for diaspora organizations in the domains of “Democratic Governance and Decentralization” and “Economy and Employment” with the aim of strengthening the diaspora's contribution to the development of Kosovo. A lesson learned is that migration is the effect of many causes; tackling it effectively is therefore associated with a number of challenges and complexities. Moreover, working with the diaspora raised high expectations while the scope for action by the government institutions and donors remains limited.



## 4 Implications for the Swiss Cooperation Strategy Kosovo 2017-2020

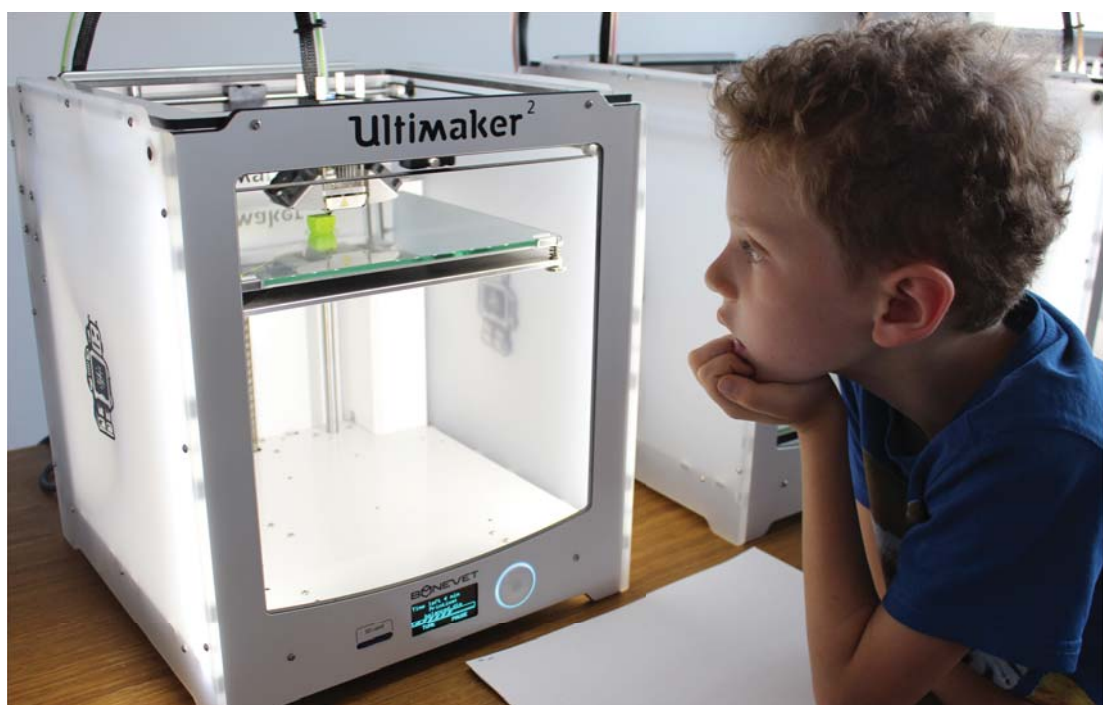
The lack of job creation, poor education standards at all levels, limited access to high-quality public services (especially healthcare and water), weak rule of law and inter-ethnic tensions as a result of the unfinished peace process and transition agenda, are core issues for Kosovo's fragility and the main determinants of poverty and social, political and economic exclusion which the new Swiss programme will thus address.

The Swiss programme will contribute to strengthening political reform processes for an inclusive state, increasing the trust of people within the institutions and reducing corruption. In order to support Kosovo's transition out of fragility, and given the fact that institutions and necessary legislation exist, the focus will be on an improved oversight function of the legislature. This involves the strengthening of checks and balances, improved transparency and performance of state institutions and improved access to key social and economic services (skills and education, employment, water and health). Furthermore, in all Swiss activities precedence will be given to the preventing and tackling of corruption, moving towards more legitimate politics and the rule of law as well as the specific inclusion of poor and discriminated groups.

The thematic priorities of Swiss cooperation during the past years remain highly relevant in tackling fragility issues and correspond to development priorities for the GoK. They also fit with the priorities of the Federal Dispatch 2017-2020 of the Swiss government.

The most disadvantaged groups (RAE) face systematic exclusion as a result of multiple discriminations that strongly reduce their socio-economic opportunities. These groups suffer from cultural forms of discrimination and devaluation resulting in low social status and poor self-esteem. As a result they will be targeted throughout the Swiss programme either through the projects' activities directly or through specific additional measures in the different domains. In addition to gender, exclusion based on either ethnicity, disability status and/or generational age group will be mainstreamed throughout the programme, based on detailed context analysis regarding sector-specific barriers and factors excluding certain population groups.

Activities in the Kosovo-Serb communities take place in a complex and politically fragile environment requiring a specific consideration of "do no harm" principles. The Swiss Cooperation Office (SCO) has reviewed its approach to Serb communities and concluded that there







should not be a specific emphasis on the northern Kosovo communities, but that activities should be planned and implemented in the existing domains in consultation with the Serb political leadership, wherever they are a part of Kosovo's legal institutions.

The migration partnership between Switzerland and the GoK will continue with close coordination among the different federal offices in Switzerland and between its partners in Kosovo and the SCO.

Switzerland can add value by supporting regional and European integration, pursuing a principled approach guided by and measured

against European values and standards. Switzerland also has a strong record as a federal and multi-cultural society and can thus contribute its experience in strengthening social, political and economic inclusion of different socially disadvantaged groups. This includes striving for good governance and high-quality services in local administrations, public infrastructure, health and employment which can be based on Switzerland's long-standing experiences in Kosovo and relevant sector know-how that can be transferred and adapted to local conditions (e.g. elements of the dual VET system).

# 5 Strategic orientations and priorities for 2017-2020

## 5.1 Overall Goal

A priority of Switzerland's foreign policy strategy is to safeguard political and economic interests as well as to promote stability and security in Europe. Switzerland supports transition (in Kosovo and elsewhere) to democracy and social market systems, which provide opportunities for equal access to political decision-making and resources, security and services for all. In order for Kosovo to become a stable and successful nation within Europe, further improvements in the rule of law, governance at all levels, human rights, security and economic prospects are essential. Therefore, the overall goal of the Cooperation Strategy is the following: Switzerland contributes to the progress of Kosovo on its path towards regional and European integration, fostering a democratic political system, a peaceful and cohesive society providing inclusive access to essential services, the rule of law and a social market economy. To achieve this goal, activities will be designed and adapted across the four domains in order to tackle and overcome the root causes of developmental barriers and Kosovo's fragility.

## 5.2 Domain 1: Democratic Governance and Human Security

Based on the given potential to achieve effective results at the local level, this domain will further support drivers of positive reform in municipalities to deliver public services in a more accountable, transparent and effective manner,

e.g. by more actively involving local assemblies. Services at municipal level must extend their outreach and become more accessible to all citizens.

Likewise, citizens, CSOs and the media will be supported – with a special focus on supporting their constituency-building – to actively engage in political and administrative processes at a local and central level. Through this, local governments should be made more accountable, transparent and socially inclusive, and thereby less prone to fragility. Municipalities will be supported in their active participation in the decentralization policy dialogue at the national level and in improving their capacity to finance their activities. At the central level, institutions will be supported to be more inclusive in key political processes in order to achieve greater social cohesion, specifically in the areas of dealing with the past and the dialogue with Serbia. Confidence-building measures intended to reinforce trust within society, and trust of the population in democratic governance will be supported, including mechanisms for greater protection and respect for human and community rights. The domain objective is “The three state powers at central and sub-national levels (legislative, executive and judiciary) strive for socially inclusive governance and effective service provision. Strong civil society organizations and citizens foster peaceful relations between communities.” Considering the deficiencies of governance and the rule of law at the central level, the new programmatic pillars to be explored are of selective support in judicial reforms (e.g. the positive experience with establishing a notary system could open new support paths), support to the parliament (SDC and HSD) and an expansion of the fight against corruption (e.g. through CSO support). All options require careful context analysis, close cooperation with other donors in this area (especially the EU) and the identification of specific niches (e.g. environmental crimes, support of parliamentary commissions, etc.).

As a result of the Swiss contribution the following outcomes are planned:

- Outcome 1.1: Line ministries and supported municipal administrations provide better and more effective services to all their citizens. The



national and local assemblies hold their governments to account, legislate in a reform-enabling way and foster their constituency relations.

- Outcome 1.2: Citizens and CSOs use offered and – where necessary – claim spaces for participation in the shaping of public affairs thereby fostering trust between communities and public institutions.
- Outcome 1.3: The three state powers together with independent oversight bodies and CSOs take credible steps to foster inclusiveness in key political processes, specifically relating to dealing with the legacy of the past and the political dialogue with minority communities and with Serbia.

### 5.3 Domain 2: Economy and Employment

The interventions in the area of private sector development and an enabling business environment remain highly relevant, and are important for attracting more foreign and local investment necessary for the much needed creation of SMEs and employment opportunities. Skill mismatch remains one area where Kosovo falls short of the labour market requirements; there is a big and urgent need to equip young people with the skills and competencies required by the labour market. Hence more emphasis will be given to closing these competency gaps. The domain objective is that “The three state powers (legislative, executive and judicial) at central and local levels engage with the private sector and civil society

organizations (CSOs) to improve business conditions and create a dynamic labour market that offers employment and business opportunities for all”. This will require an overall improvement in the business environment, an effective supply of qualified people (both technical and soft skills) and the promotion of entrepreneurship. A dynamic development, especially of the private sector, will generate additional new jobs. The existing vocational training offer in selected sectors will be made more practical and relevant using elements of the Swiss dual-track system and more responsive to the needs of the private sector. This will be done in cooperation with the private sector incl. Kosovar diaspora SMEs from Switzerland, the Ministry of Education and Science and Technology providing formal vocational education and with the Ministry of Labour and Social Welfare imparting non-formal and adult vocational training. This will contribute to better prospects for young people, beyond migration and potential radicalization. In the Kosovo National Development Strategy (KNDS 2016-2021), the government has set as a first priority Human Capital Development, specifically addressing vocational education reform and foreseeing specific measures for promoting the VET dual-track system.

The ENE domain further aims at improving competitiveness of companies through the strengthening of institutional framework conditions, reforms to the financial sector, tax administration and public financial management, making them more efficient and effective.



As a result of the Swiss contribution the following outcomes are planned:

- Outcome 2.1: The public and private sectors together with CSOs join forces to improve the business environment leading to the creation of a more dynamic and inclusive market system.
- Outcome 2.2: Ministry of Labour and Social Welfare and Ministry of Education together with the private sector take affirmative action to address unemployment, especially among the youth in the age group 15-24 with new or improved market-oriented skills, knowledge and working attitudes.
- Outcome 2.3: Unemployed people actively seek and find decent jobs through formalized job mediation services that offer demand-oriented services and improve the chances of the private sector hiring the right people.

#### 5.4 Domain 3: Water and Climate Change Resilience

Today, 70% of the population in rural areas (84% country-wide) has access to clean water but only a few people are linked to sewage systems. Modern wastewater treatment is virtually non-existent in the entire country. Switzerland – as the lead donor in the water sector – continues to work on improving the situation through policy dialogue, by strengthening the institutions managing and governing the water sector, such as the Inter-Ministerial Water Council and the Regional Water Companies (RWCs), and by co-investing in drinking water networks and wastewater treatment facilities. Access to high-quality and affordable water and sanitation services will improve livelihoods. Further measures like raising awareness will lead to a more rational use of water and change the payment behaviour of consumers. Regarding environmental issues, sustainability of infrastructure and services will be strengthened with the help of targeted activities at the municipal and regional level with an aim to lower emissions and foster climate-resilience (e.g. improved energy-efficiency and use of renewable energy sources). The domain objective is that “the public utilities (RWCs) with their state oversight institutions provide high-quality water and sanitation services and improved governance of water and energy resources, thereby contributing to better living conditions of the population, higher resilience to climate change and an improved state of the environment”. Achieving this objective will contribute to increasing citizens' trust in state institutions. Further options to be explored

include an evaluation of investment opportunities in the water and energy sectors based on the project pipeline of the KNDS 2016-21 and support for environmental policy reforms (e.g. taxing and pricing and applying the “polluter pays” principle).



As a result of the Swiss contribution the following outcomes are planned:

- Outcome 3.1: People have access to and are willing to pay for affordable high-quality water and sanitation services that improve their livelihoods.
- Outcome 3.2: Supported RWCs manage water, sanitation and wastewater services in an efficient and transparent manner and are accountable to their respective oversight bodies.
- Outcome 3.3: The supported municipalities and RWCs increasingly recognize the need and are willing to more effectively and efficiently protect the environment and reduce impacts related to climate change.

#### 5.5 Domain 4: Health

Considering key health indicators are among the poorest in Europe, the modernization of public healthcare has become a priority for the GoK, as indicated by increasing financial contributions and the launch of comprehensive health sector reforms. The Swiss programme will support the implementation of the GoK's reform agenda, such as in the introduction of a Mandatory Health Insurance (MHI), which aims

at ensuring universal access to services and a strengthening of PHC. The MHI will improve financial protection, enhance the availability of drugs and medical supplies, while reducing present-day out-of-pocket payments. Particular emphasis will be put on supporting the system's understanding of and response to the needs and concerns of disadvantaged and excluded groups as well as strengthening managerial capacities in health facilities and reinforcing accountability mechanisms. At the local level, the programme will increase the quality of care by strengthening the capacities of health service staff – clinical staff and managers – as well as enhancing access to services. In view of the increasing burden of non-communicable diseases, strengthening the capacities of the system to prevent, address and manage these diseases requires increasing attention. Health promotion will be an important pillar in increasing the health literacy of the population and strengthening demand and social accountability within the system. The domain objective is “Key actors involved in healthcare provision, purchasing and regulation contribute to the development of a sustainable healthcare system that offers qualitative and affordable services to its population”.

As a result of the Swiss contribution the following outcomes are planned:

- Outcome 4.1: National and local public health institutions and facilities offer more qualitative, accessible and affordable services to citizens, including disadvantaged and excluded groups.

- Outcome 4.2: The population improves its health literacy, adopts healthier behaviours and holds health authorities to account.

Despite the fact that the SDC has become a key actor in the health sector (in cooperation with the World Bank and LuxDev) there are significant challenges owing to the complex institutional landscape, the political interests involved and the magnitude of necessary behavioural and institutional changes required.

## 5.6 Migration Partnership

Migration remains a pressing issue for Kosovo. The root causes of migration are complex and further add to the fragility of the country and its population. Being a multi-causal phenomenon, addressing migration in Kosovo requires a multi-dimensional approach. Addressing the first dimension through the migration partnership, Switzerland will support Kosovo in strengthening migration management authorities and support the development and implementation of better policies through the whole-of-government approach. The second dimension will entail grassroots and institutional support for the social inclusion of excluded groups that are vulnerable to migration, with an emphasis on RAE communities.

The third dimension involves the strengthening of the diaspora's contribution to the social and economic development of Kosovo. These last two dimensions are an integral part of the SDC's programme.



## 6 Programme implementation and management

Given the fragile political and economic context within Kosovo and the region, the delicate – albeit improving – bilateral relations with Serbia, the multi-faceted exclusion of large parts of the population from public services and formal economic activities, the principles and approaches of **Conflict Sensitive Programme Management** will be mainstreamed across all concerned projects with the aim of reducing fragility and mitigating or transforming conflicts. In this regard, context-sensitive and results-oriented development cooperation is essential.

The specific **approaches to tackling fragility issues** focus on the following main elements: (1) the human rights situation is systematically considered by all Swiss actors at national and municipal levels; (2) intensified policy dialogue and support at all levels to address root causes of low political legitimacy and corruption are tackled by enhancing transparent and participatory decision-making and merit/performance-based incentive structures; (3) projects in all four domains systematically use their potential to support people to escape poverty and prevent impoverishment and to address structural and legal factors which lead to social, political and economic exclusion and; (4) where feasible, multi-donor initiatives or sector-wide approaches are supported to enhance peace and state-building processes in strong multi-stakeholder alliances; (5) the approach to the Serb minority will be harmonized (enclaves in the south and in the north) and best practices will be transferred and adjusted to the more complex northern part, based on the recently gained experience of the HSD and the SDC in some projects. This will be based on specific context analyses and needs assessments in compliance with established procedures and involvement criteria (e.g. cooperation with authorities, coordination and transparency).

Switzerland is committed to fostering the inclusion of poor and discriminated categories of the population in all projects, in line with the SDG goal “leave no one behind”. Most action follows a universal approach in the sense that it should include and benefit all and aim at systemic change. These mainstream projects will be supplemented by **additional measures** designed to reach disadvantaged groups (RAE),

promote their inclusion and transform discrimination that keeps them in poverty. These will be devised and coordinated at domain level. During project implementation the representation of the disadvantaged groups among project beneficiaries will be monitored and baselines and targets of this representation will be defined (= targeting). Lastly, through the reality check of the Swiss activities at field level, shortcomings in strategy and policy implementation will be documented, reflected and fed into the policy dialogue at local, sectorial and national levels.

While the Serb majority municipalities in the south have benefited from large-scale programmes, the expansion of programme activities to the Serbs in the northern part of Kosovo remains a challenge. Efforts to integrate this part have seen some progress and some smaller-scale projects were successful. The SCO will develop activities aimed at further facilitating the integration process, and roll out programmes in the north as soon as opportunities arise, carefully applying “do no harm” principles.

The compliance monitoring and advocacy for the proportionate representation of gender and minorities in politics, civil service and education will be conducted by the SCO and the projects. The **transversal themes** to be mainstreamed and monitored remain gender and good governance. In all domains the participation of women – whether as staff of implementing organizations or as beneficiaries – will be encouraged through appropriate involvement design and more systematic gender disaggregated monitoring. In all domains good governance will be treated with a specific focus while adhering to the general principles.

The Swiss Cooperation Strategy Kosovo 2017-2020 follows a whole-of-government approach including the SDC, SECO, and the HSD. The SEM is providing support to Kosovo in the framework of its Migration Partnership Strategy for the Western Balkans 2016-2019. Swiss foreign policy objectives and interests are considered in the implementation of the Swiss Cooperation Programme, and opportunities to mutually reinforce cooperation and foreign policy goals are proactively identified and used. In addition, the network of companies and Swiss NGOs with activities in Kosovo serves as a basis to further



increase the overall impact and image of “one Switzerland” in the country.

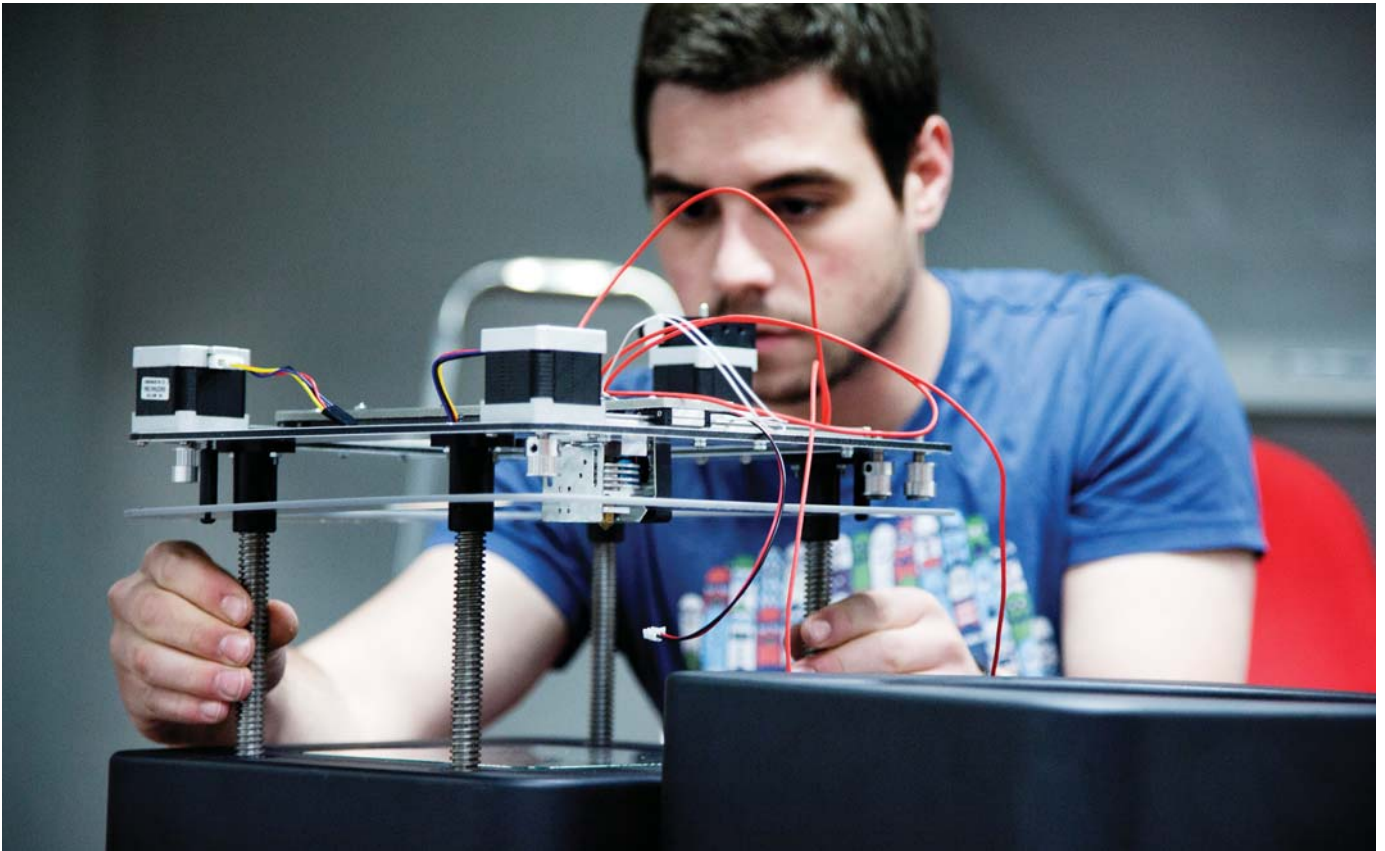
The programme management will pay attention to **synergies** (as well as possible overlaps). These exist for instance between vocational training components and capacity development needs in the health and water utility sectors. Similarly, the provision of performance-based grants creates interfaces with the infrastructure component of the WCCR domain. Furthermore, migration-related activities have connections with the DGHS and the ENE domains. Other interfaces to be coordinated will be those between the projects implemented in the four domains and the regional projects of SECO, the SDC and the HSD as well as the SDC's global programme.

Switzerland continues to play an active role in sustaining and further developing **coordination** among donors and governmental partners. In all four domains Switzerland is a major donor, and plays a leading role in the DGHS and WCCR domains, and has a very active role in the ENE and Health domains in terms of policy dialogue and donor coordination.

The Swiss cooperation programme in Kosovo will continue to use a mix of **implementation modalities** (mandates and contributions) and will cooperate with multilateral as well as bilateral agencies, state authorities, local as well as international NGOs, the private sector and think tanks. In the DGHS and ENE domains bilateral projects will be complemented by contribution projects to other donors and multilateral organisations (e.g. UNDP, IMF and WB). In the WCCR domain, internationally tendered as well as co-financed projects will be the main modes, and in the Health domain a Trust Fund is established with the World Bank.

The security of staff and partners receives high priority and the diversity of staff at the level of the SCO and the implementing partners will receive due attention. Switzerland supports Kosovo's efforts in the field of migration under the Migration Partnership strategy 2016-2019, which is coherent with the Cooperation Strategy, but will not be part of the Cooperation Strategy monitoring system (see Annex 3).

## 7 Strategic Steering



The SCO in Pristina is responsible for the implementation, monitoring and steering of the Cooperation Strategy as well as for the coordination of the Swiss actors and relations with other donors. The specific steering tasks are:

- To monitor the progress of programme activities, the context trends as well as to take appropriate corrective measures in order to guarantee a high relevance, effectiveness and efficiency in Swiss cooperation activities;
- To be accountable for the set of objectives and to report on the achievements;
- To capitalize on experiences, scale-up of good practice and promote learning at all levels.

The SCO has at its disposal an integrated set of management and monitoring tools (see the outline of the monitoring system in Annex 3).

The Annual Report highlights the progress of the Swiss Cooperation Strategy's implementation. Together with the management response provided by the SDC, SECO and the DP, it constitutes the main strategic steering instrument. It reports on achieved results, measured and evaluated against targets defined in the overall Results Framework of the Cooperation Strategy (Annex 2). It also analyses the contribution of the Swiss programme to country development results, as well as the implications and planning priorities for the subsequent year.

The fragile and rapidly changing context (e.g. due to migration, shocks etc.) means that programme steering will require some flexibility to adapt implementation according to emerging opportunities and risks as well as the different scenarios as outlined in Annex 4.



# Annex 1 Swiss Cooperation Strategy for Kosovo at a glance

Synopsis of the Swiss Cooperation Strategy Kosovo 2017-2020			
<b>Overall Goal</b>			
To contribute to the progress of Kosovo on its path towards regional and European integration, fostering a democratic political system, a peaceful and cohesive society providing inclusive access to essential services, the rule of law and a social market economy.			
<b>Domains of Intervention: objectives</b>			
<b>Democratic Governance and Human Security (SDC and HSD)</b>	<b>Economy and employment (SDC and SECO)</b>	<b>Water and Climate Change Resilience (SDC and SECO)</b>	<b>Health (SDC)</b>
The three state powers at the central and sub-national levels (legislative, executive and judiciary) strive for socially inclusive governance and effective service provision. Strong civil society organizations (CSOs) and citizens foster peaceful relations between communities.	The three state powers engage with the private sector and CSOs for improving the business conditions and creating a dynamic labour market that offers employment and business opportunities for all.	The public utilities (RWCs) with their state oversight institutions provide high quality water and sanitation services and improved governance of water and energy resources, thereby contributing to better living conditions for the population, higher resilience to climate change and an improved state of the environment.	Key actors involved in health care provision, purchasing and regulation contribute to the development of a sustainable health care system that offers qualitative and affordable services to its population.
<b>Domains of Intervention: Outcomes</b>			
Line ministries and selected municipal administrations provide better and more effective services to all their citizens. The national and local assemblies hold their governments to account, legislate in a reform enabling way and foster their constituency relations.	The public and private sectors together with CSOs join forces for improving the business environment that leads to the creation of a more dynamic and inclusive market system.	People have access and are willing to pay for affordable high-quality water and sanitation services that improve their livelihoods.	National and local public health institutions and facilities offer more qualitative, accessible and affordable services to citizens, including disadvantaged and excluded groups.
Citizens and CSOs use offered and – where necessary – claim spaces for participation in the shaping of public affairs thereby fostering trust between communities and public institutions.	Ministry of Labour and Social Welfare and Ministry of Education together with the private sector take affirmative action to address unemployment, especially among the youth in the age group 15-24 with new or improved market-oriented skills, knowledge and working attitudes.	Supported RWCs manage the water, sanitation and wastewater services in an efficient and transparent manner and are accountable to their respective oversight bodies.	The population improves its health literacy, adopts healthier behaviours and holds health authorities to account.

<p>The three state powers together with independent oversight bodies and CSOs take credible steps to foster inclusiveness in key political processes, specifically relating to dealing with the legacy of the past and the political dialogue with minority communities and with Serbia.</p>	<p>Unemployed people actively seek and find decent jobs through formalized job mediation services that offer demand oriented services and improve the chances of the private sector hiring the right people.</p>	<p>The supported municipalities and RWCs increasingly recognize the need and are willing to more effectively and efficiently protect the environment and reduce climate change related impacts.</p>	
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# Annex 2 Results framework

<p><b>Domain of intervention 1: Democratic Governance and Human Security (DGHS)</b></p> <p><b>Impact hypothesis:</b> If Kosovo institutions at central and local level – be it by their own initiative or pushed by civil society and citizens - deliver responsive services effectively and governance becomes more inclusive and transparent then civil society and citizens will increasingly engage in and scrutinize the democratic processes. This will also lead to a decrease in the space for corruption and clientelism and moreover to increasing accountability. Genuine interethnic dialogue will be promoted thus helping to improve the peaceful coexistence of the communities. As a result, trust in institutions and between citizens will be built, legitimacy will be improved, and Kosovo’s democracy as well as the security of its citizens and state-building will have progressed.</p> <p><b>Domain objective:</b> The three state powers at the central and sub-national levels (legislative, executive and judiciary) strive for socially inclusive governance and effective service provision. Strong civil society organizations (CSOs) and citizens foster peaceful relations between communities.</p>		
<p><b>(1) Swiss portfolio outcomes</b></p>	<p><b>(2) Contribution of Swiss programme</b></p>	<p><b>(3) Country development outcomes</b></p> <p>Kosovo National Development Strategy 2016-2021 (KNDS);</p> <p>GoK Program 2015 to 2018;</p> <p>MTEF 2016 to 2018;</p> <p>Strategy for Local Self Government 2016 to 2026 (SLLSG 2016 to 2026);</p> <p>GoK Strategy for Cooperation with Civil Society 2013 to 2017 (GSCCS 2013 to 2017);</p> <p>National Program for the Implementation of the Stabilization and Association Agreement (NPISAA);</p> <p>SDG #5 and #16.</p>

<p><b>Outcome statement 1: Line ministries and supported municipal administrations provide better and more effective services to all their citizens.</b></p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- % of supported local authorities which have benefited from increased budget resources Baseline 0%; Overall target 90%:</li> <li>• due to formal and regulated transfer services Baseline 0%; Target 90%</li> <li>• due to local tax income and private investments Baseline 0%; Target 70% (ARI 25, SDG 16)</li> <li>- % of property tax collection in supported municipalities. Baseline: 47%, Target: 60%</li> <li>- Share of "Association of Kosovo Municipalities (AKM)" recommendations approved/incorporated by the government out of the total AKM recommendations sent to the government within the particular calendar year. Baseline: 50%, Target: 60%</li> <li>- Number of persons benefitting from better municipal services within the framework of the Swiss support (gender and ethnicity disaggregated<sup>2</sup>). Baseline: 0, Target: 450,000 citizens. <ul style="list-style-type: none"> <li>• at least 40% are women;</li> <li>• at least 8% are minorities</li> </ul> </li> </ul>	<p><u>Links between 1 and 3:</u></p> <p>By strengthening the capacities (professional and financial) of municipalities (administration and assembly) to deliver responsive services effectively and to embrace and institutionalize more inclusive and transparent local governance, the accountability relationship with citizens will be improved and in turn citizen satisfaction and trust will be increased. Competitive and performance based grants will enable topping up of limited own municipal capital investment, while, at the same time, stimulating, rewarding and promoting municipal performance and good governance. By supporting the association, municipalities can influence the policy dialogue at the central level more effectively for a more conducive local governance framework.</p> <p><b>Assumptions:</b> Results of 2013 local elections have provided a promising potential that the vicious circle of non-accountability by mayors and non-confidence by citizens is about to be broken providing grounds for more democratic relations between local governments and citizens.</p> <p><b>Risks:</b> Developments at the local level, including next local elections in 2017, are highly dependent on broader political developments and can be easily undermined by political crises at the central level.</p>	<p><b>Outcome statement 1: Better municipal services; improving the life of citizens (SLLSG Vision)</b></p> <p><b>Measures</b></p> <ul style="list-style-type: none"> <li>- Increasing economic and structural sustainability of local governments to ensure that the parameters of local policies and financial modalities will bring innovation to the development of municipalities (SLLSG Objective 1)</li> <li>-The revised legal framework on the new municipal financing system developed and adopted (#1.2.1).</li> <li>-Creation of a framework of good governance and effective regulation to ensure democratic representation of citizens and professional and efficient administration of municipalities (SLLSG Objective 2).</li> <li>-New laws supplementing the legal framework of the LSG harmonized and implemented (# 2.1.4)</li> <li>-Strengthening institutional capacities of local self-government to meet the demands of citizens and achieve sustainable improvement in municipal services for citizens (SLLSG Objective 3).</li> <li>-Freedom House: NIT ratings (civil society, corruption and local governance).</li> </ul>
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<sup>2</sup> As data from partner municipalities are not ethnicity-disaggregated a proxy will be chosen, by using demographic data on settlements and looking at where the specific projects from the municipality have been implemented. In municipalities with a substantial share of minorities, this will allow for the possibility to check that the minorities are benefiting from municipal investments in proportion with their percentage representation of the total population.

<p><b>Outcome statement 2: Citizens and CSOs use and claim spaces for shaping of public affairs.</b></p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- Activity and influence of civil society in policy-making: <ul style="list-style-type: none"> <li>• % of CSOs regularly invited for consultation by public institutions in their fields of work. Baseline: 23%; Target: 30%;</li> <li>• % of CSOs participating in a policy-making process. Baseline: 41.8%; Target: 50%;</li> <li>• % of CSOs on the impact of civil society in democratization of decision-making at public institutions. Baseline: 42.9%; Target: 50%;</li> <li>• Nr. of civil society initiatives supported by Switzerland aiming participation in shaping of public affairs. Baseline: 0; Target: 50.</li> </ul> </li> <li>- Nr. of persons from vulnerable groups empowered to participate in relevant peace, development and political processes. Baseline: 0; Target: tbd. (ARI6, SDG 16)</li> <li>- Citizens' perception on corruption levels<sup>3</sup>. Baseline: 110; Target: 90</li> <li>- (i) Number of cases dealt with by human rights institutions (Ombudsperson, Office of the Language Commissioner), (ii) visibility of human rights institutions, and (iii) compliance of institutions with relevant laws and strategies. Baseline: 1995 complaints filed with Ombudsperson, out of which 63% inadmissible, 16% positively resolved, and 30% response rate by institutions to Ombudsperson's letters; Target: Increase of 10% of the number of complaints; 20% positively resolved cases, 40%</li> </ul>	<p>Through empowering citizens and CSOs to become drivers of positive social change, Switzerland contributes to strengthening the role of civil society and the creation of inclusive policies through a constructive dialogue between the citizens and state authorities. This will be achieved through a "critical mass" of initiatives that will receive grant support leading to democratization of the Kosovar society.</p> <p>Swiss support will also target institutional confidence-building measures intended to reinforce the trust within the society, and the trust of the population in inclusive and democratic governance. CSOs and media will be supported – with a special focus on supporting their constituency building.</p> <p><b>Assumptions:</b> The adoption in 2016 of the "Regulation on Minimum Standards for Public Consultation" sets clear and specific requirements for involving civil society and the public in all policy-making processes. Assuming a solid political will to implement the legal requirements, its entry into force on 1st of January 2017 is expected to trigger positive trends of more systematic and regular consultations in policy-making, at least at national government level.</p> <p><b>Risks:</b> Further and longer lasting political crisis and polarization in the country could lead to the discouragement of citizens and CSOs for participation in public affairs.</p>	<p><b>Outcome statement 2:</b></p> <ul style="list-style-type: none"> <li>- 2.1 Ensure strong participation of civil society in drafting and implementation of policies and legislation (GSCCS Objective 1).</li> <li>- 2.2: The Republic of Kosovo protects and guarantees human rights and fundamental freedoms as provided by the constitution.</li> </ul> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- Basic legislation / referring to CSO involvement in policy development and implementation is drafted/amended.</li> <li>- Standards of CSO involvement in drafting and implementation of policies and legislation are set.</li> <li>- Professional capacities of civil servants and members of civil society organizations in drafting and implementation of policies and legislation are built.</li> <li>- Monitoring system and reporting for CSO involvement established.</li> <li>- Office of Legal Council Strategy adopted and adequately funded by the government.</li> <li>- Human rights strategy adopted.</li> <li>- Professional capacities of human rights institutions are strengthened.</li> <li>- Corruption Perception Index (TI).</li> </ul>
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<sup>3</sup> Corruption Perception Index (Transparency International).

<p>response rate by institutions.</p>	<p>The failure to deal with the legacy of the past allows for unresolved conflicts to persist. Swiss support will focus on institutional and civil societies efforts to continue the engagement in Dealing with the Past (DwP).</p> <p>Engaging in political dialogue - to resolve issues that have the potential to become sources of conflict between states as well as within the society - is likely to increase sustainable peace. Through political dialogue with all key actors, Switzerland will contribute to promote the normalization of relations between Kosovo and Serbia and to better relations between communities. This includes a focus on, and support of the work by Parliament regarding agreements with Serbia.</p> <p><b>Assumptions:</b> The reconciliation process is not troubled by unilateral actions or political interference.</p> <p><b>Risks:</b> Further ethnically-based division hinders inclusive socio-economic progress.</p>	<p><b>Outcome statement 3:</b>  <b>Level and quality of the political dialogue with Serbia corresponds to the provisions of the SAA.</b></p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- Frequency and quality of interactions at different levels between Kosovar and Serbian representatives, and between communities in Kosovo.</li> <li>- National Strategy on DwP drafted and adopted through an inclusive process.</li> <li>- Assembly Strategic Plan 2015 – 2020 implemented, specifically relating to the oversight of the executive in relation to the dialogue.</li> </ul>
<p><b>Outcome statement 3: The State institutions and CSOs take credible steps to foster inclusiveness in key political processes, specifically relating to dealing with the legacy of the past and the political dialogue with minority communities and with Serbia.</b></p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- Steps taken by relevant institutions to advance the process of dealing with the past in Kosovo.</li> </ul> <p>Baseline: Inter-ministerial working group on dealing with the past (IMWG) has so far not managed to develop a transitional justice strategy. Political will to deal with the legacy of the past is very weak; Target: A national strategy on transitional justice is developed in an inclusive manner. A documentation centre on the Kosovo war is opened in Pristina. <li>- Level and quality of communication between the Parliament and the government on issues related to the Brussels Dialogue.</li> <li>- Level of public support to the dialogue with Serbia.</li> <p>Baseline: The dialogue with Serbia lacks inclusivity; the Parliament does currently not exercise its oversight function over the executive; Target: Through a higher degree of inclusivity, the dialogue process generates more public support; and functioning accountability mechanisms between the Assembly and the government have been established.</p> </p>	<p><b>(4) Lines of intervention (Swiss Program)</b></p> <ul style="list-style-type: none"> <li>- Municipal development interventions will focus on local democracy (horizontal and vertical accountability), administrative and financial management, municipal service provision and a performance based grants scheme. Possibilities for an expansion towards a country-wide coverage of the grants scheme (i.e. with co-financing from other donors) will be explored. Potentials to contribute towards a sustainable municipal capacity development system will be examined.</li> <li>- Core contribution to the Association of Kosovar Municipalities (AKM) to ensure effective advocacy and lobbying for municipal interests at central level.</li> <li>- Mainstreaming of best practices and capacity development to all municipalities through the AKM.</li> <li>- Possibilities will be assessed for support to municipalities in the North and the Association of Serb-majority Municipalities (to be established) – either through a specialized tailor-made component, or a separate tailor-made program.</li> </ul>	

- Interventions in support of democratization of the society through increased citizen and civil society participation.
- Interventions in the area of fight against corruption targeting strengthened integrity of institutions and increased citizens' engagement in fighting corruption.
- Explore potentials, needs and ways to strengthen capacities of local and national parliaments.
- The possibility for addressing a "niche" in the judicial reform will be assessed.
- Enable the continuation of a dialogue platform for the normalization of relations and the integration of Kosovo Serbs. Work with the Parliament in strengthening capacities to fulfil its oversight role over the executive regarding the dialogue with Serbia.
- Possibilities for further cooperation with the Inter-Ministerial Working Group on DwP and support to specific DwP initiatives will be assessed.
- Confidence-building measures, support to mechanisms protecting and promoting human and community rights (for example Office of the Language Commissioner, Ombudsperson Institution, etc.) will be assessed.

## Domain of intervention 2: Economy and Employment (ENE)

**Impact Hypothesis:** If the business environment is improved, the vocational education system is more aligned to the needs of the labour market and if the private sector is supported in becoming more competitive, then Kosovo's economy shall become more dynamic and the private sector will increasingly provide more jobs to all people in Kosovo, contributing to the reduction of the high unemployment rates in the country, especially among the youth.

**Domain objective:** The three state powers at central and local levels engage with the private sector and civil society organizations (CSOs) in improving business conditions and creating a dynamic labour market, which offers employment and business opportunities for all.

<p><b>(1) Swiss portfolio outcomes</b></p> <p><b>Outcome statement 1: The public and private sectors together with CSOs join forces to create a more dynamic and inclusive market system.</b></p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- Number of additional people gainfully employed as a result of Swiss interventions (gender and ethnicity (RAE) disaggregated).<sup>4</sup> Baseline 0; Target: 6,200;</li> <li>• at least 40% are women;</li> <li>• at least 10% are from minorities.</li> <li>- Investment additionally triggered<sup>5</sup> Baseline SECO: 0; Target: tbd</li> <li>- Cost compliance savings<sup>6</sup> Baseline SECO: 0; Target: tbd</li> </ul>	<p><b>(2) Contribution of Swiss programme</b></p> <p><u>Links between 1 and 3:</u></p> <p>By working on improving the business regulatory framework both at national and local level, Switzerland will support the Kosovo SME sector to operate in a more conducive environment where doing business procedures are more transparent and easier to attain.</p> <p>Furthermore Switzerland will support the SME's to improve their competitiveness in the sectors that have been defined as priority sectors for job creation and growth, such as; quality standards, access to markets, product diversification etc. One of the criteria's for programme interventions will be given to the sectors where the enrolment of women in business has a higher potential. In addition the hindering factors for women's participation in the economy will be addressed in two ways: by addressing access to resources on the one hand and by enhancing a</p>	<p><b>(3) Country development outcomes</b></p> <p>Kosovo National Development Strategy KNDS (2016-2021)</p> <p><b>Outcome statement 1:</b> In relation to SDG-8- (8.3)</p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- Doing Business Rank (World Bank) Baseline: 66<sup>th</sup>; Target: 60<sup>th</sup></li> <li>- <b>Total employment:</b> Baseline – 324,000<sup>7</sup> (age 15-64), Target ; n/a</li> <li>- Employment among youth age 15-24 baseline is 32,000<sup>8</sup>, and among the group age 25–34 the baseline is 84,000<sup>9</sup>, Targets: n/a.</li> </ul> <p>KNDS - Pillar 2: Rule of Law</p> <ul style="list-style-type: none"> <li>- Decreased Administrative Barriers to licences and permits.<sup>10</sup></li> </ul>
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<sup>4</sup> Measured through SDC interventions

<sup>5</sup> TBD & Measured through SECO-IFC – Investment Climate project II

<sup>6</sup> TBD & Measured through SECO-IFC – Investment Climate project II

<sup>7</sup> Labour Force Survey 2014

<sup>8</sup> Labour Force Survey 2014

<sup>9</sup> Labour Force Survey 2014

<sup>10</sup> Kosovo National Development Strategy 2016-2021



<p>so called “power and agency” on the other. Which means contributing in saving more of the women’s time from their reproductive tasks (such as child and elderly care) allowing women to become a more active player in the economy and contributing in building their self-confidence.</p> <p><b>Assumptions:</b> By working on reducing the red tape and establishing the right mechanisms it is expected to increase transparency and accountability thus creating a better environment for business to operate.</p> <p>By supporting Kosovo companies in becoming more competitive, improving their production and processing practices they will expand and as a result their absorption capacity in terms of additional jobs will be increased.</p> <p><b>Risks:</b> Unstable political situation might hinder investments. Kosovo might face difficulties to compete in the EU market in both terms of quantity and quality.</p>	<p><b>Measures</b></p> <ul style="list-style-type: none"> <li>- Development of a registry of all specific administrative procedures at both central and local level.</li> </ul> <p>KNDS - Pillar 3: Competitiveness 3.18</p> <p><b>Upgrading SME’s to activities with higher added value.</b></p> <p><b>Measure</b></p> <ul style="list-style-type: none"> <li>- Establish an instrument to assist in quality standards certification for Kosovar enterprises. MTI will establish the instrument and support SMEs geared towards export as well as those involved in tradeable goods sector.</li> </ul>
<p><b>Outcome statement 2: Young women and men in the age group 15-24 gain new or improved market-oriented skills, knowledge and working attitudes, through an effective engagement of public and private sector in delivering the skills in line with the labour market needs.</b></p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- Number of people with additional income above threshold<sup>11</sup> (gender and ethnicity (RAE) disaggregated). Baseline: 0, Target: 1,000 (&gt; ARI 22, SDG 8) <ul style="list-style-type: none"> <li>• at least 40% are women</li> <li>• at least 10% are from minorities (disaggregate RAE)</li> </ul> </li> <li>- Number of young people in employment six month after training and /or interventions for integration in the labour market (gender and ethnicity (RAE) disaggregated).</li> </ul>	<p><b>Outcome statement 2:</b></p> <p>In relation to SDG-4&amp;8 (4.4&amp;8.6)</p> <p>KNDS - Pillar 1: Human Capital Development:</p> <p><b>Better linkage between education and labour markets.</b></p> <p><b>Measures (indicators)</b></p> <ul style="list-style-type: none"> <li>- Implementation of the combined VET pilot system with elements of dual learning (combination of learning in schools and in enterprises) starting with VET priority areas and in compliance with core curriculum.</li> <li>- Development and implementation of core curricula in modular form, in line with VET priority areas and implementation of VET teacher training programmes for these sectors, based on occupational standards.</li> </ul>

<sup>11</sup> Threshold – minimal wage of 150 EUR

<p>Baseline:0; Target: 1,000</p> <ul style="list-style-type: none"> <li>• at least 40% are women</li> <li>• at least 10% are from minorities (disaggregate RAE)</li> </ul>	<p><b>Outcome statement 3: Women and men are enabled to find decent jobs and entrepreneurship opportunities by using effective job mediation and business services.</b></p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- Number of people gainfully employed as a result of formal job matching service providers (gender and ethnicity (RAE) disaggregated). Baseline: 0; Target: 2,500</li> <li>• at least 40% are women</li> <li>• at least 10% are from minorities (disaggregate RAE)</li> <li>- Percentage of students and unemployed expressing their satisfaction with the services offered by the formal mediation services (gender and ethnicity (RAE) disaggregated) Baseline<sup>12</sup>: x; Target: 75%</li> <li>• at least 40% are women</li> <li>• at least 10% are from minorities (disaggregate RAE)</li> </ul>	<p>By working on improving the active labour market measures such as internships, career counselling, both public and private matching services, and by developing a system that informs systematically on the labour market skills requirements, Switzerland will support the Kosovo government in bringing the education closer to the labour market and thus contribute in closing the skills mismatch.</p> <p>As informal employment mainly affects the more excluded and disadvantaged groups of people such as unskilled labour (mainly poor) and women, Switzerland will aim at supporting the government of Kosovo in their efforts to promote formal employment.</p> <p><b>Assumptions:</b> By tackling the failure of the employment market the transaction between supply and demand of labour will be improved and more employers will start hiring through formal channels thus contributing towards a positive behavioural change of the employers that will start hiring adequate skilled workforce out of their family/cian circles.</p> <p><b>Risks:</b> The private sector dynamics are slower than the actual demand for jobs, discouraging some of the private job-matching providers to remain in this business.</p>	<p><b>Outcome statement 3</b></p> <p>SDG-4&amp;10 (4.4&amp;10.3)</p> <p>KNDS - Pillar 1: Human Capital Development</p> <p><b>Better linkage between education and labour markets.</b></p> <p><b>Measures (indicators)</b></p> <ul style="list-style-type: none"> <li>- Development and implementation of the National Skills Forecast System. This will be done by ensuring connection with the career orientation systems inside the schools and employment services/lifelong learning services. Create conditions for support services and studies in order to track career progress.</li> </ul> <p>KNDS 1.7</p> <ul style="list-style-type: none"> <li>- Addressing the informal employment and creating adequate working conditions.</li> </ul> <p><b>Measures (indicators)</b></p> <ul style="list-style-type: none"> <li>- By strengthening the channels of communication institutions with social partners, in particular the employing and worker organizations, by developing the capacities of structures and the work system of the Social Economic Council (SEC).</li> </ul>
<p><b>(4) Lines of intervention (Swiss Programme)</b></p> <ul style="list-style-type: none"> <li>- Support the Kosovo government in its goal of making the business environment more conducive for the existing and future potential investors by reducing the red tape and establishing mechanisms that increase the accountability and transparency towards the Kosovo citizens and businesses.</li> <li>- Support the Kosovo government in addressing the current skills, knowledge and attitude mismatch by bringing closer together the education providers and private sector employers.</li> <li>- Enhance the competitiveness of the private sector in the sectors that have the potential to generate additional employment and growth.</li> <li>- Improve and expand the existing public and private job matching and employment services.</li> <li>- Skills and entrepreneurial development of youth and members of vulnerable groups in ICT, agriculture and other sectors.</li> </ul>			

<sup>12</sup> Baseline will be defined once the project implementer has assessed the level of satisfaction.

*The regional SECO programmes have a strong focus on the following areas:*

- Improving the macroeconomic framework through targeted support to public institutions dealing with the tax administration and financial statistics.
- Improving the competitiveness of the local companies through supporting them in improving their corporate governance aspects.
- Creating a better transfer system for remittances, which is very important considering the amount of Kosovo Diaspora remittances.<sup>13</sup>

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<sup>13</sup> Remittances contribute with 15 % to the Kosovo's GDP.

### Domain of intervention 3: Water and Climate Change Resilience (WCCR)

**Impact hypothesis:** If water sector governance improves through a continued policy dialogue and better oversight, and if the RWCs improve their competences in the management and operation of services and deliver better water and sanitation services, then customers will be more willing to pay their fees, which in turn will lead to better sustainability of these services. If effective and efficient institutions at all levels better govern and manage natural resources in general (not only water) then the population, services and infrastructure will be more resilient to climate change and the state of the environment in general will improve.

**Domain objective:** The public utilities (RWCs) with their state oversight institutions provide high quality water and sanitation services and improved governance of water and energy resources, thereby contributing to better living conditions of the population, higher resilience to climate change and an improved state of the environment.

<p><b>(1) Swiss portfolio outcomes</b></p> <p><b>Outcome statement 1:</b>  <b>People have access and pay for affordable high-quality water and sanitation services.</b></p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>Number and % of people in supported areas benefiting from improved water supply and sanitation from RWC managed systems.</li> </ul> <p>SDC : Rural water          [Baseline: 613,942 /55.7 % (Dec. 2015), Target: 1'020'968 / 92.6% (Dec. 2020)] (&gt; ARI 8, SDG 6)          SDC : Rural sanitation</p>	<p><b>(2) Contribution of Swiss programme</b></p> <p><u>Links between 1 and 3:</u>          Switzerland will support GoK institutions and water utility sector/RWCs to ensure equal access to the population, in both urban and rural areas, also for excluded and disadvantaged groups, by providing affordable and European quality standards of water and sanitation services. Priority will be given to increase awareness on rational use of water and enforcement of payments for water services respecting the possibilities of all groups.</p> <p><b>Assumptions:</b> By enhancing GoK's and RWCs' capabilities to develop and manage water resources and to deliver better water and sanitation services more effectively and equitably, Switzerland will contribute to the sector becoming more inclusive, transparent and</p>	<p><b>(3) Country development outcomes</b>          KNDS 2016-2021          Kosovo National Water Strategy (KNWS) and IAP 2014-2033          Climate Change Framework Strategy for Kosovo, (KCCFS), 2014.          SDG 6. Ensure availability and sustainable management of water and sanitation for all          SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all.</p>
		<p><b>Outcome statements 1:</b>          In relation to SDG 6          KNWS - Strategic Objective 1: Water Resources Protection and Development  <b>Sustainably allocate and oversee the right to exploit the water resources of Kosovo among water users so as to guarantee access to quality drinking water for all and maximize the economic benefits from other water uses, respecting the principles of sustainable management.</b></p>

<p>[Baseline: 346'030 / 31.4 % (Dec. 2015), Target: 494'920 / 44.9% (Dec. 2020)<sup>14</sup> (&gt; ARI 9, SDG 6) SECO: improved Urban sanitation [Baseline: 0 (Dec. 2015), Target: 120,000 (Dec. 2020)] (SDG 6)</p>	<p>accountable.</p> <p><b>Risks:</b> A high increase of water and wastewater tariffs compounded by a difficult economic situation can prevent customers from paying.</p>	<p><b>Measures (indicators)</b> Access to quality drinking water for all [Access to adequate sanitation for all]</p> <ul style="list-style-type: none"> <li>- Citizen satisfaction (gender and ethnicity disaggregated)<sup>15</sup></li> </ul> <p>Water supply <i>General Population</i> [Baseline: 60.2 % (in 2015) Target: 65.0 % (in 2020)]</p> <p><i>Minorities</i> [Baseline: 53.1 % (in 2015) Target: 58.0 % (in 2020)]</p> <p>Sanitation: <i>General Population</i> Baseline: 54.4 % (in 2015) Target: 60.0 % (in 2020)</p> <p><i>Minorities</i> [Baseline: 49.9 % (in 2015) Target: 55.0 % (in 2020)]</p>
<p><b>Outcome statement 2:</b> <b>Supported RWCs manage the water, sanitation and wastewater services in an efficient and transparent manner and are accountable to their respective oversight bodies.</b></p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>- Coverage ratio of operating and maintenance costs SECO: [baseline 2014: 1.13, target: 1.2]</li> <li>- Increase in collection rates<sup>16</sup> (%) SDC: [baseline 2014: 74%, target: 80%] SECO: [baseline 2014: 75%, target: 80%]</li> </ul>	<p>Through Switzerland's support the technical, human and financial management capacities of RWCs that will ensure reliable, affordable, quality and cost recovering water and wastewater services is improved. Infrastructure investments (combined with accompanying measures) in the wastewater treatment sector will improve the aquatic environment; reduce pollution of rivers downstream of larger urbanized areas and industries thus substantially contributing to the improvement of water quality in Kosovo. Switzerland contributes through policy dialogue to improve policies, move on with reforms, and thereby further strengthening sustainability of the sector.</p> <p><b>Assumptions:</b> By supporting RWCs to improve their performance and service delivery, water and wastewater</p>	<p><b>Outcome statement 2:</b> In relation to SDG 6 and KNDS PILLAR 4 Infrastructure: <b>Rational use and increase of water resources and capacities.</b></p> <p><b>Measures (indicators)</b></p> <ul style="list-style-type: none"> <li>- Decreased technical and commercial losses of RWCs and installation of water meters in all water service areas.</li> <li>- Expanding the water supply network and construction of new networks in high load areas (expansion of urban and rural coverage).</li> <li>- Renovation and expansion of the potable water</li> </ul>

<sup>14</sup> Up to 10 new rural WWTP for at least 20'000 rural inhabitants

<sup>15</sup> Source: UNDP/USAID Kosovo Mosaic report

<sup>16</sup> For SDC, the national average (as SDC supports all RWCs), while for SECO, the average rate for SECO supported areas will be measured.

<ul style="list-style-type: none"> <li>- Non-revenue water<sup>17</sup> (%). SDC: [baseline 2014: 57.6%, target: 45%] SECO: [baseline 2014: 60%, target: 45%]</li> <li>- EU norms/standards achieved in water governance (field of observation). <ul style="list-style-type: none"> <li>(i) Access to an internationally accredited laboratory in Kosovo for the RWCs [baseline: 0, target: at least 1]</li> <li>(ii) Number of RWCs with ISO 9001:2008 Quality Management Certification [baseline: 0, target: 7]</li> <li>(iii) Number of RWCs with ISO 14001 Environmental Management Systems Certification [baseline: 0, target: 7]</li> </ul> </li> </ul>	<p>services become more sustainable, efficient, transparent and economically operated. The countrywide coordination in the water sector is in place.</p> <p><b>Risks:</b> Instable political situations and weak governance might hinder investments. Sector-related institutions at national and regional level might face economic difficulties due to the lack of finances (no cost coverage, lack of capital investment by GoK), corruption, clientelism and political influences by Board of Directors. The interest of municipalities (rather than RWCs) to assume responsibilities for management and investments might question the model of regional management of the water sector.</p>	<p>network for urban areas.</p> <p>Sustainable waste and wastewater management</p> <p><b>Measures</b> (indicators)</p> <ul style="list-style-type: none"> <li>- Ensuring proper infrastructure for waste management (solid, rubble, industrial and hazardous waste) as well as wastewater sludge.</li> <li>- Increased public awareness on waste management and by encouraging reuse or recycling or use waste treatment products.</li> <li>- Mitigation measures for reducing environmental and health risks related to waste disposal.</li> </ul>
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<sup>17</sup> Idem

<p><b>Outcome statement 3:</b></p> <p>The supported municipalities and RWCs increasingly recognize the need and are willing to more effectively and efficiently protect the environment and reduce climate change related impacts.</p> <p><b>Indicators</b><sup>18</sup>:</p> <ul style="list-style-type: none"> <li>- Indicator(s) for SDC-interventions in the fields of water resource protection and DRR (tbd)</li> <li>- Greenhouse gas emissions saved (reduction in t of CO<sup>2</sup> emissions). [SECO baseline 2014: 0, target: tbd]</li> <li>- Number of municipalities with energy management plans and or flood/drought management plans. [SECO baseline 2014: 0, target: tbd]</li> <li>- Additional kWh from renewable energy. [SECO baseline 2014: 0, target: tbd]</li> <li>- Saved kWh from energy-efficiency measures. [SECO baseline 2014: 0, target: tbd]</li> </ul>	<p>Switzerland supports the GoK in one of its priority areas which sets conditions for EU accession by implementing measures at regional and local level for better preparedness and resilience to climate change related impacts. Through measures to increase energy efficiency greenhouse gas emissions are reduced. Responsible authorities and organizations are supported, in order to improve resilience to effects of climate change like floods, landslides or droughts.</p> <p><b>Assumptions:</b> Suitable projects can be identified or have been formulated by the GoK and are ready for further appraisal.</p> <p><b>Risks:</b> The responsible institutions at local and regional level might not be ready to address these types of projects or face economic difficulties due to lack of finances, corruption, and/or political influences at a national level.</p>	<p><b>Outcome statement 3:</b></p> <p>SDG 6,7 and 13</p> <p>KNWS Strategic Objective 1</p> <p><b>Water Resources Protection and Development</b></p> <p><b>Measures (indicators)</b></p> <ul style="list-style-type: none"> <li>- Resilient to climate variation including projected changes</li> </ul> <p>KCCFS- Strategic objective 2</p> <p><b>Kosovo will slow down the increase of GHG emissions</b></p> <p><b>Measures (indicators)</b></p> <ul style="list-style-type: none"> <li>- Increased energy efficiency in all sectors,</li> <li>- Development of renewable energy sources</li> <li>- Sustainable use of natural resources</li> </ul>
<p><b>(4) Lines of intervention (Swiss Programme)</b></p> <ul style="list-style-type: none"> <li>- Support to institutional strengthening/corporate development of the public utilities for providing efficient and effective management and services.</li> <li>- Support to improvement of the water/sanitation and wastewater treatment infrastructure.</li> <li>- Support to Policy dialogue to successfully addresses core issues and strengthening further interinstitutional coordination in the water sector.</li> <li>- Support to strengthening of the institutional capacities at national, regional (utilities) and local level to manage the natural resources in a sustainable manner and to cope with the challenges arising from climate change.</li> <li>- Support to sector-related institutions and stakeholders on renewable energy, energy efficiency or co-generation.</li> </ul>		

<sup>18</sup> SDC and SECO are in the process of identifying new projects; targets will be set once the projects are approved

## Domain of intervention 4: Health

**Impact hypothesis:** If public health institutions at national and local level deliver services that are easier to access, more affordable and more responsive to citizens' needs, the utilization of services will increase, thus improving the health status of the population and enhancing their financial protection.

Citizens that are better informed will change their behaviours, adopting healthier lifestyles, including timely and appropriate care seeking practices as well as enhancing their demand for a better quality of care and more accountability. A closer interaction among health managers, providers, and the population will be promoted through feedback mechanisms. This will lead to a more active role of the citizens in shaping health services, increased awareness on patients' rights and improved governance and accountability of health services.

**Domain objective:** Key actors involved in health care provision, purchasing and regulation contribute to the development of a sustainable health care system that offers qualitative and affordable services to its population

<p><b>(1) Swiss portfolio outcomes</b></p> <p><b>Outcome statement 1: National and local public health institutions and facilities offer more qualitative, accessible and affordable services to citizens, including disadvantaged and excluded groups.</b></p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>- Percentage increase in PHC visits by population in supported municipalities<sup>19</sup></li> <li>Baseline 2014: 44,971 average per municipality; Target: average 20% increase</li> <li>- Proportion of the poor who are exempt from health insurance payments.</li> </ul>	<p><b>(2) Contribution of Swiss programme</b></p> <p><u>Links between 1 and 3:</u></p> <p>At the central level, support will be provided to MoH in the implementation of the health sector reform, of which Mandatory health Insurance (MHI) is the cornerstone. Switzerland will play an active role in the policy dialogue with MoH, in coordination with major actors such as the World Bank and Lux Development. At the municipal level, the capacities of managers and clinicians at PHC health facilities will be strengthened, aiming to improve access to and quality of services provided to the population, including vulnerable groups (e.g. developing outreaching approaches in order to reach categories of the population</p>	<p><b>(3) Country development outcomes</b></p> <p>GoK program 2015-2018</p> <p>MTEF 2016-2018</p> <p>Health Sector Strategy 2016-2020</p> <p>Reform Roadmap 2015</p> <p>SDG #3</p>
<p><b>Outcome statement 1:</b></p> <p><b>Improve the quality, appropriateness and efficiency of health service delivery and to improve financial protection, thereby also improving access for vulnerable groups who face financial barriers to access.</b> (Reform roadmap 2015)</p> <p><b>Indicators</b> (HSS Logframe)</p> <ul style="list-style-type: none"> <li>- Public health financing as a share of GoK annual budget Baseline: 11%</li> <li>- Primary Health Care financing as a share of total public spending on health</li> </ul>		

<sup>19</sup> Disaggregated data is not available. The 2014 baseline data is the average for 11 project municipalities (no data reported for Gracanica). Due to discrimination concerns, health facilities don't record the ethnicity of patients. In order to have some indications regarding access to care from RAE communities, service provision in facilities serving predominantly RAE communities will be monitored as a proxy



<p>Baseline: 40%<sup>20</sup> of poorest quintile; Target: 60% of poorest quintile are exempt.</p> <p>- Percentage of out-of-pocket payments as a share of health spending. Baseline 2011: 40%<sup>21</sup>; Target: 10% decrease</p> <p>- Quality of services (based on agreed structural and process quality standards) in supported municipalities<sup>22</sup> Baseline: 68% (average score); Target: 85% (average score)</p>	<p>that have limited access to health facilities). Swiss support aims to introduce and institutionalize systematic feedback from communities to enable PHC services to become more people-centered and responsive to the needs and demands of its patients.</p> <p><b>Assumptions:</b> The MHI is expected to make available significant additional funding for health<sup>23</sup>, which can be used to improve financial protection and quality of care. Improved managerial skills will enable municipal authorities to respond better to the incentives that will be made available with the MHI.</p> <p><b>Risks:</b> The required changes in behaviour and prospects of modified power relations pose significant risks to the success of the reform. Improved quality of care is the precondition for motivating people to contribute to the MHI. Failure to show value for money to the insured, risks undermining the feasibility and sustainability of the scheme.</p>	<p>Baseline: 29%</p> <p>- Percentage of resident population enrolled in mandatory health insurance Baseline: n.a.; Target: 65%</p> <p>- Availability of drugs and supplies improves Baseline: 65%; Target: 100%<sup>24</sup></p>
<p><b>Outcome statement 2: The population improves its health literacy, adopts healthier behaviours and is empowered to demand the right to quality services.</b></p> <p><b>Indicators</b></p> <p>- Morbidity due to circulatory diseases in PHC in the age group 50 years and above is reduced (gender and ethnicity (RAE) disaggregated)<sup>25</sup></p>	<p>By supporting health promotion and disease prevention approaches, the intention is to change behaviour and improve health literacy, including timely and appropriate care seeking practices, rights awareness and empowerment of the general population. Civic engagement in PHC service delivery will be supported through the development and institutionalization of feedback processes between communities and health</p>	<p><b>Outcome statement 2:</b></p> <p><b>Improve the health status and satisfaction of the population by promoting healthy lifestyles and ensuring quality health services that are easy to access, equal and cost-effective (HSS 2020).</b></p> <p><b>Indicators (HSS logframe)</b></p> <p>- Life expectancy increased to 72 years</p>

<sup>20</sup> On the basis of the Health Insurance Law, the baseline – 40% of poorest quintile of households will be exempt as recipients of last resort social assistance.

<sup>21</sup> WHO is supporting Kosovo in developing its National Health Accounts, a platform expected to make available annual collection of health expenditure data.

<sup>22</sup> The average score captures aspects of quality standards included in the facility-based quality of care study conducted by AQH in 2016. The score includes only Main Family Medicine Centers of 12 AQH partner municipalities. The target average score refers to the end line, to be measured by AQH in 2019.

<sup>23</sup> According to the WB, the estimated additional net revenues per year are projected to be in the range of EUR 31 to 71m in the first year of premium collection, after accounting for the additional costs of implementing the health insurance.

<sup>24</sup> As specified in the HSS logframe

<sup>25</sup> same proxy as for OS 1

<p>Baseline 2014: 78,749 cases (of which 41.5% male and 58.5% female); Target: average 10 % reduction</p> <ul style="list-style-type: none"> <li>- Knowledge of risk factors for diabetes. Baseline: 15% (RAE 7%; Women 16%); Target: 35% (RAE 27%; Women 36%)<sup>26</sup></li> <li>- % of people consulting doctor if they feel that their blood pressure has increased. Baseline: 10% (RAE 23%<sup>27</sup>; Women 10%); Target: 30% (RAE 43%; Women 30%)<sup>28</sup></li> <li>- Number of people reached through health education sessions related to the prevention of non-communicable diseases. Baseline: 0; Target: 235,000<sup>29</sup> (ARI 34, SDG 3)</li> <li>- % of population informed about patients' rights. Baseline: 44%; Target: 65%<sup>30</sup></li> </ul>	<p>services (managers and providers) as a basis for accountability and increased awareness on patients' rights.</p> <p><b>Assumptions:</b> It is expected that by generating demand for quality services and by involving people in shaping the services, that this will contribute to an increased and rational utilization of all health services and an improved health status of the population.</p> <p><b>Risks:</b> Improved health literacy doesn't always lead to the adoption of healthier lifestyles.</p>	<p>Baseline 70 in 2013</p> <ul style="list-style-type: none"> <li>- Smoking decreased by 3.5% points in the general population Baseline: 28.4% in 2013</li> <li>- % increase in the immunisation rate of the population (0-12 months) Baseline: 92% in 2014; Target: 95% by 2020</li> </ul>
<p><b>(4) Lines of intervention (Swiss Programme)</b></p> <ul style="list-style-type: none"> <li>- Support the implementation of the government's reform agenda, including the introduction and functionalization of key reform institutions.</li> <li>- Improve the access to services for the population, with a particular focus on vulnerable groups, e.g. through institutionalizing the outreach pilots.</li> <li>- Improve the quality of services provided at PHC level by strengthening capacities of clinical teams through continuous professional education.</li> <li>- Strengthen PHC's gatekeeping function by supporting the proper implementation of the Family Medicine concept and strengthening the referral system.</li> <li>- Strengthen managerial capacities in health facilities and reinforce accountability mechanisms.</li> <li>- Enhance promotion, protection and prevention activities.</li> <li>- Enhance the system's understanding and response to the needs and concerns of vulnerable groups through introduction and institutionalization of feedback processes between communities and health care managers and providers.</li> <li>- Strengthen the health system to address the growing burden of Non-Communicable Diseases.</li> </ul>		

<sup>26</sup> The baseline and target have been established through KAP survey of AQH

<sup>27</sup> Assumption is that this figure is high reflecting the low number of respondents. However as the end line survey will include the same number of respondents, the figure will be comparable

<sup>28</sup> The baseline and target have been established through KAP survey of AQH

<sup>29</sup> AQH aims to reach 40% of the population in its partner municipalities with health education sessions. Total population in targeted municipalities is about 590'000

<sup>30</sup> The baseline and target have been established through KAP survey of AQH

## **(5) Resources, partnerships (Swiss Programme)**

### **Resources and partnerships in domain 1 (DGHS):**

CHF 25m in total, are allocated for this domain (SDC 21m, HSD 4m). In general, bilateral and contribution programmes will be funded. Performance-based modalities such as already applied to supported municipalities will be continued. The programme will closely work on the coherence of the decentralization process with all relevant partners (Ministries, Association of Municipalities, etc.).

### **Resources and partnerships in domain 2 (ENE):**

CHF 17.5m in total, are allocated for this domain (SDC 14.5m, SECO 3m). In its bilateral cooperation, the programme will continue with few long-term mandated partners (HELVETAS Swiss Interooperation and Swisscontact) in selected areas. It will strengthen synergies and coherence between its bilateral interventions in socio-economic development and its contributions to framework conditions through close collaboration with World Bank Group, including International Financial Cooperation.

### **Resources and partnerships in domain 3 (WCCR):**

CHF 34m in total, are allocated for this domain (SECO 20m, SDC 14m). In the water sector, the programme will continue with long-term mandated partners (KfW, Dorsch) and will further strengthen synergies and coherence between its bilateral interventions. Switzerland will strive to continue playing the role of lead donor and having a high-level policy dialogue with the IMWC. New interventions related to Environment, Energy, Climate Change or DRR will be examined.

### **Resources and partnerships in domain 4 (Health):**

CHF 9.5m in total, are allocated for this domain (only SDC funds). In the health sector, the programme will closely work with the Ministry of Health and ensure policy dialogue on key reforms in the health sector. Close collaboration with the World Bank and World Health Organization will be pursued.

In all domains, a percentage of the overall budget will be allocated to additional measures designed to reach poor and excluded groups to promote their inclusion. These outcomes will be achieved with the available human and financial resources of the Cooperation Office.

<b>(6) Management/performance results, including indicators (Swiss Programme)</b>	
<p><b>Outcome 1: International and national partners integrate approaches promoted by Switzerland.</b></p>	<ul style="list-style-type: none"> <li>• Donors and partners address Human Rights and minorities' issues more systematically.</li> <li>• Social inclusion dimensions are more systematically addressed in the designing of projects as well as in the policy and political dialogue.</li> <li>• Donors involve legislative bodies at the central and local levels more in programmes and projects.</li> <li>• Performance-based modalities are increasingly integrated in donor programmes and projects.</li> <li>• Donors and partners address Rule of Law, corruption and mismanagement issues more systematically, which results with concrete measures.</li> <li>• Donors and partners understand the importance of Governance as a transversal theme in general and particularly in relation with delivery of services and are willing to take concrete measures when needed.</li> </ul>
<p><b>Outcome 2: Swiss programmes are managed in a context-sensitive manner.</b></p>	<p><i>Inclusion</i></p> <ul style="list-style-type: none"> <li>• Significant improvements made in all domains of intervention in the understanding of - and way to address - social exclusion, including gender-based exclusion.</li> <li>• Work force diversity has increased in partner organizations, especially with respect to ethnic minorities.</li> <li>• Specially designed programmes address discrimination issues that cannot be dealt with in programmes with a systemic approach, as is with mainstream programmes.</li> <li>• Support GoK to implement its policy and legal framework for inclusion and lead a pro-inclusion policy dialogue. Options to work in Serb majority areas are further developed where feasible.</li> </ul> <p><i>Knowledge and understanding</i></p> <ul style="list-style-type: none"> <li>• At least 2 times a year a MERV assessment will be done.</li> <li>• All initiatives are backed by socio-political and contextual knowledge and assessments (such as vulnerable groups, human security, etc.).</li> </ul> <p><i>Results</i></p> <ul style="list-style-type: none"> <li>• All project partners have regular outcome monitoring mechanisms in place and report on progress results in social, political and economic inclusion.</li> <li>• Contextual, programmatic and institutional risks are known and inform the intervention decisions.</li> </ul>
<p><b>Lines of Intervention</b></p> <ul style="list-style-type: none"> <li>- Active participation in efforts and debates on donor coherence and coordination based on best practices.</li> <li>- Applied research and baselines in all interventions to better understand the context and how to reach out to pockets of exclusion/excluded segments of the target population.</li> <li>- Informing the ongoing development cooperation dialogue with GoK with concrete field-based best practices and lessons learned.</li> <li>- Active participation in efforts and debates on rule of law, corruption and risk management as well as consistent messaging.</li> </ul>	

# Annex 3 Monitoring system

The strategic steering is based on systematic and on-going monitoring efforts taking place at three levels:

- **Context and Country Level:** This involves two parts: (1) the regular context analysis which is based on a set of integrated tools and includes the view of various perspectives (local experts with various backgrounds, media and CSO representatives, partners and main Swiss actors such as SDC, SECO, HSD, SEM and VBS). The cooperation office conducts half-yearly assessments of the development relevant changes including the mentioned organizations and perspectives. This will also be used to strengthen the conflict-sensitive skills and competences of those involved. The analysis and findings will be documented in context changes monitoring reports/matrices as well as the Annual Reports. This level also incorporates a review of the scenario factors and the assessment of possible needs to adjust the programme, parts of the portfolio or certain programmes to context changes. (2) The analysis of country development outcomes in the four domains and transversal themes.
- **Swiss Portfolio Level:** This includes the regular assessment of the overall achievements of Swiss projects made in delivering the expected results outlined in the Results Framework for the four domains (see Annex 2) and the analysis of the projects' contributions to country development outcomes. It also includes analytical work about the most successful approaches and the major challenges faced in programme implementation. Direct monitoring by implementing partners provides good quality information and evidence. A results monitoring matrix will be regularly updated with project and context data and information, and is thus the basis for the monitoring and reporting of results. In order to monitor progress regarding social inclusion, the representation of the excluded groups among project beneficiaries shall be monitored, with baselines and targets for the representation of excluded groups. This will be done through gender and ethnic (RAE) disaggregation of the indicators. If ethnic disaggregation is not possible (being either against the law or methodologically impossible) proxy will be used and briefly described in the Results Framework. The results will be documented and discussed in the Annual Reports.
- **Management Level:** This includes the half-yearly review of the management performance of the SCO and all project cycle management processes that influence results. The following aspects will be incorporated in the analysis: budget allocations per domain and geographically, disbursement progress, aid modalities (mandates, contributions to bi- and multilateral organizations and other types of projects), the monitoring of risks – especially when working with the Serb communities in the north – and the scenario implications. This also includes reviewing the implementation progress of strategic priorities such as social inclusion, gender, good governance and conflict sensitive programme management. The findings and conclusions will be documented in Mid-Year Reviews and the Annual Reports.

Dimension	Monitoring Areas / Fields of Observations	Instruments	Periodicity
Context and Country Level	<ul style="list-style-type: none"> <li>• Overall political and socio-economic trends</li> <li>• International and regional developments</li> <li>• Shocks and risks</li> </ul>	<ul style="list-style-type: none"> <li>• MERV</li> <li>• Regular exchange among Swiss actors and with other donors and national experts</li> </ul>	<ul style="list-style-type: none"> <li>• Yearly, if need be also half yearly (March and September)</li> </ul>
	<ul style="list-style-type: none"> <li>• Country Development outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Result Monitoring Matrix</li> <li>• Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• September</li> </ul>
Swiss Portfolio Level	<ul style="list-style-type: none"> <li>• Swiss program outcomes</li> <li>• Changes in transversal themes (gender equality and good governance)</li> </ul>	<ul style="list-style-type: none"> <li>• Result Monitoring Matrix</li> <li>• Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• September</li> </ul>
Management Level	<ul style="list-style-type: none"> <li>• Aid modalities / disbursement / geographical distribution</li> <li>• Progress in social inclusion and reducing fragility</li> <li>• CSPM approach</li> </ul>	<ul style="list-style-type: none"> <li>• Result Monitoring Matrix</li> <li>• Annual Report</li> <li>• Office Management report</li> <li>• Internal Control System Compliance Report</li> <li>• External Audit Report</li> <li>• Regular Updates of the Local Security Plan</li> </ul>	<ul style="list-style-type: none"> <li>• September</li> <li>• September</li> <li>• August</li> <li>• August</li> <li>• May</li> <li>• February and June (or if need be)</li> </ul>

The monitoring system is described more in detail in a separate monitoring concept.

# Annex 4 Adaptations of programme to scenarios

Given the fragile context and the political uncertainties at national and regional level (especially the tense bilateral relation with Serbia) the future development of Kosovo remains unpredictable. Based on a relevance workshop in Pristina (5.11.2015) the following scenarios were developed.

	<b>Rapid EU integration (Optimistic)</b>	<b>From fragility to stabilization and democratization (Realistic)</b>	<b>Deterioration (Pessimistic)</b>
<b>Political</b>	<ul style="list-style-type: none"> <li>Democratic system is substantiated and well rooted (e.g. improved accountability of GoK to the parliament)</li> <li>Reach EU candidate status in 8-10 years</li> <li>Impunity and clientele system progressively dismantled</li> <li>Anti-corruption activities are effectively coordinated and implemented</li> <li>Open and more constructive dialogue and engagements including in the northern part of Kosovo</li> <li>Specialist Chambers will announce first indictments for high-level persons and by 2020 first sentences are announced</li> </ul>	<ul style="list-style-type: none"> <li>Democratic system remains not well rooted but political scene offers some space for change</li> <li>Formation and proper functioning of the Association/Community of Serb Municipalities</li> <li>Visa liberalization is granted and population continues to see EU integration as best way forward</li> <li>Bad governance, weak rule of law continue despite progress at municipal level</li> <li>Some progress in anti-corruption measures</li> <li>Most donors stay on, ODA slightly decreasing</li> <li>The reconciliation process is slowly increasing mutual trust</li> <li>Specialist Chambers will pronounce first indictments for some high-level persons; court cases are ongoing</li> </ul>	<ul style="list-style-type: none"> <li>The democratic system breaks down</li> <li>Division of the state (parallel institutions in Serb majority municipalities, alienation among ethnic Albanians) deepens, Association/Community of Serb Municipalities (if created at all) results with the north splitting off</li> <li>Accession to new international bodies is systematically failing (e.g. 2<sup>nd</sup> try for UNESCO, CoE)</li> <li>Corruption and state capture levels increase</li> <li>Agents of positive change discouraged and leave Kosovo, brain drain</li> <li>Non-functional Parliament</li> <li>First indictments of the Specialist Chambers are all/most for medium or low-level persons; no sentences announced</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>Economic reform leads to increased investments and creation of jobs</li> <li>Sectorial budgets are secured and co-financing perspectives are improved.</li> <li>Remittances are rapidly increasing (skilled Kosovars easily find jobs abroad) and more often invest in productive ventures.</li> </ul>	<ul style="list-style-type: none"> <li>Some economic progress at local level</li> <li>Not enough jobs created for all that enter the labour market</li> <li>Remittances increase at current rates meaning that legal migration remains an option</li> </ul>	<ul style="list-style-type: none"> <li>Instability and bad governance impede international and national investments</li> <li>Unemployment rate increases</li> <li>Remittances are falling substantially (economic crises in Europe, restricted legal migration)</li> </ul>
<b>Socio-cultural</b>	<ul style="list-style-type: none"> <li>Merit based recruitment of staff</li> <li>Increased inter-ethnic dialogue</li> <li>More open discussion on nation building</li> <li>Inclusion strategy implemented</li> <li>More solidarity with less developed regions</li> </ul>	<ul style="list-style-type: none"> <li>Performance aspects are increasingly considered in public sector recruiting</li> <li>Ethnic relations remain difficult (e.g. "Lista Srpska", parallel structures)</li> <li>Inequalities also gender based and social exclusion continue</li> <li>Sporadic but contained social unrest of frustrated people occur</li> </ul>	<ul style="list-style-type: none"> <li>Nepotism is uncontrolled and uncontested</li> <li>Violence against Serb and other minorities exacerbates</li> <li>Exclusion of vulnerable people increases</li> <li>Total loss of trust regarding all state institutions</li> <li>No commonly shared vision about Kosovo can be established</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>Intense cooperation with other countries of the region (borders, religious extremism, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Occasional ethnic-based clashes continue</li> </ul>	<ul style="list-style-type: none"> <li>More frequent and more violent actions</li> <li>Strengthening of KFOR</li> </ul>

The working scenario for the elaboration of the CS for Kosovo 2017-20 is the scenario “from fragility to stabilization”. The following table shows the anticipated domain level adjustments for the optimistic and the pessimistic scenario. If due to the increasingly volatile situation in the Western Balkans (security, international migration, etc.) the pessimistic scenario is materializing a careful reassessment of the context/scenarios needs to be done.

**Main adaptations per domain for the others scenarios:**

	<b>Rapid EU integration (Optimistic)</b>		<b>Deterioration (Pessimistic)</b>
<b>DGHS</b>	<ul style="list-style-type: none"> <li>• Enlarge outreach of on budget support through performance based financing schemes.</li> <li>• Expand from local (Municipality) and meso (Associations) to national level (Ministries, national change agents)</li> <li>• Upscale of the support to municipal assemblies</li> </ul>	<p><b>Outcome 1:</b> Line ministries and selected municipal administrations provide better and more effective services to all their citizens. The national and local assemblies hold their governments to account, legislate in a reform enabling way and foster their constituency relations.</p>	<ul style="list-style-type: none"> <li>• Intensify the work with credible parts of civil society and media.</li> <li>• Increase support to local change agents in the government (especially municipalities) and the private sector/NGOs to address equity issues.</li> <li>• Tailor-made approach to better integrate the northern part of Kosovo and the Association of Serb Municipalities.</li> </ul>
	<ul style="list-style-type: none"> <li>• Focus on supporting constituency building.</li> </ul>	<p><b>Outcome 2:</b> Citizens and CSOs use offered and –where necessary – claim spaces for participation in the shaping of public affairs thereby fostering trust between communities and public institutions.</p>	<ul style="list-style-type: none"> <li>• Explore possibilities for increased and focused support to strengthen the role of civil society.</li> </ul>
	<ul style="list-style-type: none"> <li>• Support the implementation of inclusive political processes/agreements.</li> </ul>	<p><b>Outcome 3:</b> The three state powers together with independent oversight bodies and CSOs take credible steps to foster inclusiveness in key political processes, specifically relating to dealing with the legacy of the past and the political dialogue with minority communities and with Serbia.</p>	<ul style="list-style-type: none"> <li>• Engage key political actors in processes to create trust and cooperation.</li> <li>• Focus on outreach activities and awareness raising in dealing with the past and towards minority communities.</li> </ul>

<b>ENE</b>	<ul style="list-style-type: none"> <li>Support more the Kosovo government in implementing the SAA (Stabilisation and Accession Agreement)</li> <li>Improve the business regulatory framework; businesses will benefit from an easier and better environment.</li> <li>Enhance social dialogue, resulting in concrete measures addressing the specific needs of the disadvantaged and excluded groups.</li> </ul>	<p>Outcome 1: The public and private sectors together with CSOs join forces for improving the business environment leading to the creation of a more dynamic and inclusive market system.</p>	<ul style="list-style-type: none"> <li>Reassess the economic sectors and focus on those that are more resilient to the economic shocks</li> <li>Support self-employment and social enterprises (rural areas and minority communities)</li> <li>Focus more on the improvement of quality standards in order to meet the EU market requirements</li> </ul>
	<ul style="list-style-type: none"> <li>More public and private education providers offer skills as per demand of the labour market including elements of the Swiss dual system</li> <li>Establish a dialogue platform for the education/training providers and the private sector.</li> </ul>	<p>Outcome 2: Ministry of Labour and Social Welfare and Ministry of Education together with the private sector take affirmative action to address unemployment, especially among the youth in the age group 15-24 with new or improved market-oriented skills, knowledge and working attitudes.</p>	<ul style="list-style-type: none"> <li>Work more with the private sector through piloting certain elements from the Swiss dual system</li> <li>Focus more on Active labour market measures so that youth are engaged in the labour market.</li> </ul>
	<ul style="list-style-type: none"> <li>Further support expanding and coping in of services of formal mediation service providers</li> <li>Engage in decreasing informality by providing incentives to formal sector</li> </ul>	<p>Outcome 3: Unemployed people actively seek and find decent jobs through formalized job mediation services that offer demand oriented services and improve the chances of the private sector hiring the right people.</p>	<ul style="list-style-type: none"> <li>Support more the business services that focus on accelerated self-employment and social entrepreneurship</li> </ul>
<b>WCCR</b>	<ul style="list-style-type: none"> <li>More co-financing from national partners</li> <li>Support the integration process of northern water schemes into the system (RWC)</li> </ul>	<p>Outcome 1: People have access and are willing to pay for affordable high-quality water and sanitation services that improve their livelihoods.</p>	<ul style="list-style-type: none"> <li>Increase stakeholder participation to leverage pressure on relevant authorities and institutions.</li> <li>Investments in labour-intensive works to create jobs.</li> </ul>
	<ul style="list-style-type: none"> <li>Further support the enforcement of the sector policies and regulations.</li> </ul>	<p>Outcome 2: Supported RWCs manage the water, sanitation and wastewater services in an efficient and transparent manner and are accountable to their respective oversight bodies.</p>	<ul style="list-style-type: none"> <li>Supporting further RWCs with focus on basic service provision.</li> </ul>
	<ul style="list-style-type: none"> <li>Focus even more on environmental and climate change issues.</li> </ul>	<p>Outcome 3: The supported municipalities and RWCs increasingly recognize the need and are willing to more effectively and efficiently protect the environment and reduce climate change related impacts.</p>	<ul style="list-style-type: none"> <li>Focus support on basic energy efficiency measures.</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>Explore potential for on budget support</li> <li>Explore potential for home-based care services.</li> <li>Speed up/scale up expansion of AQH (Primary Health Care).</li> </ul>	<p>Outcome 1: National and local public health institutions and facilities offer more qualitative, accessible and affordable services to citizens, including disadvantaged and excluded groups.</p>	<ul style="list-style-type: none"> <li>Increase efficiency and sustain provision of basic services.</li> </ul>
	<ul style="list-style-type: none"> <li>Enhanced targeting of beneficiaries</li> <li>Support patients' rights associations engaging in policy dialogue</li> </ul>	<p>Outcome 2: The population improves its health literacy, adopts healthier behaviours and holds health authorities to account.</p>	<ul style="list-style-type: none"> <li>Further mobilize community-based organizations for health promotion and basic services</li> </ul>



# Annex 5 Financial planning of Swiss contributions

## Cooperation Strategy Kosovo 2017-2020

Disbursements planned 2017-2020								
Domain	SDC Mio CHF	% of total	SECO Mio CHF	% of total	HSD Mio CHF	% of total	Total Mio CHF	% of total
Democratic Governance and Human Security	19.6	35.0			4.0	100.0	23.6	30.2
Economy and Employment	13.6	24.3	3.0	17.0			16.6	21.3
Water & Climate Change Resilience	12.6	22.5	15.0	83.0			27.6	35.4
Health	8.8	15.7					8.8	11.3
**Other Interventions	1.4	2.5					1.4	1.8
<b>Total budget allocation 2017-2020</b>	<b>56</b>	<b>100</b>	<b>18</b>	<b>100</b>	<b>4</b>	<b>100</b>	<b>78</b>	<b>100</b>

\*\* without office management costs, incl. small actions/global credit SCO

Commitments planned 2017-2020								
Domain	SDC Mio CHF	% of total	SECO Mio CHF	% of total	HSD Mio CHF	% of total	Total Mio CHF	% of total
Democratic Governance and Human Security	21.0	35.0			4.0	100.0	25.0	29.4
Economy and Employment	14.5	24.2	3.0	14.2			17.5	20.6
Water & Climate Change Resilience	13.5	22.5	18.0	85.8			31.5	37.0
Health	9.5	15.8					9.5	11.2
**Other Interventions	1.5	2.5					1.5	1.8
<b>Total budget allocation 2017-2020</b>	<b>60</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>4</b>	<b>100</b>	<b>85</b>	<b>100</b>

\*\* without office management costs, incl. small actions/global credit SCO

# Annex 6 Map





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