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Q1: Respondent details

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Q2: Country or Customs territory

GERMANY

Q3: Organization

Public sector

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Q4: Title of case story

IT Strategy in Kosovo. Supporting the export of IT services and software

Q5: Case story focus

E-commerce development and efforts to bridge the "digital divide".

Q6: Case story abstract

In 2013, stakeholders of the Kosovar IT industry joined forces in order to develop a collabo-rative
strategy for promoting the Kosovar IT industry, therein supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Norwegian Ministry of Foreign Affairs (NMFA).
The IT Strategy not only aims to transform domestic market struc-tures, but also to improve international competiveness and to foster exports as well as Foreign Direct Investment. It focuses in particular on Export promotion, such as through export coaching and consulting, B2B match-making events and the development of an IT export manual. In May 2016, the initiative was adopted as national policy, even though implementa-tion measures have been ongoing since 2014. This is helping to unlock an enormous potential for growth of the sector, while domestically already increasing the number of jobs.

Q7: Who provided funding?

Bilateral donor

Q8: Project/Programme type

Single country

Q9: Your text case story

Origin of the programme
Across the globe, information technology (IT) is permeating and transforming the economy, the public sector as well as society at large. With a global market value of EUR 1,133 billion in 2013, the IT industry is not only one of the largest but

also one of the most dynamic sectors, making IT a central driver for economic growth and innovation. Herein supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Nor-wegian Ministry of Foreign Affairs (NMFA), the Kosovar government has recognized the im-portance of the IT industry for economic development and structural transformation towards a knowledge-based economy. As the country's fastest growing industry, it offers many oppor-tunities for innovation, international competitiveness, export and Foreign Direct Investment, while simultaneously boosting the potential for employment creation. Consequently, in 2013 the government of Kosovo officially declared the IT industry a high priority sector for its economy. Stakeholders of the Kosovar IT industry, including several national ministries and agencies, the Kosovo Association of Information and Communication Technology (STIKK), universities and donor organizations, joined forces in order to develop a collaborative strategy for promoting the Kosovar IT industry (both for software and IT services; Kosovo currently does not have any producers of IT hardware). Some of the challenges faced were the low level of existing collaboration in the IT sector, the absence of a consistent ICT policy, lack of market intelligence on potential export markets, inadequate institutional capacities and support structures, as well as the lack of strategy know-how.

The project adopted as its vision the promotion of digital transformation and the support of Kosovo in becoming a knowledge-based economy. The overarching goal is for the IT industry to become the main driver for economic growth, employment and innovation by 2020, through increasing the international competitiveness of the Kosovo IT industry based on digital excellence. Particularly emphasis was placed on leveraging the employment potential of the digital industry of Kosovo for young people.

How was it designed?
Due to the complexity of the task, the IT Strategy was developed by a joint working group including representatives from all relevant stakeholders (IT companies, associations, minis-tries, universities and donors). The outcome document had to define concrete policies, measures and actions that would increase the international competitiveness of the Kosovar IT industry on a systematic and sustainable basis. Furthermore, the fostering of joint learning and collaboration, collective planning and implementing and improved stakeholder alignment were seen as important guiding principles.

Based on an integrated approach for IT sector promotion as well as success factors and challenges, a specific methodology for the development (and implementation) of the IT Strat-egy was created, taking into account the structural characteristics of the Kosovar IT industry. Through a combination of close collaboration, agile methods (using adaptive planning and continuous feedback) and strategic fit (matching internal capacities with external demands), the methodological approach of the strategy aims at creating a "learning system" that ensures systemic competitiveness for the Kosovo IT industry as well as the generation of sustainable competitive advantages. Such a learning system, facilitating the continuous improvement and adaptation of the strategy, is of particular importance for the IT industry, which is characterized by short innovation cycles and intensifying competition. An internal analysis was made to assess the structures, resources and capabilities of the Kosovar IT industry, while an external analysis helped identify potential export targets (mainly Germany, Austria and Switzerland).

At the end of an intensive deliberation process, the working group had defined a broad range of strategic measures, reflecting the generic strategy as well as growth and market entry strategies. Nine strategic pillars were identified, centred around:
- Introducing a comprehensive IT promotion policy
- Promoting IT company and excellence
- Export promotion
- Developing domestic markets and increasing productivity through IT
- Improving IT education and promoting HR excellence in Kosovo
- Increasing systemic competitiveness through IT clusters and collaboration
- Enhancing IT entrepreneurship and start-ups in Kosovo
- Fostering innovation and applied R&D
- Promoting Kosovo as an IT investment location

Each individual item is further broken down in a list of measures and actions which have to be undertaken or implemented. For the pillar IT Promotion Policy it concerns the establishment of a Ministry of ICT and a National Committee on Digital Transformation, capacity building and reduction of customs tariffs and VAT for IT equipment. In the Pillar Export Promotion it includes for instance the establishment of export coaching and consulting, the implementation of Business-to-Business match-making events and developing an IT export manual for companies.

Execution, delivery and management
Defining the appropriate organizational form was a tricky exercise, given that the many dif-ferent stakeholders are legally independent and have different structures, capabilities, re-sources and cultures. To face the demands of the

dynamic IT industry, a flexible, network-oriented organisation was therefore designed to manage the implementation. The overall management and coordination is left to a steering committee. Each of the nine pillars is des-ignated to a specialised task force, operating as self-managing teams reporting to the steering committee, if need be supported by consultants. Finally, an advisory board provides support with regards to consulting, resources and external know-how. Members are the donors, but also chambers, brand ambassadors and NGOs. A special role is reserved for the Kosovo Association of ICT (STIKK): as the representative of the target group of the strategy, the or-ganisation serves as the "system integrator". Already in the possession of an effective structure and highly qualified staff, it plays a vital role in all levels of the implementation structure and is the lead organisation for many of the initiatives.

Short- and medium-term outputs and outcomes
A very immediate result of the programme is that what at the start of 2014 was meant as a private sector initiative was in May 2016 launched as the Government of Kosovo's official National IT Strategy. This means the IT Strategy will have an impact beyond what was origi-nally imagined. At the same time, it has also changed the process, which had originally fore-seen the implementation of many of its actions in the course of 2014-2015. Having become public policy, the Strategy faced a longer decision-making process and delayed implementa-tion. Having said that, the implementation work has continued in 2014 for at least some of the pillars, meaning concrete results have already been made. Important in the area of trade is that in 2015 a law on the reduction of customs tariffs and VAT for IT equipment has been adopted, which is expected to decrease the cost of doing business for IT companies. The IT-Business barometer has also been implemented, providing a better tool to monitor and evaluate the performance of the Kosovar IT industry. The Kosovo Association of ICT, STIKK, successfully functions as the "system integra-tor" of the National IT Strategy. The organisation by now accounts for 125 + registered mem-bers, who together represent 90% of the whole ICT market of Kosovo.

 The pillar on education has taken off, with the STIKK Education programme as one of the success stories of the IT Strategy. By analysing ICT skills gaps and providing a variety of IT-related trainings, this education programme has the potential to contribute to closing the digital divide, while simultaneously assisting the growing IT industry export market in finding qualified staff. Training courses in software engineering, mobile development and IT man-agement are already being offered, in connection with a job placement programme. It is es-timated that in 2016 around 1.900 people work in the IT sector in Kosovo and figures show a constant growth since 2013.

Work on the third pillar on Export Promotion has also been progressing. For starters, the work on an Export Information Service is well underway; it will eventually provide IT com-panies with detailed information on potential export markets, technology- and business trends and market information. A Business-to-Business Export Promotion Service has started to operate as well: this service provides, amongst other things, matchmaking events and helps to generate business opportunities. Delegation trips to for instance Germany have already taken place. To increase the visibility of the Kosovar companies, participation in fairs has also taken place according to planning. This support shows first results, as an increasing number of Kosovo IT companies have clients abroad and exports of IT services have increased by 23% from 2013 to 2014. Export mainly encompasses software development, software testing, mobile applications, web design, and digital media production.

Q10: Lessons learnt

A number of factors have contributed to the success of the implementation so far. The early involvement of all relevant stakeholders in the collaborative approach certainly is one of them. The "agile methodology", making possible frequent feedback loops and readjustments contributed to the speed of the process. The implementation of support measures parallel to the strategy development also contributed to that and helped to clear the path for the strategy to go national. Of great importance for the Kosovar industry was the strong focus on export markets, given the limited size and level of development of the domestic market. This helps unlock an enormous potential for growth of the sector, while domestically also increasing the possibility for job creation. Considerable effort has been put national branding and the positioning of Kosovo as a leading IT outsourcing destination. Finally, the close involvement of the ICT Association STIKK has led to great results in the area of support to companies through training and qualification activities.