



USAID | **KOSOVO**
NGA POPULLI AMERIKAN
OD AMERIČKOG NARODA

BUSINESS ENABLING ENVIRONMENT PROGRAM

CONTRACT NO.EEM-I-00-07-00008-00 BEEP - KOSOVO

**QUARTERLY REPORT # 3
FOR THE PERIOD FEBRUARY 1–APRIL 30, 2011**

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc. The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

CONTENTS

INTRODUCTION.....	2
ACTIVITY SUMMARY	3
ACCOMPLISHMENTS BY PROJECT COMPONENT	5
Component I – Rules and Regulations Improved	5
Work Plan Progress	5
Next Steps.....	13
Challenges	13
Coordination/Collaboration.....	14
Component II – Reduced Barriers to Trade	14
Work Plan Progress	14
Next steps	21
Challenges	22
Coordination/Collaboration.....	23
Component III – Reduced Risks of Lending	23
Work Plan Progress	23
Next Steps.....	25
Challenges	25
Coordination/Collaboration.....	25
ANNEX 1 – BEEP WORKPLAN OBJECTIVES.....	26
ANNEX 2 – SUPPLEMENTAL REPORTING.....	27
ANNEX 3 – UPCOMING EVENTS	28
ANNEX 4 – ACCRUED EXPENDITURES.....	29

ACRONYMS

AKM	Association of Kosovo Municipalities
AmCham	American Chamber of Commerce in Kosovo
BEEP	Business Enabling Environment Program
CEFTA	Central European Free Trade Agreement
DB	Doing Business
DEMI	Democratic and Effective Municipalities Initiative
DFID	UK Department for International Development
ECLO	European Commission Liaison Office
EROL	Effective Rule of Law Program
EU	European Union
EULEX	European Union Rule of Law Mission in Kosovo
EULOG	European Union Local Governance Support
EU/SME	SME Support through the Ministry of Trade and Industry
GFSI	Growth Fiscal Stability Initiative
GoK	Government of Kosovo
KEK	Kosovo Energy Corporation
KMFAS	Kosovo Ministry of Foreign Affairs Support Project
KPEP	Kosovo Private Enterprise Program
IMF	International Monetary Fund
ITG	International Trade Guide
MC	Municipal Coordinator
MCI	Municipal Competitiveness Index
MFA	Ministry of Foreign Affairs
MOU	Memorandum of Understanding
MTI	Ministry of Trade and Industry
OPM	Office of the Prime Minister
OSCE	Organization for Security and Cooperation in Europe
PBMP	Performance-Based Monitoring Plan
RDA	Regional Development Agency
SEAD	System for Enforcing Agreements and Decisions Program
SDA	Swiss Development Agency
SLA	Swiss Labour Agency
SCRAUSA	Support to the Civil Registration Agency and Unified Address System
TPWG	Trade Policy Working Group
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
WB	World Bank
WBDB	World Bank Doing Business
WTO	World Trade Organization

INTRODUCTION

The Business Enabling Environment Program (BEEP) is pleased to submit its third quarterly report to the United States Agency for International Development (USAID) detailing progress and achievements for the period February–April 2011. The document is divided into three sections — introduction, activity summary, and accomplishments by component — and presents the key achievements and results over the past quarter. We also include annexes with supplemental reporting as described in the project’s Performance-Based Monitoring Plan (PBMP).

Contract Overview

On July 28, 2010, USAID/Kosovo awarded the Business Enabling Environment Program to Chemonics International under Contract No. EEM-I-00-07-00008-00. Led by Chemonics, the implementing consortium includes Crimson Capital and Baja Group Consultants. USAID/Budapest appointed Dardane Peja the Contracting Officer’s Technical Representative (COTR) on July 29, 2010. BEEP is a three-year project, ending on July 27, 2013.

Project Overview

BEEP’s objectives are to (1) remove barriers to business start-up, operation and expansion through reduced, simple, and justified free-market-oriented laws, regulations and implementation procedures to facilitate economic growth, and (2) improve government and private sector knowledge of laws and regulations to increase clarity, reduce arbitrary application of government power, and to improve the ability of counterparts to effectively participate in transparent advocacy and policy making. The overall objective of the project is a business enabling rather than a business controlling environment, through which government impartially administers a simple, justified, and transparent framework in which current and future individual entrepreneurs can freely operate to pursue and realize their maximum economic potential.

BEEP has a long-term presence in eight municipalities, and works with a further 26 municipalities.

BEEP Core Presence	Satellite Municipalities
Pristina Municipality	Novobrdó Podujevo Lipjan Obiliq Fushe Kosove
Gracanica Municipality	Ranillug Klokot Partesh
Prizren Municipality	Mamusha Dragash Malisheve Suhareke

Peja Municipality	Istog Klina Decan
Gjakova Municipality	Junik Rahovec
Mitrovica Municipality	Vushtrri Skenderaj Drenas
Strpce Municipality	For political reasons, BEEP is not currently working with municipal administrations in North Kosovo, but maintains contact with individual businesses and NGOs
Ferizaj Municipality	Gjilan Shtimje Kacanik Viti Kamenice Hani I Elezit

ACTIVITY SUMMARY

During the quarter, BEEP maintained its momentum and achieved significant steps forward, in particular from national government counterparts.

Highlights from the reporting period include:

- Data collection for the first MCI Survey in Kosovo was completed. Information was gathered from over 2,000 respondents across the country. Analysis of the data is underway and the results should be ready to be presented with government and private sector counterparts during the next reporting period.
- Incorporating our recommendations, the Municipal Assembly of Mitrovica adopted a Regulation on Transparency. This new Regulation increases public access to information and facilitates public participation in the municipality's decision-making process.
- Gjakova Municipality took steps to improve its website. Based on consultations with BEEP, the Gjakova Municipality's IT specialist agreed to publish municipality regulations on the website. The website now provides the municipal budget, municipal regulations, annual departmental reports, information on capital projects, the mayor's annual reports, and other documents. BEEP also facilitated coordination between the IT department and other municipal departments so that information will be automatically uploaded to the website.
- As part of our efforts to target reforms in the enabling environment based on Kosovo's 2011 rankings in the World Bank Doing Business Report, BEEP organized a five-day legislative drafting session (February 7–12) in Struga, Macedonia for GoK officials. Participants included the Director of

the Prime Minister's Office of Legal Support Service and legal representatives of various GoK ministries. As a result of this retreat, amendments to 10 laws were prepared, constituting the necessary first step to address improving Kosovo's DB rankings.



Doing Business legislative drafting session, Struga, Macedonia, 7-12 February, 2011

- In April, GoK officials participated in an Economic Retreat held in Bansko, Bulgaria (April 10–14) to develop a new economic vision for Kosovo. The resulting vision and action plan was presented to Prime Minister Hashim Thaci. The economic vision and action plan reflect BEEP's recommendations on Doing Business and related reforms, and contemplate a comprehensive GoK program to improve the business environment and with the goals to eliminate 50% of all permits and licenses and to have Kosovo attain a Doing Business score of at least 40 by 2014. This was confirmed by Prime Minister Thaci and Minister of Trade and Industry Mimoza Kusari-Lila when they participated in the Doing Business Reforms launch on April 28, which was organized with BEEP's technical and financial support.
- The American Chamber of Commerce in Kosovo and BEEP staff organized eight focus groups across the country to get the business community's perspectives on the most pressing problems they faced from the government.
- Work continued with Kosovo Customs in several key areas, achieving results including the development of a draft policy on information requirements on commercial invoices, targeted training for importers, clearing agents and Customs staff responsible for verifying declared values of imported goods.
- As part of our efforts to improve Kosovo's credit registry, currently managed by the Central Bank, further detail was added to the proposed internal working group within the Central Bank to facilitate and oversee reforms of the credit registry and submitted to the Central Bank's Chief Operating Officer. In addition, BEEP produced a report on privacy rights

and laws pertaining to the exchange of credit information which was submitted to the Chief Operating Officer.

ACCOMPLISHMENTS BY PROJECT COMPONENT

Component I – Rules and Regulations Improved

Component 1 focuses on removing barriers to business by simplifying and streamlining the regulatory framework — statutes, regulations, rules, procedures and other legal requirements — that is applied to business at the national and municipal levels. These activities will result in improved Doing Business indicators. Since local e-procurement assistance is to be carried out in targeted municipalities, this work is also incorporated into Component 1 and will be coordinated with other program sub-national activities through individual Municipal Coordinators and local partners. The Year 1 Work Plan also envisions the development of a Municipal Competitiveness Index (sub-national survey measuring key indicators of the business climate) of each of Kosovo's municipalities.

During this reporting period, BEEP significantly strengthened working relationships with business leaders, business associations, donor programs, and various government entities. Together, project activities helped to identify barriers to doing business, inform national- and municipal-level legislative changes and stimulate demand for assistance and reform. This section summarizes our progress in relation to the Year 1 Work Plan, next steps, challenges and efforts to coordinate activities with other donor projects.

Work Plan Progress

Input 1.1: Develop and Support Municipal Competitiveness Index for Sub-National Environment Evaluation and Improvement

Initial MCI surveying completed. Between February 16 and March 22, the subcontractor UBO Consulting undertook the first annual MCI Survey in all 37 municipalities of Kosovo. In total, 2,026 businesses across a range of sectors throughout the country were interviewed on the municipal business environment. Analysis of the results by MCI Research Manager Natasha Hanshaw is underway and will be complemented by hard data compiled by the BEEP team.

Once the MCI is complete, a media campaign will promote the results in a variety of ways. Pending COTR approval, a local media company, PR Solutions, will develop a media campaign plan, including the broadcast of public service announcements in Albanian and Serbian on national and local television throughout the course of June.

Input 1.2: Develop and Support Kosovo Partnership Program to Build Local Capacity and Achieve Reforms in Municipalities

General Developments

BEEP activities extended to all approved municipalities. Building on relationships in their "core" municipalities, the BEEP municipal coordinators (MCs) contacted the governments of all remaining municipalities in Kosovo – except for the three municipalities in the North and north Mitrovica – to gather information and provide assistance throughout the country to improve the business environment.

Analysis of municipal administration, legal framework and regulatory processes, and financial data. BEEP undertook research aimed at creating a comprehensive understanding of the organization of their municipalities' administration; the existing legal framework; and the procedures involved in the local legislative and regulatory processes. BEEP is coordinating this work closely with DEMI, to avoid any unnecessary duplication of efforts. The information gathered will be essential to develop proposed regulatory reforms at the municipal level. The MCs will:

- Compile complete information on the organization of each municipality's administration and the functions and staffing of its departments.
- Take an inventory of the municipalities' regulations; and determine whether municipalities are missing any regulations necessary to exercise the 25 core competencies that have been mandated to it by national laws; and whether existing regulations should be revised to make them more consistent with and supportive of good governance and a positive business environment. BEEP and DEMI have agreed to work together on the development of model regulations for municipalities.
- Gather comprehensive information on each municipality's budget; the sources of each municipality's own-source revenue; and the amounts collected from each source in 2010. Revenue sources include work permits; business licenses; property taxes; and all other taxes or levies imposed by the municipality.
- Assess the level of accuracy and completeness of information on each municipality's website to determine the extent to which the website satisfies the requirements of good governance and the public's right to know.
- Review the time and procedures required to receive a work permit; register a business; register property; and receive a construction permit. (This is described further in Input 1.5 below)

Focus groups held to identify business constraints. In order to identify the legal and regulatory problems that are truly affecting business in Kosovo, BEEP began to conduct focus groups to elicit that information directly from the businesses and entrepreneurs themselves in eight municipalities. With the assistance of short-term reform expert Sergey Pizikov, whose experience with similar activities in Central Asia was invaluable, BEEP held general focus groups representing various sectors and areas of business, followed by focus groups from a specific area of business,

as warranted by the profile of the business community in each municipality. In the reporting period, BEEP organized a total of 16 such focus groups in seven of its primary municipalities (all except Strpce). BEEP will analyze the issues identified at these focus groups, focusing in particular on the legal and policy origins of the constraints cited by the focus group participants, and, in close consultation with USAID and the GoK, will develop recommendations for legal reforms to address these constraints.

RIC Methodology guide. Building on the consultation provided by Sergey Pizikov and with his assistance, a technical guide on reducing investment constraints is being finalized. The guide on this proven methodology will be provided to BEEP staff and external counterparts.

Agreement on project cooperation to assist SMEs and business associations. In this reporting period, the EU SME Project, DfID and the KPEP project tentatively agreed to the BEEP proposal on cooperation and coordination of activities to support the SME sector. Under this arrangement, BEEP will provide advocacy training and mentoring to business associations (identifying legal and regulatory issues; assessing their economic impact; and presenting their findings to advocate reforms). This will complement the other three organizations' activities with business associations and SMEs.

Specific Municipal Developments

Between February and April, BEEP's work with several of the core municipalities resulted in improvements to local government transparency in three municipalities.

Revised regulation on transparency adopted by Mitrovica. The Municipal Assembly of Mitrovica adopted a regulation on transparency that reflected BEEP's recommendations to increase public access to information and public participation in the municipality's decision-making process. The regulation's provisions require:

- the municipality to post all proposed regulations on its website and to accept written comments from the public;
- municipal officials to respond in writing within seven days to each request from the public for official documents and accords to the requesting party the right to appeal a denial of the request; and
- the municipality to issue an annual report that sets out the number of requests received for official documents for which the request was granted; those which were denied; and the grounds for the denial.

This regulation will be presented as a model to other municipalities for their consideration.

Gjakova municipal website improved. The MC met with the Gjakova municipal IT specialist and secured his agreement to publish the municipality's regulations on its website. The MC also fostered coordination between the IT department and other municipal departments with the result that the municipal budget, the municipal regulations, the mayor's annual reports, and other relevant documents will be added to the website automatically. This initiative resulted from discussions that the MC had with local businesses and citizens, in which they expressed

concern and dissatisfaction about the lack of information on the municipality's regulations and policies. For example, there was particular concern about a newly-adopted regulation on pharmacies that had not been published. The appearance of this information on the website generated a positive response.

<http://kk.rks-gov.net/gjakove/Projects.aspx>,

<http://kk.rks-gov.net/gjakove/Shpalljet/Raportet.aspx>,<http://kk.rks-gov.net/gjakove/Shpalljet/Rregulloret.aspx>)

Peja municipality website improved. Peja Municipal administration committed to making all of its regulations and other legal acts available on its website. Municipal regulations and all municipal decisions have already been uploaded. This has resulted in increased municipal transparency and public access to information.

[http://kk.rks-gov.net/peje/Assembly-\(1\)/Rregulloret.aspx?page=1](http://kk.rks-gov.net/peje/Assembly-(1)/Rregulloret.aspx?page=1)

Input 1.3: Select and Support Procurement Reforms in Targeted Municipalities

Review of procurement reform initiated. In early February, BEEP participated in the first meeting of the Public Procurement Law Task Force established by the American Chamber of Commerce. In addition, BEEP also communicated with an expert whose experience includes introducing e-procurement reform in Albania. As a first step in determining the best approach for achieving the goal of introducing e-procurement in selected municipalities, BEEP conducted a preliminary legal and policy review of the current national procurement law and donors' potential support plans. Owing, however, to the fact that an EU project has recently renewed its efforts to introduce a new Law on Public Procurement, which may result in substantial changes to current law and practice, BEEP may have to reevaluate the approved scope of work for this short-term technical assistance expert.

Input 1.4: Support National Business Environment Improvement (Doing Business)

GoK economic retreat in Bansko, Bulgaria. BEEP supported and participated in the GoK Economic Retreat to develop a new economic vision for Kosovo. Both Doing Business and non-Doing Business reforms were on the agenda. The GoK confirmed its commitment to improve the business environment by setting the following goals:

- reach the Doing Business TOP 40 by 2014¹; eliminate 50% of licenses and permits;
- reform inspections via implementing a risk-based management system to enhance government efficiency;
- reform property tax and transition revenue-seeking elements of the regulatory system to the tax system, improved IT/IS intra-government coordination, MTI-MFA coordination on external economic promotion; and

¹ Kosovo's Doing Business 2011 ranking is currently 119, and the country's 2010 ranking was 118.

- increase transparency by improving the drafting of legislation and the development of a legislative database.

The retreat, held in Bansko, Bulgaria on April 10–14, was attended by BEEP COP Terry Slywka and DCOP Ardian Kryeziu, as well as several USAID and US Embassy representatives, and representatives from several other donor-funded projects working in this area. Fifteen members of the GoK participated in the retreat, led by:

- Prime Minister Hashim Thaci
- Deputy Prime Minister for Economic Development and Reform and Minister of Trade and Industry Mimoza Kusari-Lila
- Minister of Economic Development Besim Beqaj
- Minister of Finance Bedri Hamza
- Minister of European Integration Vlora Citaku
- Minister of Agriculture, Forestry and Rural Development Blerand Stavileci
- Minister of Infrastructure Fehmi Mujota

The GoK is expected to formalize the adoption of the Action Plan developed at the retreat by May 15.



Ministers and advisors discuss Kosovo's Economic Vision during the Bansko Economic Retreat

GoK legislative drafting session targeting WBDB reforms. A five-day legislative drafting session was held in Struga, Macedonia (February 7–12) to consider BEEP-proposed amendments to several laws which govern activities within the scope of planned World Bank Doing Business reforms. BEEP COP Terry Slywka, DCOP Ardian Kryeziu, two BEEP Component leads and BEEP technical staff, as well as several USAID representatives attended the session together with Besim Kajtazi, Head of the Office of Legal Support Services in the Office of the Prime Minister, Ruzhdi Halili, Director of the Office of Strategic Planning in the Office of

the Prime Minister, as well as legal representatives from the Ministry of Justice, the Ministry of Trade and Industry, the Ministry of Internal Affairs, the Ministry of Local Government Administration, the Ministry of Economy and Finance, the Ministry of Environment and Spatial Planning, the Ministry of European Integration, and others.

Amendments to a total of 10 laws were prepared at the working session, constituting the necessary first step to address a number of the areas requiring reform that were identified in the *World Bank Doing Business Report 2011*. The 10 laws are:

- Law on Business Registration
- Law on Notary
- Law on Cadastre
- Law on Registering Immovable Property Rights
- Law on Fire Protection
- Law on Construction
- Law on VAT
- Customs Code
- Law on Internal Trade
- Law on Accounting, Financial Reporting and Audit

The draft legislation has been approved by the GoK and is expected to be adopted by the National Assembly in May. If the World Bank recognizes these reforms, three of the nine DB indicators should improve substantially: Starting a Business (ranked 163 in 2010), Protecting Investors, and Dealing with Construction Permits (both ranked 173 in 2010). This will both raise Kosovo's ranking in *World Bank Doing Business Report 2012* (which will be published in Fall 2011) and improve the business environment in Kosovo by reducing the administrative costs and procedural requirements that are currently imposed on businesses.

Doing Business Task Force to be created. As a result of BEEP recommendations, the GoK has agreed to create a long-term, cross-cutting GoK Task Force on Doing Business to develop new DB reforms on an ongoing basis and to monitor the implementation of the reforms that have been adopted. The task force will be chaired by the Economic Adviser to the Deputy Prime Minister, and will comprise officials from several government ministries and agencies. BEEP (serving as the secretariat), representatives from the World Bank and International Finance Corporation, and the EU SME project will serve in a consultative role.

Doing Business reform launch. With organizational support provided by BEEP, the Office of the Prime Minister announced the launch of the GoK's program of Doing Business Reforms at an event on April 28. Over 200 attendees from a broad range of stakeholder groups, as well as media from across the country, learned about the program from Prime Minister Hashim Thaci, Deputy Prime Minister for Economic Development and Reform, and Minister of Trade and Industry Mimoza Kusari-Lila, World Bank Doing Business representative Dalia Khalifa, and U.S. Ambassador to Kosovo Christopher Dell.



The GoK program of Doing Business Reforms was announced at a launch held on April 28

First three Doing Business laws pass first reading in the National Assembly. Amendments to the Laws on Business Organizations, on Notary, and on Internal Trade passed the first reading in the National Assembly. The specific DB improvements include the elimination of work permits, elimination of the requirement for notarization of articles of incorporation, elimination of charter capital requirements for LLCs, and an increase in minority shareholder protections.

In addition to the positive impact on DB to be gained from the initial BEEP reforms to the Law on Notary, elimination of the notarization requirement is particularly pressing for another reason: since the law was adopted in 2008 without transition provisions, any registrations that have occurred since the adoption of the law could be considered illegal, even though such a situation would be a consequence of the government's failure to implement the law properly. This could lead to all such businesses' being required to go through an unnecessary, costly, and burdensome re-registration process for legalization. While additional reforms related to the Law on Notary are recommended in the long-term, this particular reform is urgent in order to prevent harm to businesses.

Input 1.5: Support National Business Environment Improvement (Non-Doing Business)

Additional reforms to improve regulatory environment agreed. Building on the momentum of legislative amendments aimed at the GoK's DB reform program, BEEP proposed, and the Head of the Office of Legal Support Services agreed to, the introduction of new legislation that will further improve Kosovo's attractiveness to private enterprise. These include the following laws to be drafted and adopted:

- *Law on Normative Legal Acts.* The law will establish a clear hierarchy of laws and tools for resolving conflicts between laws. The law will also require that

any regulation adopted by the Government must be (1) approved by the OPM, and (2) published in a searchable database accessible to all people, in order for the regulation to have legal force. (Note that regulations currently are not required to be published, and many are not. It is therefore impossible for businesses and citizens to know what requirements are being imposed on them.)

- *Law on Inspections and Implementation of Risk Management Based Systems.* This framework law will (1) establish procedures to tighten controls on ministries' and agencies' authority to conduct inspections; (2) require an emphasis on achieving compliance rather than on imposing fines and sanctions; and (3) require the adoption by ministries of risk management techniques to reduce the frequency and scope of inspections to the level that is reasonably necessary to protect public health and safety.
- *Law on the Permissive System and Comprehensive Reform.* This framework law will place the permissive system on a rational and transparent footing; provide clear definitions of licenses, permits and other regulatory permissions; and make all licensing and permitting activities consistent with rational risk management. As a part of this reform, the GoK should review all current sub-normative legal acts related to the permissive system and eliminate those that are obsolete, vague, contradictory or unduly burdensome for private business activity.

The OPM has included the Law on Normative Legal Acts and the Law on Inspections in the Legislative Strategy for 2011; and has agreed to support the development of the Law on the Permissive System, although it is not yet clear if it can be included in the Legislative Strategy for 2011.

We anticipate working jointly with the SEAD, EROL, and EU SME projects on the draft Law on Normative Legal Acts; and with the EU SME Project on the draft Law on the Permissive System and draft Law on Inspections.

Promotion of property tax reform. In line with IMF recommendations, BEEP discussed with the OPM the need to reform the property tax regime in Kosovo. Specifically, the IMF recommends increasing the average property tax rates from their current floor of 0.05% to 0.5%, and increasing the tax base to include land. This is directly related to improving the business environment, since most municipalities currently gather most of their own-source revenue through the regulatory system, primarily various "business licenses" that constitute undue constraints on business; thus, the municipalities are using regulatory mechanisms for broad tax collection purposes, rather than to ensure public health and safety. Creating a more robust property tax regime has numerous advantages: it is predictable, transparent, easy to understand and easy to appeal; and it would provide municipalities with a stable source of revenue. As such, it is a natural complement to decentralization.

AmCham business agenda. A grant was awarded to the American Chamber of Commerce in Kosovo (AmCham) (Grant No. FOG #01 SSPF) to develop a

Business Agenda 2011 to present to the GoK on behalf of the business community.

BEEP conducted the Business Agenda focus groups jointly with AmCham. A total of eight focus groups were convened (one in each of eight municipalities of Kosovo: Ferizaj, Gjakova, Gjilan, Gračanica, Peja, Pristina, Prizren, and Mitrovica) between March 9 and 18. Following the focus groups, the AmCham developed problem statements of the issues raised. AmCham and BEEP then carried out six roundtables in Pristina with groups of businesses to present the problem statements, ascertain that we understood the problem correctly, and discuss the issues surrounding the identified problems. AmCham is currently preparing its report that will set out the problems identified; their analysis of each problem; and recommendations of the actions to be taken to address each problem. AmCham will announce its findings and recommendations, disseminate them throughout Kosovo, and present them to the GoK in early May 2011.

Next Steps

The 2011 MCI Survey will be publicized and utilized in several ways, including at the MCI conference at the end of June, and in individual meetings with the mayors and business communities in the eight primary municipalities. BEEP anticipates that, based on the MCI Survey findings, a GoK body will lead discussions with each mayor on a reform action plan to be implemented before the 2012 MCI survey. BEEP will; support the implementation of the municipal actions plans.

BEEP expects to complete the gathering of information on business constraints through focus groups with businesses, as well as on municipal administrative and regulatory processes in the eight primary municipalities and will use this information to develop proposals for legal reforms at the national and municipal levels. This will include the development of model regulations for each municipal core competency which BEEP will carry out in close collaboration with DEMI.

We will continue to support the GoK's program of DB reforms. If the GoK forms the long-term DB Task Force as it has committed to do, BEEP will provide technical support BEEP will also advance the work of drafting the additional draft laws described above, with the goal of having them ready and approved by the OPM by September 1.

Challenges

BEEP has obtained support of the GoK for DB and related reforms, and that support is expected to continue. Challenges can be expected, however, at the municipal level. It remains unclear how willing municipal governments will be to relax the regulatory requirements and controls they impose on business, since these measures generate a significant portion of own-source revenue. While it is clear that most of those requirements can justifiably be abolished and replaced by improving and expanding the property tax regime, the question remains politically sensitive and implicates a number of competing interests.

BEEP is working closely with the GoK to support its leadership role in explaining the reforms to the municipalities and supporting effective implementation, and will continue to collaborate with other projects and organizations to further regulatory environment reform and DB improvement. However, it should be kept in mind that many reforms address legacy issues in the legal and regulatory environment supported by narrow financial or political interests within and outside government and government organizations.

In view of the extensive problems surrounding the current Law on Public Procurement and procurement practice in Kosovo, and the renewed involvement of the EU in this area, our next steps are not as clear as we would like. Subject to further consultation and USAID approval, an expert review of the current and proposed procurement laws may be considered over the course of the next reporting period.

Coordination/Collaboration

To advance the objectives and activities under Component 1, and to leverage the available technical assistance resources in this area, BEEP has collaborated with a number of donors including: the International Civilian Authority, the Regional Development Agency (RDA), the Swiss Development Agency (SDA), the European Union Local Governance Support (EULOG), DFID, and the EU SME Project. BEEP also met frequently with representatives of other USAID-funded projects, such as SEAD, DEMI, EROL, KPEP, GFSI and the KMFAS, to exchange information and explore avenues for collaboration.

Component II – Reduced Barriers to Trade

Component 2 activities focus on reducing barriers to trade to facilitate increased commerce and international cooperation, as well as implementation of regional and multilateral trade agreements. In this quarter, the team focused on analyzing the WBDB Trading across Borders rating; Site visits and interviews revealed that a general lack of knowledge and capacity by importers and customs agents stymies rapid customs clearance, and the project designed strategies to address each of these. The quarter also saw drafting of a new Customs Code, a new Law on Border Management, a new Law on Safeguard Measures, and significant amendments to the Law on External Trade.

Work Plan Progress

Input 2.1: Improve Doing Business Trading Across Borders

Review of Kosovo's legal framework for external trade. At the outset of the Program, the first priority was a review of Kosovo's legal framework for external trade. Five laws were analyzed, including the Law on External Trade, the Customs Code, the Law on the Integrated Management and Control of the State Borders, the Law on Economic Zones, and the Law on Anti-dumping and Countervailing Measures. Our team analyzed gaps between the laws and international standards

and best practices, including EU standards, and recommended methods to close the gaps. We determined that the first priorities were the reform of the Customs Code and the Law on Integrated Management and Control of State Borders. These laws will create a legal framework for more effective administration of external trade in Kosovo that will reduce clearance times and costs.

Drafting a new Customs Code for Kosovo. Early in 2011, BEEP's recommendation to draft a new Customs Code was accepted by Kosovo Customs and the legal department of the then-Ministry of Economy and Finance. The new Code is based on the 2008 European Union Customs Code (REGULATION (EC) No. 450/2008 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 April 2008: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:145:0001:0064:EN:PDF>.

BEEP's role was to provide recommendations to strengthen the new Customs Code for trade facilitation. Indeed, the new draft Code features a plethora of trade facilitation measures and improvements. The new Code will be streamlined and simpler, provide for closer harmonization with EU standards and recommended practices including those related to the adoption of risk-based controls, improved application of ICT in customs administration, clearer obligations and rights for traders, and more transparent appeal provisions – all in support of BEEP objectives for trade facilitation. BEEP has prepared a presentation that can be used by counterparts in the Ministry of Finance and Customs to provide explanations of the improvements to traders and the business community at roundtables that are planned for the fall of 2011. The Government has scheduled the new Customs Code for adoption and implementation by January 1, 2012.

New law on border management drafted by BEEP in cooperation with Kosovo Customs. The draft law is currently under discussion by stakeholders – including the Ministry of the Interior, Kosovo Customs, and the Kosovo Food and Veterinary Agency. This came out of the legislative drafting session in Struga, Macedonia in February, including the facilitation of legitimate cross-border commerce and the adoption of risk-based controls for all cross-border movements. The new Law will provide a more modern and efficient basis for the management of cross-border movements of goods, people and means of transport.

Streamlining registration and certification requirements for importers and exporters. Recommendations were made to the Government to eliminate six different provisions related to trader registrations in the Customs Code (the new Code mentioned above will not require separate registration with Customs), the Tax Code, the Law on External Trade, and other laws and administrative instructions. The objective of these changes is to require only a single business registration for all businesses (including importers and exporters) and the mandatory use of a single taxpayer identification number for all commercial transactions. These recommendations are under consideration by Government counterparts in the Ministry of Trade and Industry, the Ministry of Finance and the agencies concerned.

Recommendations to further reduce clearance times and costs. A number of recommendations were made to Kosovo Customs to further reduce clearance

times and costs, including proposals to reduce the number of documents required for both export and import transactions, as well as a reduction in the number of steps in these processes (see more information in the following section on import/export processes). If adopted, these recommendations will significantly improve Kosovo's Trading across Borders ranking in the WBDB survey.

Input 2.2: Identify and Eliminate Barriers to Trade and Transport at the National Level

Reviewed Import and Export Procedures. Import and export processes were studied in detail to understand trade processes and their relationship to the DB Trading across Borders rating. Site visits were carried out at the main border offices, inland terminals and the international airport. World Bank indicators were validated and proposals developed to streamline import and export procedures.

During the site visits, our team interviewed stakeholders and learned that routine delays are being experienced between the times that an importer or exporter provides documentation required for cargo clearances to clearing agents, and when agents prepare and lodge customs declarations. Interviewees stated that it regularly takes several days (sometimes more than a week) for clearing agents to provide this service. Even if customs completes clearance approvals in a matter of hours, the clearance times are inordinately long because of the delays associated with interventions by clearing agents and terminal operators. 2011 World Bank indicators for Trading across Borders are 18 days for an export transaction and 17 days for an import transaction. The problem stems from the fact that there are no performance standards established for clearing agents to provide rapid service, and thus no incentives for clearing agents to reduce clearance times.

Customs Valuation Training. Incorrect valuation of imports by importers was identified as a major area of dispute between importers and customs, and another reason for delays in import clearances. In response, the project proposed technical training for importers and Customs employees on customs valuation methodology, which was agreed upon and delivered in four venues (Peja, Mitrovica, Prizren and Pristina). The training empowered traders and customs officials with a better understanding of information that they need to serve more rapid cargo clearances. Kosovo Customs welcomed this initiative. While it will take some time to realize an improvement in import clearance times, the improved technical knowledge of importers in this area will contribute to improving the WBDB Trading across Borders indicators.

Establishing performance and service standards for clearing agents. In accordance with international practice, the Customs Code calls for the licensing of clearing agents (referred to as Customs "representatives" in the Code). To date, this licensing procedure has not been adopted by Customs. We are working with Kosovo Customs and with the Clearing Agents' Association to set up transparent regulations under an Administrative Instruction that will be issued under the authority of the Director General of Customs to introduce performance and service standards for clearing agents under the terms and conditions of the license. The licensing of this trade service sector has two main advantages: providing

transparency and integrity in the regulation of the sector, and reducing cargo clearance times and costs. This activity is now on hold pending development of a Permissive Law, which will set out the standards and limitations on all forms of licensing. Further, assistance is underway for the Clearing Agents' Association, in cooperation with Kosovo Customs, to organize the technical training required for candidates taking the technical knowledge examination that will eventually be part of the licensing process.

Reviewed customs temporary storage for cargo clearances. Costs related to temporary storage for cargo clearances (both imports and exports) are high because of charges or fees that must be paid on every transaction at customs terminals. International practice is to provide at least 4 days' free demurrage pending import and export clearances. In Kosovo, there is no period of free demurrage. With few exceptions, trucks carrying imports and exports must currently enter a customs terminal to undergo clearance formalities. These terminals are privately run under a license provided by the Ministry of Infrastructure. Forty Euros must be paid on every truck that enters a terminal. In addition, 30 or 35 Euros (this varies slightly at each terminal) must be paid for every night that a truck remains in the terminal pending clearance approvals.

It was determined that import and export procedures at Adem Jashari International Airport are identical to procedures at other clearance terminals. The main constraint on trade facilitation at the airport is related to infrastructure. Import and export cargo is accommodated in the same warehouse space, and is not segregated for proper control or facilitation purposes. This is not a standard or good practice. Plans are being designed by the new airport manager to redevelop the airport (under a lease arrangement made by the Airport Authority and the Ministry of Infrastructure with a Turkish company). When design plans are being developed for construction of new cargo facilities, Kosovo Customs will involve BEEP to provide advice on the design in terms of securing cargo and streamlining clearances.

BEEP has recommended that, following comprehensive permissive system reform and once the overall regulatory system is reformed to address appropriate public policy goals in the least restrictive manner, customs terminals be licensed under the relevant provisions of the new Customs Code (provisions for the regulation of temporary storage facilities exist in the current Customs Code, but these were never put into effect). Currently, Customs Terminals are required to be licensed under an Administrative Instruction by the Ministry of Infrastructure. New licensing provisions should provide for at least four days of free demurrage in order for clearances to be consummated. Work will be required for BEEP to support development of a licensing procedure under the new Customs Code once adopted. The timing for implementation of the new code is not yet certain.

ICT operational support in Kosovo Customs. The current information system "TIMS" does not support electronic manifests (important for fiscal controls), risk management, or transit facilitation (the latter two important for trade facilitation). Customs has plans to adopt and adapt the UNCTAD Automated System for

Customs Data (the “ASYCUDA”). Implementation is tentatively scheduled for late 2012. BEEP will provide technical support as the new system is rolled out.

Kosovo Customs has made considerable advances in regional customs cooperation. The linking of IT systems between Albania, Macedonia, and Kosovo will eventually provide trade facilitation advantages, as well as enhanced fiscal administration. Further, joint customs border facilities have been agreed with Macedonia, and plans with EU support are in place for a joint border facility at Vërmica as the new Freedom Highway is completed (at the main border crossing with Albania). BEEP will continue to provide technical advice to move forward these promising initiatives.

Prepared a draft policy for Kosovo Customs on information requirements on commercial invoices. The dearth of information on some invoices causes uncertainty on the part of customs officers in verifying the declared commodity classifications and values of imports. This policy directive outlines requirements, in terms of information on the goods concerned, that would allow customs officers to more quickly process import and export declarations. This policy is under consideration by the Director General of Kosovo Customs. If it is decided that this directive will not impose too large a burden on importers (and their suppliers) and will have a certain positive effect on reducing clearance times, it will be issued under an Administrative Instruction (perhaps as a guideline to traders to help reduce clearance times and costs) rather than an obligation on traders. Work is continuing with this goal in mind.

Input 2.3: Facilitate Commercial Transportation in the Region

In the last quarter, the project worked with the Transporters’ Association to identify the main constraints to transport in the region. The main problem relates to the refusal of Serbia and Bosnia-Herzegovina to allow entry and passage of vehicles that are registered in Kosovo. This is a political problem that requires a political, not technical, solution. The project also reviewed Kosovo’s external trade practices. We found that *Slovenian* (notably InterEuropa), along with other transporters from Bulgaria and Turkey, are providing a great deal of the international transport for Kosovo’s external trade. These transporters can pass through all territories in the region. Kosovo transporters are restricted mainly to Macedonia, Albania, and Montenegro and to an extent, Croatia.

Input 2.4: Support to development of Trade Policy

Analysis of Kosovo’s legal framework for external trade. See 2.1 above.

Presentation on WTO. BEEP made a presentation on the practical perspectives of WTO membership to approximately 60 students at the University of Business and Technology in Pristina. The objective of the presentation was to provide a practical understanding of the implication of WTO membership, as well as the potential advantages to Kosovo.

WCO Application. Kosovo applied for full membership in the World Customs Organization in November 2010, and is awaiting a reply from the WCO. BEEP is following the progress through contacts at the WCO.

Kosovo's Chair of CEFTA for 2011. BEEP is providing technical assistance to the Trade Division at MTI in support of Kosovo's Chair of CEFTA for 2011. Advice has been rendered on subject matters to be addressed at the technical working groups, and BEEP has prepared technical presentations for delivery at a CEFTA meeting later this year (date unspecified).

Sector subgroups under the Trade Policy Working Group. Subsequent to BEEP technical and financial support to the establishment of the Trade Policy Working Group (TPWG) last November, further activity was put on hold at the request of the Trade Division at MTI, pending formation of the new government, and renewed Ministerial direction. In the interim, BEEP worked with the Trade Division on a proposal to establish sector subgroups under the TPWG. It is anticipated that the MTI will want to hold additional meetings of the TPWG, and BEEP's role will be to provide technical support and coordination between the business community in Kosovo and the Ministry. MTI now needs to set the date for the next meeting. Roundtables are planned under the auspices of the TPWG on the legislative improvements for trade businesses that are underway in the Government.

Multilateral international agreements and conventions. BEEP prepared a list of all multilateral agreements and conventions that Kosovo may consider joining. We will continue to provide technical and legal advice to our main counterparts on accession to various international agreements and conventions, with particular focus on leveraging Kosovo's formal membership in UN Specialized Agencies (notably, the IMF and World Bank) as the basis for accession to a range of international treaties, conventions and agreements (e.g. the TIR Convention), and membership in other international organizations (such as the World Intellectual Property Organization).

BEEP-supported legislative improvements. BEEP, in collaboration with donors, government, and private sector partners, is providing assistance to develop or improve a number of legislative acts, including:

- *Law on Safeguards.* BEEP has drafted a new law that is in compliance with the CEFTA Agreement, the EU *acquis*, and WTO standards. This draft will be further developed with counterparts in the MTI. Completion is expected by July, 2011.
- *Law on External Trade.* BEEP is providing technical support to the MTI as it works on amending the Law on External Trade. This task is also scheduled for completion by July 2011.
- *Law on Anti-dumping and Countervailing Measures.* MTI has decided that amendments to the Law on Anti-dumping and Countervailing Measures will be started in September. BEEP will provide technical support on the drafting of the amendments.

- *Law on Integrated Border Management for Kosovo.* It is expected that BEEP will continue collaboration with all counterparts on the Working Group on the refinement of the Law on Integrated Border Management for Kosovo. The final draft is expected to be completed by the end of 2011.

Input 2.5: Conduct Human Resource Needs Assessment and Implement Supporting Initiatives in Trade Regulating Bodies and Private Sector Organizations

In this quarter, previous assessments of the MTI were reviewed and analyzed:

- FRIDOM/DFID – Vertical and horizontal institutional review of the MTI (2008); and
- UNDP – Needs assessment and capacity development plan in trade-related institutions (2009).

FRIDOM proposed some very practical steps how to make MTI more efficient, but these were not acted upon by past governments. The UNDP assessment provides a comprehensive plan on how to increase capacities within Kosovo trade-related institutions. The latter recommended training and coaching for MTI and other trade related institutions, but no movement by the institutions has been made in this direction. Therefore, the efficacy of conducting another assessment at this time is questionable.

Kosovo Customs capacity building. As discussed in 2.2, the Customs Valuation training conducted in January and February served to build the capacity of more than 300 importers and clearing agents, and also 15 customs staff responsible for verifying declared values of imported goods. The training was recorded, and DVDs will serve as a tool in the Training Department at Customs. BEEP has also prepared a strategy for organizing further technical training and provided this to the MTI Trade Division. The project is also assisting with introduction of the first performance and service standards for customs clearing agents, pending development of a Permissive Law. Further, assistance is being provided to the Clearing Agents' Association, in cooperation with Kosovo Customs, to organize the technical training required for candidates taking the technical knowledge examination that will eventually be part of the licensing process.

MTI capacity building. Capacity-building activities within the Ministry in the past quarter have included technical advice on the composition and structure of the TPWG and the sector sub-groups to include private sector views and interests (as recommended in the UNDP report). See section 2.4.

Input 2.6: Support Government Groups related to Trade Policy and Encourage Public-Private Dialogue on Trade Issues

Trade Policy Working Group. See section 2.4. Work with the TPWG was not advanced by the MTI, as it waited for a new government to be formed. Now that a

new Government and Minister are in place, when the TPWG is advanced, this work will be further supported by BEEP.

Intellectual Property Rights. Technical advice was provided to the Head of Intellectual Property Department on the administration of requests for IPR protection. BEEP provided recommendations for streamlining the process through the acceptance of patents already registered by the European Patent Office and on trademarks already registered in the EU (the legal basis of this approach is now being researched which would involve Kosovo's membership in the World Intellectual Property Organization).

Input 2.7: Promote Development of International Trade Guide and Integrated Tariff

Collaboration on development of the International Trade Guide (ITG) has already been agreed between BEEP, MTI, Kosovo Customs and the Legal Department at the Ministry of Finance. Work will begin on the ITG in 2012, once the modernized laws related to external trade have been adopted by Parliament, and the new laws implemented.

Next steps

Task Force on Doing Business Trading across Borders. Once the new government establishes the Task Force on Doing Business Trading across Borders, constraints will be addressed and BEEP will provide logistical advice and technical support.

Metrology, accreditation, standardization, and conformity assessment in the MTI. The EU is planning a new trade project expected in late 2011 or thereafter, which will address metrology, accreditation, standardization and conformity assessment in the Ministry of Trade and Industry. However, in advance of that project, MTI is addressing many issues related to technical barriers to trade arising from product requirements and conformity assessment practices. BEEP is considering hiring a short-term expert to provide foundational information to the GoK in this area. Any expert and assistance would be closely coordinated with the EU.

Presentation on trade facilitation in 2012. BEEP is planning to develop and deliver a presentation on "Trade Facilitation in 2012" to key officials in the MTI and Kosovo Customs (planned for delivery in January 2012). Consideration will also be given to delivering the presentation to businesses and associations on methods of facilitating external trade, such as exporters, Kosovo Chamber of Commerce, Alliance of Kosovo Businesses, and AmCham. The presentation will include an analysis of the new WTO Agreement on Trade Facilitation that is currently being negotiated under the auspices of the Doha Round, and the EU Customs Blueprints related to trade facilitation.

Customs training department. Our work is continuing to build the capacity of the training department in Customs, and more will be reported on this matter next quarter. Further technical training of importers, exporters, and clearing agents is planned on commodity classification. As with the training on customs valuation, the

objective is to empower businesses with the technical know-how to prepare and lodge customs declarations that Customs can verify and process import and export clearances more rapidly. A local Albanian speaking instructor has been identified for this activity, and the Training Department of Kosovo Customs will work with the consultant to provide the training and to develop further technical training materials on the subject matter.

Capacity development at MTI and Customs. The current focus is on improving capacity at the MTI and Customs on the new legal and regulatory framework for external trade that is under development. While BEEP will be mindful of identifying additional opportunities to support capacity development, further analysis on a training needs assessment will be revisited once the new legal and regulatory framework is in place in early 2012.

Roundtables on customs and Law on the Management of External Borders. BEEP will be providing support to the Ministry of Finance, MTI, and to Kosovo Customs in organizing roundtables providing detailed technical information on the new Customs Code and Law on the Management of External Borders. It is expected that these roundtables will be conducted in the coming three months. We are also pursuing with Kosovo Customs opportunities to create a more formal consultative council.

Exporters Association advocacy capacity. BEEP will continue building advocacy capacity in the Exporters' Association, the Clearing Agents' Association, the Chamber of Commerce, and other business representatives.

Challenges

A significant reform and implementation challenge is the lack of capacity of the official staff in the Ministry of Trade and Industry. This has been experienced during technical discussions related to the drafting of new laws and amendments to existing laws. Capacity building in the Ministry has been the focus of support from BEEP in discussions with Ministerial advisors. The Ministry is taking steps to overcome current weaknesses, beginning first with the recruitment of new directors, and secondly with the recruitment of returning students from international scholarship studies.

Under current conditions, BEEP has not been able to identify further actions to facilitate development of the transport sector in Kosovo. Until constraints on territorial access are lifted – requiring a political rather than technical solution – the sector will not develop productively.

Coordination/Collaboration

In addition to coordination activities already discussed, collaborative efforts on development of a new border management law are continuing with the EU Customs Modernization Project, EULEX, with Kosovo Customs, the MTI, and the Legal Department of the Ministry of Interior.

Component III – Reduced Risks of Lending

Activities under Component 3 aim to increase access to finance and enable Kosovo lenders make decisions based on more information available to them when assessing credit risk. Work continues with the Central Bank of the Republic of Kosovo to upgrade its credit registry by enhancing the registry's data, increasing its accuracy, and expanding its system to allow access by new users and provide better information to support the Central Bank's financial sector oversight. Program activities also focus on identification and elimination of barriers to the development of private credit bureaus.

Work Plan Progress

Input 3.1: Conduct Doing Business Getting Credit Validation and Reform (In conjunction with C1-4)

Provided assistance to the Central Bank to complete 2012 World Bank survey. Reform updates, data updates, and data on individual firms and type of data available in the Credit Registry were compiled. This was done by extracting data from the Central Bank database, validating Central Bank responses, and ensuring clarity of information provided to the World Bank.

Validation of the legal rights index for Getting Credit indicator. Our team validated the measure on the legal rights index regarding the possibility of pledging a general or specific description of assets. A lawyer looked closely at the pledge regulation and the administrative instructions to confirm. The review concluded that the regulations allow pledges to be perfected based on a general description of assets. These conclusions will be presented to the GoK and the WBDB Team. Kosovo should receive 9 out of 10 in the strength of legal rights index once BEEP's validation is accepted regarding the Getting Credit indicator.

Input 3.2: Evaluate Existing Credit Market Participants, Identify Key Counterparts and Champions

Working group creation. The proposal to form an internal working group within the Central Bank to facilitate and oversee reforms to upgrade the credit registry was updated by the Chief Operating Officer. The proposal included the objective, purpose, chairpersons, members, roles, and meetings. The Governor-supported proposal was submitted to the Board.

Presentation to AMIK (the Association of Microfinance Institutions). BEEP conducted a presentation to nine microfinance institutions belonging to AMIK to

share BEEP findings in assessing the credit registry to build understanding amongst users of the proposed changes.

Input 3.3: Support Public Credit Registry

Credit registry staff recruitment. At the request of the Chief Operating Officer, the component lead was nominated as a panel member to select new staff for the position of “Development and Analysis Officer”. The position was created as a result of BEEP’s recommendation. The component lead participated in the selection process and a candidate was eventually selected and started working in the Credit Registry Department on April 1, 2011. The new staff member in the Credit Registry will contribute to the implementation of BEEP’s recommendation especially with respect to generation of reports to ensure that the financial institutions will send accurate timely data.

Credit registry software upgrade. Our team explored with the Central Bank issues related to the software upgrade, such as risks on code ownership by the solution provider, risks of using new software, open tender versus single source/source code issue, and other issues. The Central Bank seemed open to the idea of an open tender. A SOW was developed and approved for BEEP’s international Credit Registry Expert to explore whether a tender is necessary, and to develop technical specifications and user requirements. Following a planned workshop with the CBK and information users / providers discussed above, credit registry specifications might be changed to add and/or change some data fields in the formats that are used to send data to the Credit Registry.

Collateral issues and information gathering. We are closely following developments regarding technical assistance provided by the World Bank to the pledge registry under the MTI with respect to the potential software upgrade, and in case the World Bank project comes to an end and technical assistance may still be needed.

Insurance access to the Credit Registry. A recommendation was submitted to the Governor, Deputy Governor, Senior Legal Adviser, and the Chief Operating Officer on April 7 to provide insurance companies access to the Credit Registry System. The recommendation includes the rationale for access from the perspective of the industry and the regulator, the benefits to the lenders and insurance applicants, the legal basis, and confirmation by insurance companies of their desire to have access, conditions for enabling access, and implementation of next steps. The Governor gave the green light and assigned the Director of Methodology and Licensing to develop a new rule for this. The director’s next step will be for the legal department at the Central Bank to agree/confirm the legal basis for enabling this access.

Impact of the draft Law on Addresses on Credit Registry software upgrade. The expected changes in the future government databases regarding addresses and data fields need to be factored into the future plans for the Credit Registry system. The draft law currently in process will have implications for banks and might impact software changes to the Credit Registry and the financial institutions.

Input 3.4: Facilitate Environment for Establishment of Private Credit Bureau

Completion of report on privacy rights and laws relevant to exchange of credit information. The report on privacy rights and laws pertaining to exchange of credit information, including the Law on Central Bank, was completed and submitted to the Senior Legal Adviser and the Chief Operating Officer. The report findings were presented to the Governor, and recommended methods to establish an appropriate legal regulatory structure for capturing more data together with some related business information. The options presented include: (1) keep the Credit Registry and expand it to include non-financial institutions' data, (2) same as option one but to let a private credit bureau operate it under a public private partnership, or (3) establish a private credit bureau parallel to the Credit Registry at the Central Bank. The Governor's initial opinion was to go for the third option but suggested discussion with the banks. The establishment of licensing terms as well as regulations for a private credit bureau will be assessed in year two of BEEP.

Next Steps

Workshop addressed to financial institutions. BEEP is planning a three-day workshop that will be delivered once to the banks/non-bank financial institutions and also to microfinance institutions. The workshop has multiple objectives: besides sharing its findings, it will solicit input on our recommendations; identify more requirements by the users/financial institutions; identify constraints within the institutions to sending correct data on time; and ensuring that the financial institutions will comply with legislation and Central Bank rules regarding data processing privacy requirements. The workshop will also suggest a new system for handling complaints from the borrowers connecting the banks and the Central Bank, since complaints are one-way to ensure the accuracy of the information in the Credit Reports. BEEP is working with several other projects/donors who will be guest speakers in this workshop. These include the three-year EU project Support to the Civil Registration Agency and Unified Address System, the ESTAK/USAID project, and the Kosovo Bankers Association. Senior officers from the Central Bank are expected to take part in this workshop as both speakers and participants in addition to BEEP consultants.

Challenges

None to report

Coordination/Collaboration

We continue to collaborate with USAID/SEAD, USAID/ESTAK as well as the EU project "Support to the Civil Registration Agency and Unified Address System" that is assisting local institutions in providing each citizen of Kosovo with a unique address through an integrated civil registration and unified address system.