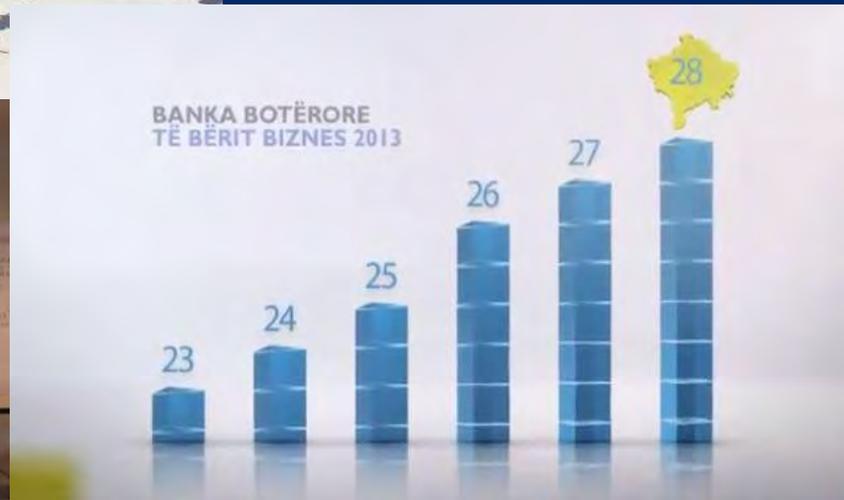




BUSINESS ENABLING ENVIRONMENT PROGRAM

FINAL REPORT
JULY 2010 – JULY 2013



July 11, 2013

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CONTENTS

EXECUTIVE SUMMARY	1
CONSOLIDATED LESSONS LEARNED AND RECOMMENDATIONS	8
ASSISTANCE OBJECTIVE 2	12
ASSISTANCE OBJECTIVE 3	13
PERFORMANCE AGAINST PBMP	14
PROJECT ACTIVITY SUMMARY	15
COMPONENT ONE: IMPROVED RULES AND REGULATIONS	15
C1-1: SUPPORT MUNICIPAL REFORMS THROUGH USAID BEEP AND PARTNERSHIP PROGRAM MUNICIPAL COORDINATORS USING THE MUNICIPAL COMPETITIVENESS INDEX (MCI) AND PURSUE OPPORTUNITIES TO INSTITUTIONALIZE THE MCI.....	15
C1-2: SUPPORT NATIONAL BUSINESS ENVIRONMENT IMPROVEMENT (DOING BUSINESS).....	18
C1-3: SUPPORT NATIONAL BUSINESS ENVIRONMENT IMPROVEMENT (NON-DOING BUSINESS).....	25
C1-4: INCREASE PUBLIC ACCESS TO AND KNOWLEDGE OF LAW AND LEGAL REFORMS THROUGH DEVELOPMENT OF LAW ON NORMATIVE ACTS AND LEGAL INFORMATION DATABASE; AND STRENGTHEN THE OFFICE OF THE PRIME MINISTER.....	35
COMPONENT TWO: REDUCED BARRIERS TO TRADE	38
C2-1: IMPROVE THE LEGAL FRAMEWORK FOR IMPORT AND EXPORT TRANSACTIONS.....	38
C2-2: SUPPORT FOR STREAMLINED IMPORT AND EXPORT PROCESSES.....	43
C2-3: BUILD CAPACITY TO INSTITUTIONALIZE TRADE BEST PRACTICE.....	46
C2-4: DEVELOP AND PUBLISH INTERNATIONAL TRADE GUIDE (ITG) TO PROMOTE TRADE PREDICTABILITY.....	51
COMPONENT THREE: REDUCED RISKS OF LENDING IN THE FINANCIAL SECTOR	53
C3-1: REVIEW WORLD BANK'S DOING BUSINESS REPORT AND MONITOR PERFORMANCE IN THE GETTING CREDIT INDICATOR.....	53
C3-2: FINALIZE UPGRADE TO THE CBK PUBLIC CREDIT REGISTRY.....	54
C3-3: SUPPORT FOR LEGAL, REGULATORY, AND INFORMATIONAL REFORM IN THE FINANCIAL SECTOR.....	57
ANNEX 1: SUPPLEMENTAL REPORTING	61
ANNEX 2: ECONOMIC IMPACTS OF REFORMS (PR2)	83
ANNEX 3: MUNICIPAL COMPETITIVENESS INDEX PERFORMANCE (PR3)	86
ANNEX 4: STRATEGIC STUDIES AND PROJECTS FUND	90
ANNEX 5: FINANCIAL REPORTING	92

ACRONYMS

AENOR	Spanish Association for Standardization and Certification
AmCham	American Chamber of Commerce
AI	Administrative Instruction
AO	Assistance Objective
AUK	American University of Kosovo
BEEP	Business Enabling Environment Program
CBK	Central Bank of Kosovo
CLDP	Commercial Law Development Program
CRK	Credit Registry of Kosovo
DB	Doing Business
DEMI	Democratic Effective Municipalities Initiative
DOC	Department of Commerce
DPS	General Directorate of Standardization
GFSI	Growth and Fiscal Sustainability Initiative
GiZ	German Society for International Cooperation
GoK	Government of Kosovo
IFC	International Finance Corporation
IPAK	Investment Promotion Agency of Kosovo
ISO	International Organization for Standardization
ITG	International Trade Guide
KBRA	Kosovo Business Registration Agency
KCC	Kosovo Chamber of Commerce
KSA	Kosovo Standardization Agency
KTC	Kosovo Tourism Council
LID	Legal Information Database
LO	Legal Office
MC	Municipal Coordinator
MCI	Municipal Competitiveness Index
MESP	Ministry of Environment and Spatial Planning
MoF	Ministry of Finance
MPA	Ministry of Public Administration
MTI	Ministry of Trade and Industry
NCED	National Council on Economic Development
OPM	Office of the Prime Minister
PBMP	Performance Based Monitoring Plan
PEFA	Public Expenditure and Financial Accountability
PR	Project Result
SCAAK	Society for Certified Accountants and Auditors of Kosovo

SMIS	Standards Management Information System
SSPF	Strategic Studies and Projects Fund
TAK	Tax Administration of Kosovo
UNDP	United Nations Development Programme (UNDP)
USAID	United States Agency for International Development
USG	United States Government
VAT	Value Added Tax
WB	World Bank
WCC	Women's Chamber of Commerce

EXECUTIVE SUMMARY

The United States Agency for International Development Business Enabling Environment Program (USAID|BEEP) is an innovative three-year initiative by USAID leveraging the successful methodology applied in other countries to use third-party measures of performance to drive cross-cutting reforms, while pursuing holistic strategies taking into account all aspects of the legal environment for economic activity and collaboration with other donors and projects. This report is the Business Enabling Environment Program's (the Project's) Final Report and captures achievement of Project goals as stated in the Performance Based Monitoring Plan (PBMP) and further describes project activity from July 2010 – July 2013.

Just as important as the activities and results undertaken as detailed below is the foundation that USAID|BEEP leaves to build upon in the future.

USAID|BEEP Laying the Foundation for the Future

- Annual Municipal Competiveness Survey
- First Consolidated and Cross-Referenced Database of the Entire Kosovo Legal Framework
- Kosovo Standardization Agency ISO-harmonized Standards Management Information System
- Kosovo Chamber of Commerce International Trade Guide
- Central Bank International Best Practice Updated Credit Registry
- Improved Credit Information Reporting
- Construction Process Reform
- World Bank Doing Business Improvement
- Continued Substantial Reforms for Doing Business 2014
- Initiation of Cost-Recovery Regulatory Fee Establishment
- Fundamental Cross-Cutting Concepts and Frameworks on Permissive System, Professional Regulation, and Inspections
- Pilot Government Human Resource and Process Improvement Analysis
- Foundational Spatial Planning Reform
- Establishment of Concept and Framework for Real Property Legalization
- Increased Coordination and Consolidation of Economic Policy
- Extensively Expanded Transparency and Public Engagement in National and Local Activities in Drafting, Policy Discussions, and Implementation
- Increased Tax and Fee Policy Differential Understanding and Implementation
- Comprehensive Trade Policy Review Update
- First Unified Construction Code of Kosovo

Today, due to successful USAID|BEEP activities, businesses, citizens, policy makers and regulators can access laws, regulations and other normative acts in an electronic, publicly accessible and searchable format in a centralized location; they are beginning to more openly engage in municipal discussions and administration activities across the country; they can more easily access credit

reports through an electronic and secure online portal; businesses can import and export with significantly fewer documentary requirements; and the governance dialogue has seen an early shift toward a more market-oriented approach.

With its recent independence and unique European demographic dynamic, Kosovo presented clear needs and opportunities for transformational reform. With USAID|BEEP assistance, the Government of Kosovo, led by the Deputy Prime Minister and Minister of Trade and Industry, set out its Economic Vision for 2014, which included ambitious but attainable goals. Among these goals was the achievement of a top-40 position in the World Bank's Doing Business report; improved inter-governmental information technology coordination; reduced unemployment; significantly increased economic growth; reduced barriers to business; and increased government transparency.

With USAID|BEEP assistance, Kosovo achieved impressive improvement in the World Bank Doing Business 2013 report, making significant progress towards achieving its 2014 goals. Kosovo's performance showed a twenty-eight (28) place improvement in its overall ranking and an impressive one hundred and seventy (170) cumulative indicator rank improvement. USAID|BEEP-supported underlying variables of the Doing Business report showed an average improvement of 34.91% over the life of the Project. Additional Project-supported reforms are expected to be captured in future reports.

To achieve these and other reforms, USAID|BEEP forged critical relationships with key public and private sector stakeholders for advocacy for and implementation of transformational business environment reforms consistent with this vision. From national counterparts such as the Office of the Prime Minister to municipal administrations, the Project reached out across the country to effect maximum impact.

USAID|BEEP utilized eight (8) core Municipal Coordinators to provide tailored guidance across nearly all Kosovo municipalities, and later implemented a Municipal Partnership Program to expand its reach and transfer a proven reform methodology for sustainable knowledge transfer and capacity building. Based on Project recommendations, twenty-one (21) municipalities implemented reforms to improve transparency in their administrations, including updated municipal websites containing business enabling environment outreach material. These municipalities posted public documents to municipal websites and opened municipal meetings to the public for feedback and monitoring. Additionally, twenty-two (22) municipalities voluntarily eliminated or suspended a regulatory mechanism known as the "business license". USAID|BEEP identified this business license as unnecessary and unrelated to proper regulation, creating a barrier to business entry and operation.

To further improve local business environments, USAID|BEEP developed, implemented and promoted the Municipal Competitiveness Index. This effective reform tool is aimed to promote

friendly competition among municipalities by measuring and making public business perceptions about their local business environments. Through analyses of Municipal Competitiveness Index results, Project Municipal Coordinators delivered tailored recommendations to municipalities. Implementation of these recommendations and publication of local reform results led to an average improvement in raw scores by over 21% across all municipalities and over 30% for USAID|BEEP's eight (8) core municipalities, demonstrating realized impact for domestic businesses.

As a fundamental tool for effecting good governance and promoting an increased understanding of the laws and obligations affecting citizens, businesses and government officials, USAID|BEEP supported the establishment of the first-ever in Kosovo electronic, searchable, publicly accessible, comprehensive and centralized legal information database (<http://gzk.rks-gov.net>). Rather than consulting the various governmental institutions individually and hoping that all normative acts have been identified, businesses and citizens can now consult a single location for all governing normative acts. Additionally, this legal information database provides policy makers with information vital to policy development and harmonization. Access to and knowledge of laws and regulations are critical to democratic governance and the rule of law.

To establish this database of normative acts, USAID|BEEP assisted the Government of Kosovo to establish the first-ever regulatory baseline in Kosovo. The Project supported the Office of the Prime Minister and others to inventory all sub-normative acts and identify and eliminate any unnecessary or obsolete acts. Out of nearly one thousand and six hundred (1,600) acts, over four hundred and forty (440) were eliminated on this basis to establish Kosovo's first-ever regulatory baseline.

The Project supported the national government and municipal administrations to promote more market-friendly laws and sub-normative acts to improve the legal and operational framework. As a primary implementing partner of the Ministry of Environment and Spatial Planning, USAID|BEEP assisted the Ministry to begin undertaking transformational land use reforms in the area of construction and construction permitting, spatial planning and addressing unpermitted constructions. The Project supported the development and adoption of a new Law on Construction that, among other things, sets the stage for a more streamlined construction permitting process and establishes clearly-defined stages of construction inspection. USAID|BEEP also assisted the Ministry to develop the implementing sub-normative acts, including Kosovo's first-ever construction code. This construction code establishes the minimum technical requirements for construction works to protect the public health and safety and provides a clear regulatory baseline for the issuance of construction permits. USAID|BEEP additionally assisted the Ministry and twenty-seven (27) municipalities to establish fees for construction permits utilizing cost recovery principles – a new concept for many local administrations.

A notable part of the Project's work was to facilitate much-improved public comment solicitation and incorporation on legal reforms. On the USAID|BEEP-supported draft Law on Spatial Planning, the Ministry of Environment and Spatial Planning received its most-ever public comments through comprehensive outreach activities. In this way, and through complementing public comment incorporation initiatives, recommendations of the business community are better reflected in business enabling environment reforms.

In an effort to reduce barriers to trade, USAID|BEEP worked with Kosovo Customs to eliminate unnecessary certificates for import and export and to reduce the documentary requirements for international trade. Additionally, the Project spent significant resources to improve the capacities of the Trade Department within the Ministry of Trade and Industry and Kosovo Customs through relevant trainings and other knowledge transfer to, among other things, improve the skills and capacities of staff to understand and apply international trade governance best practice.

Aimed to strengthen inter-ministerial policy development and coordination, the Project supported the establishment of the Trade Policy Working Group. With five (5) sector-specific subgroups, the Trade Policy Working Group proved as a valuable platform for coordinating trade policy and receiving and addressing private sector input to the policy making process.

With import and export processes more streamlined, USAID|BEEP assisted the Kosovo Chamber of Commerce to capture all requirements for import and export to establish Kosovo's International Trade Guide. This guide additionally contains trade-relevant legislation, important institutions and associations, and a trade and customs lexicon of commonly-used trade terminology. The Project successfully transitioned the International Trade Guide to the Kosovo Chamber of Commerce.

To more closely integrate Kosovo into the international marketplace, increase private sector access to international standards and domestic technical norms, and improve inter-governmental standards sharing, USAID|BEEP supported the Kosovo Standardization Agency and the Ministry of Public Administration to develop and install an internationally-harmonized Standards Management Information System (<http://aks.rks-gov.net>). This new system provides a simple platform for business and citizens to access standards and contribute to their development, promoting improved transparency and inclusiveness.

Complementing broader improvements in the World Bank's Doing Business reports, these trade improvements contributed to a performance improvement in the "Trading Across Borders" indicator for Kosovo. Reflected in this improvement were both reductions in the time and costs for import and export transactions. Project-supported trade reforms are expected to yield additional improvements in future Doing Business reports.

Identifying the need to improve the amount of credit information available to financial and other risk-assessing institutions and increase the reliability of that data, USAID|BEEP supported the Central Bank of Kosovo to upgrade the Credit Registry's software system. In combination with a Project-supported Regulation on the Credit Registry, the new software expands the amount of credit information that can be collected, while at the same time improving the security of that information. The Regulation also allows a previously-excluded credit information provider, insurance companies, access to the credit information system, further expanding the amount of credit information available.

Reflecting the Central Bank's full support for credit reporting reforms and complementing the launch of the Credit Registry's new software, USAID|BEEP established Kosovo's first online credit portal where businesses and citizens can access their own credit reports. In the past, credit reports had to be obtained at the country's capital in Pristina, often requiring a deterring amount of time and effort. With these improvements, USAID|BEEP has supported a more than 150% increase in the amount of annual credit report requests in the Project's final year.

USAID|BEEP, over its project lifetime, provided comment or contributed to discussion on 27 laws, including 8 related directly to Doing Business, referencing over 40 laws; through launch of the Legal Information Database increased access to more than 512 laws, 1,249 administrative instructions and 912 other sub-legal acts (e.g. decisions, orders, etc.); incorporated more than 200 industrial standards (included/referenced in the Construction Code); worked across 37 municipalities, 7 ministries, the Office of the Prime Minister (at least 3 departments), the Central Bank of Kosovo and Customs; and worked with 22 national-level departments, 275 municipal departments, 550+ municipal regulations, 6 Parliamentary committees, and 22 Parliamentarians.

While not directly attributable to specific project activities as detailed in the PBMP, according to the International Monetary Fund Kosovo continued to experience positive (and higher than the Central and Eastern Europe average) economic growth in an environment that saw other countries of Europe drop into recession due to continuing economic challenges. Additionally in Kosovo, from 2010 – 2013 the value of loans increased 29.9% and the interest rate spread (between rate charged on loans and rates paid on deposits) saw a reduction from 11.1% to 9.2%.

Key Achievements of the Project include:

- Established the first-ever centralized, electronic, searchable and publicly-accessible database for all normative acts in Kosovo;
- Eliminated over 440 unnecessary and obsolete sub-normative acts to establish the first-ever regulatory baseline in Kosovo;

- Assisted improvement in Doing Business, including a twenty-eight (28) place country rank improvement and a one hundred and seventy (170) cumulative rank improvement;
- Assisted the Government of Kosovo to set out its ambitious Economic Vision for 2014;
- Improved Project-supported underlying variables of the Doing Business report by more than 34% for Kosovo;
- Achieved more than \$195 million in annualized economic impacts of reform;
- Contributed to the change in policy dialogue toward stronger market-oriented governance;
- Assisted municipalities to put fees on a cost recovery-basis, including through construction permit and social impact regulatory charges;
- Assisted twenty-one (21) municipalities to improve transparency through publication of public documents on municipal websites and by beginning, the first-ever in many cases, public meetings on municipal budgeting and spending and other municipal activities;
- Supported twenty-two (22) municipalities to voluntarily eliminate or suspend the business license to make it easier for businesses to start and operate a business;
- Contributed to the development of draft framework laws aimed to establish clear procedures for any government permission or inspection, reducing government discretion and focusing regulation on only the protection of public health and safety;
- Established an internationally-harmonized Standards Management Information System at the Kosovo Standardization Agency to increase private sector access to standards and improve inter-governmental standards sharing;
- Assisted adoption of the first-ever construction code in Kosovo to clearly establish the minimum technical requirements for construction works;
- Developed, launched, leveraged, and institutionalized the Municipal Competitiveness Index in Kosovo; a unique reform tool utilizing tailored surveys to measure business perceptions of local business environments;
- Improved Municipal Competitiveness Index raw scores across the country by more than 20%;
- Reduced the number of documentary requirements for import and export, greatly reducing the informational and administrative burdens of trading across borders;
- Assisted establishment of a cross-cutting Trade Policy Working Group that facilitates country-wide policy discussion of trade and trade-related issues;
- Built the capacities of the Ministry of Trade and Industry trade department to better carry out their duties under an improved legal framework for trade;
- Upgraded the Credit Registry of Kosovo software to improve data reliability through increased data availability and accuracy;

- Supported the Central Bank of Kosovo to achieve a more than 150% increase in the number of annual credit report requests by businesses and citizens in the Project's final year; and
- Supported an increase to 5 in the number of types of users of the credit information system

CONSOLIDATED LESSONS LEARNED AND RECOMMENDATIONS

The business environment has seen considerable improvements over the course of the last three years. Legal and other public information has been made more readily accessible; use of the regulatory system has been put on a more rational footing; increased and more predictable credit information has been made available; importing and exporting has been improved; and steps have been taken to make more frequent public comment and participation processes in governance. However, more remains to be done.

Below are the key lessons learned recommendations of the Business Enabling Environment Program to improve the national and local business environments in Kosovo based on the Project's experience, activities and observations.

LAND RIGHTS

- Increase certainty in property ownership, including by resolving conflicting claims of ownership
- Implement the Project-supported program for the treatment of constructions without permit

OPERATIONAL EFFICIENCIES

- Streamline government activities so that they are carried out as efficiently as possible, minimizing unnecessary interactions.
- Encourage resource sharing between municipalities to effect economies of scale
- Promote implementation of government efficiency metrics focused on process reforms
- Support harmonized statistical gathering to inform policy-making
- Harmonize a unified Information Systems/Information Technology (IS/IT)

GOVERNANCE

- Take every opportunity to echo the principles of a free-market system to continue the shift in policy dialogue toward market-oriented governance
- Distinguish risk from uncertainty in the reform approach, addressing the root causes of issues that constrain the free economic activity of citizens

- Establish and maintain legislative support services to improve harmonization across legal acts, support public outreach and participation, and provide specialized expertise across technical areas
- Implement a unified and justified permissive system, bringing into conformity all permissions with international best practice and the upcoming Law on the Permissive System
- Eliminate over-burdensome and arbitrary inspections
- Improve legal drafting and translation
- Recognize the unique demographic character of the population to shape national policy
- Enhance parliament monitoring of development and implementation of sub-normative acts following adoption of laws
- Continue to improve government transparency
- Expand the membership of the National Council of Economic Development
- Support adherence to the separation of powers between the executive, legislative and judicial branches
- Expand use of the MCI as a tool to improve the local business environment and governance
- Improve the national quality infrastructure
- Continue to improve the capacities of non-governmental organizations, business associations, and other “soft infrastructure” organizations to empower the private sector to monitor government activity

RULE OF LAW

- Strengthen the ability of the courts to challenge legal and administrative decisions
- Introduce legal doctrines, such as piercing the corporate veil, to improve functioning of the judiciary and promote individual accountability that minimize the need for intrusive and burdensome regulatory oversight
- Establish a hierarchy of laws
- Continue to harmonize future normative acts with the legal information database
- Support expansion of and inclusion in judicial database

FISCAL POLICY

- Put fees on a cost recovery-basis
- Narrow government activities to only those objectively justified on a public health and safety basis
- Clearly distinguish taxes and fees

TRADE AND INTERNATIONAL INTEGRATION

- Carefully review and consider progress through EU accession, focusing at all times on what is best for the country
- Eliminate arbitrary Kosovo Customs inspections procedures
- Reduce physical inspections of imports
- Increase the number of free trade partners and agreements
- Continue to improve the technical trade capacities within Kosovo
- Continue supporting accession to the World Trade Organization (WTO)
- Continue to improve the legal and regulatory external trade framework

FINANCE

- Improve enforcement and execution of contracts
- Continue to expand the availability of credit information

DOING BUSINESS

- Business reforms are generally implemented in 3-5 year cycles and, following USAID|BEEP activities, additional Doing Business improvement possibilities should be explored
- Monitoring and implementation should be undertaken to ensure the construction reform momentum continues
- The construction code is an ever-evolving document that is based on current industry construction norms, and should continually be reviewed and revised as practice evolves

BEEP RESULTS FRAMEWORK

The United States Agency for International Development (USAID) / Kosovo Strategic Plan for 2010-2014 sets out an ambitious five-year agenda for Kosovo. The United States Government (USG) seeks a strong and effective partnership with the Government of Kosovo (GoK) that builds on their close relationship in order to address regional and global challenges. USG support focuses on

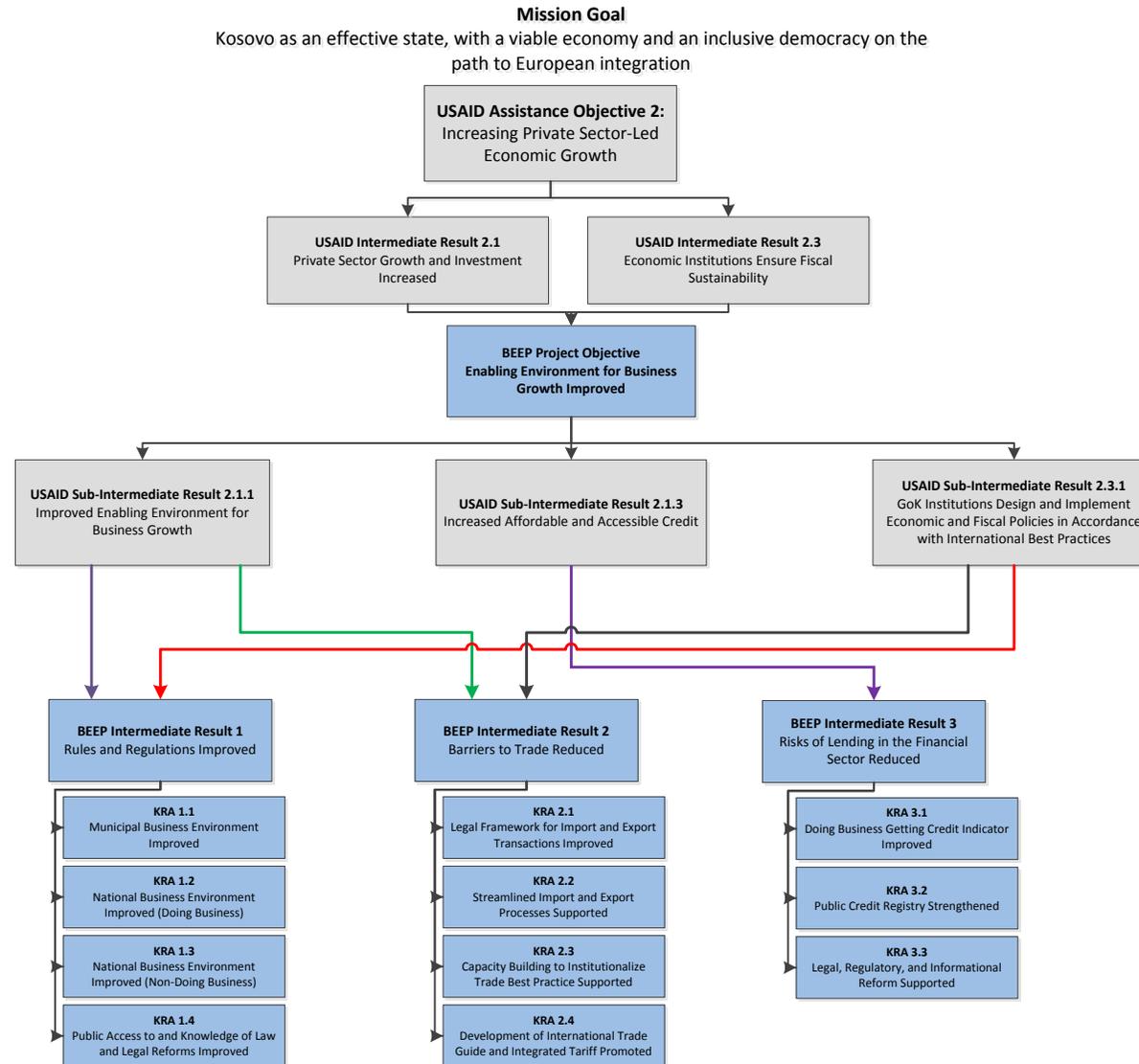
- Building the institutions of Kosovo's government and society;
- Encouraging a democratic process inclusive of all citizens, including all minority groups;
- Promoting economic development such that all people of Kosovo enjoy the benefits of prosperity;
- Ensuring that society and government are firmly grounded in the rule of law; and
- Supporting the continued integration of Kosovo in the region and Europe.

The 2010-2014 USAID / Kosovo strategic plan is based on the implementation of three assistance objectives (AOs):

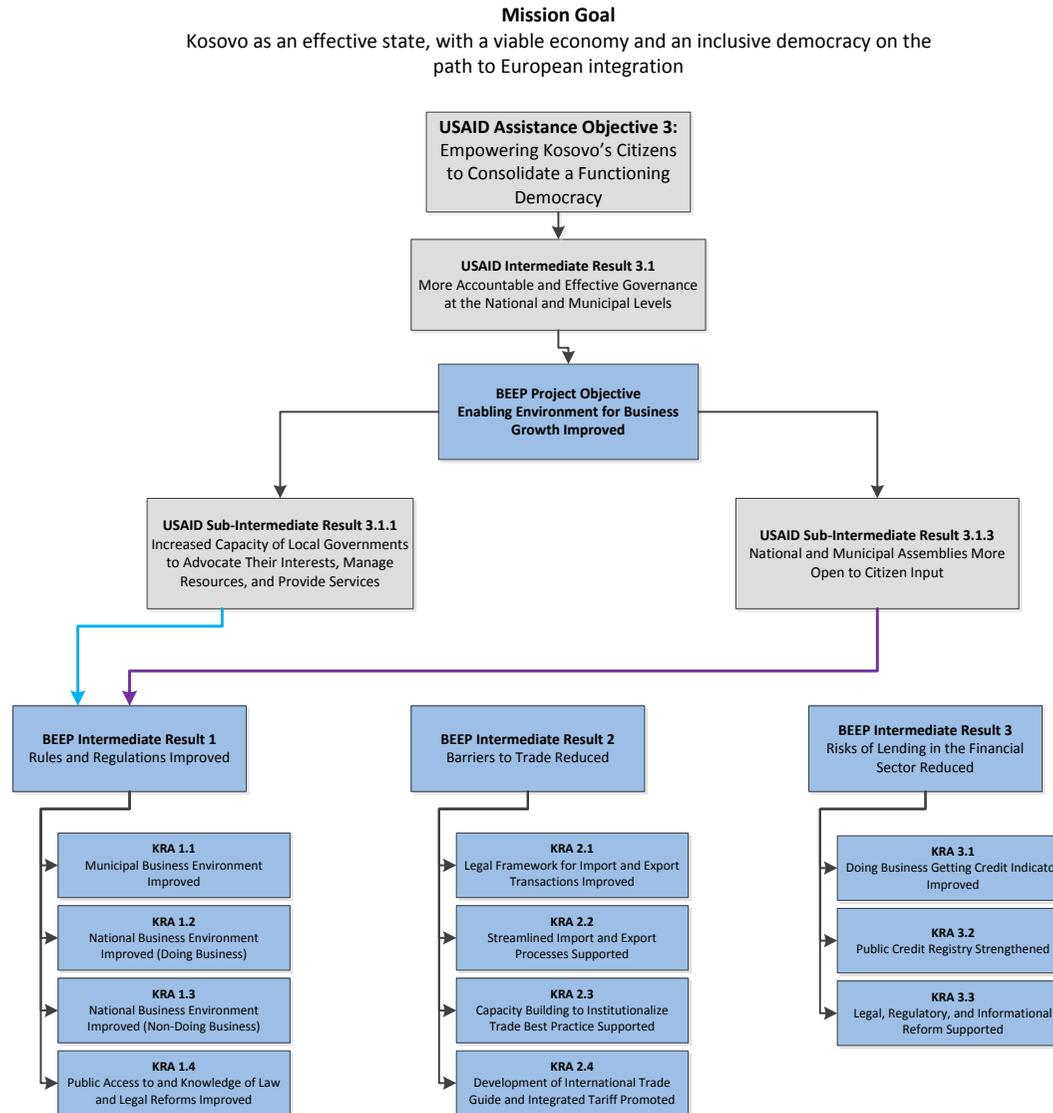
- **Assistance Objective 1:** Youth Are More Productive and Engaged Members of a Stable Kosovo
- **Assistance Objective 2:** Increasing Private Sector-Led Economic Growth
- **Assistance Objective 3:** Empowering Kosovo's Citizens to Consolidate a Functioning Democracy

USAID|BEEP's Project Objective of "Improving the Enabling Environment for Business Growth" drove the establishment of project activities that are narrowly tailored to support achievements under Assistance Objective 2: *Increasing Private Sector-Led Economic Growth*; and Assistance Objective 3: *Empowering Kosovo's Citizens to Consolidate a Functioning Democracy*. Each of USAID|BEEP's three primary Components encompass these dynamic activities and are reflected within the Results Frameworks below.

ASSISTANCE OBJECTIVE 2



ASSISTANCE OBJECTIVE 3



PERFORMANCE AGAINST PBMP

PROJECT RESULTS SUMMARY			
	2010 – 2013	End of Project PR Target	Percent of Target Achieved
Project Result 1: Percentage Improvement in Underlying Variables of Project-Supported Doing Business Indicators	34.91%	20% average total improvement in the combined underlying variables of indicators reflecting project activities in the annual WBDB Report	174.5%
Project Result 2: The Economic Impact of Reforms	\$195.1 mm	\$170 mm	114.7%
Non-Trade Reforms	\$136.4 mm	\$135 mm	
Trade-Related Reforms	\$58.7 mm	\$35 mm	
Project Result 3: Percentage Improvement in Municipal Competitiveness Index scores in at least eight municipalities	29.6%	20% improvement in MCI scores in eight core municipalities as reflected in the MCI 2013	148%
Project Result 4: Number of types of users of the Credit Information System	5	5	100%
Project Result 5: Number of requests by businesses and citizens for their own credit reports	1,009	960	105%

PROJECT ACTIVITY SUMMARY

COMPONENT ONE: IMPROVED RULES AND REGULATIONS

Component One: Improved Rules and Regulations. Component One is the largest component in terms of resource allocation and technical scope, and works at both the national and municipal levels to remove barriers to business by simplifying and streamlining the regulatory framework — statutes, regulations, rules, procedures, and other legal requirements — that is applied to businesses operating in Kosovo. The current practice of regulatory bodies is generally to impose unjustified requirements on private economic activity, and this constitutes a serious, system-wide constraint on business. Component One has been working closely with the GoK – primarily with the Office of the Prime Minister (OPM), The Ministry of Environment and Spatial Planning (MESP), and the Ministry of Trade and Industry (MTI) – to carry out legal reforms that address impediments to business identified in the World Bank Doing Business reports on Kosovo. Additionally, it supports reforms in areas that complement DB reform, including permissive system improvement; consolidation and publication of laws and regulations through a unified database; inspections reform; and other initiatives detailed below.

Municipal Coordinators in USAID|BEEP’s eight primary municipalities – Ferizaj, Gjakova, Gracanica, Mitrovica, Peja, Pristina, Prizren, and Strpce – have established strong links with local business communities and municipal administrations to identify the specific legal constraints that impede business activities and to engage them in the reform process.

CI-1: SUPPORT MUNICIPAL REFORMS THROUGH USAID|BEEP AND PARTNERSHIP PROGRAM MUNICIPAL COORDINATORS USING THE MUNICIPAL COMPETITIVENESS INDEX (MCI) AND PURSUE OPPORTUNITIES TO INSTITUTIONALIZE THE MCI

Municipal Competitiveness Index 2013. The business environment in Kosovo is impacted not only by national-level policies, laws and regulations, but is influenced as well by municipal administrations. Within the realm of municipal competencies, local level governments have the opportunity to make the operating environment friendlier to businesses.

In addition to providing direct support to Kosovo municipalities for improved rules, regulations and operations, USAID|BEEP developed, implemented and widely publicized the Municipal

Competitiveness Index (MCI). This unique reform tool utilizes factors internationally-recognized as important to a strong business environment and measures businesses' perceptions across these factors through eight (8) tailored sub-indices. Because the MCI captures business perceptions, policy makers are better able to identify and implement reforms that truly impact the operations of business.

In an effort to institutionalize the MCI and build local capacities to carry out the MCI beyond the lifetime of the Project, USAID|BEEP partnered with a local institution to survey over two thousand (2,000) businesses across the country for the first-ever MCI in Kosovo (MCI 2011). Covering thirty-three (33) municipalities, the MCI 2011 established the baseline for cross-municipality comparison and the identification of tailored reform initiatives.

Utilizing the MCI 2011 results, the Project's Municipal Coordinators (MCs) carried out intensive municipal diagnostic analyses to identify reform recommendations aimed to most effectively impact each measured municipality. The diagnostic analyses revealed that, among other things, transparency and the administration of taxes and fees were among the most pressing business environment concerns in the municipalities.

Wielding this information, Project MCs conducted tailored municipal diagnostic presentations across the country that provided local

administrations with powerful reform recommendations to improve their business environments. Recommendations included the inclusion of municipal regulations and other public information on local websites and the establishment of fee structures based on cost recovery principles. Over the life of the Project, the MCI diagnostic analyses and presentations proved to be critical in successfully improving local environments.

MCI Sub-indices

- Barriers to Business Entry
- Transparency
- Participation and Predictability
- Time Costs of Regulatory Compliance
- Taxes and Fees
- Municipal Administration
- Labor and Business Support Services
- Municipal Infrastructure



Municipal Competitiveness Index diagnostic presentation in Ferizaj

“After publishing the first MCI and making presentations of results and recommendations to our municipality, we began implementing the recommendations in close cooperation with local businesses and USAID BEEP with the aim of improving the business environment.”

– Shaip Surdulli, Mayor, Kamenica

Embracing Project recommendations, twenty-one (21) municipalities improved transparency by making municipal documents public and posting information to their local websites. Discussed in CI-2 below, municipalities also implemented elimination of the work permit. Identified by the World Bank as an unnecessary burden on business, this *de facto* annual tax on businesses consumed crucial business capital.

In mid-2012, USAID|BEEP again surveyed businesses in preparation for the MCI 2012; this time surveying more than three thousand (3,000) businesses across the country and covering all thirty-seven (37) municipalities. Following implementation of Project recommendations across sub-indices, 91% of businesses reported an improved local business

environment. Across the country municipal scores in the MCI 2012 improved on average 14.04% over the previous year’s report, and USAID|BEEP’s eight (8) primary municipalities saw an average improvement of 19.34%.

“From the frequent meetings we had with the representatives of the project...we fully agreed that the private sector is the only opportunity for the development of the municipality and employment of its citizens. So, with the help of USAID/BEEP we have started to identify and eliminate barriers and constraints in order to create a more suitable environment for the business community. Relying on the support and recommendations of USAID/BEEP we have taken concrete steps for improvement of the business environment. We are confident that the Business Enabling Environment Program, USAID/BEEP, is unlike other projects, and has set the stage for sustainable social and economic development for the future.”

Islam Jashari, Director of Finance and Budget, Viti

Building on the realized reform momentum, USAID|BEEP continued to advocate for local business environment improvement. A commonly-identified issue across municipalities (as well as at the national level) was use the regulatory system as means for collecting revenue. This was largely accomplished by charging more for services than the cost of their administration, acting as a *de facto* tax; diverting efforts away from the proper role of the regulatory system to protect public health and safety; and blurring the line between taxes and fees. A common instrument for this type of regulatory revenue-raising is the business license¹.

Although within the municipalities’ legal competence, USAID|BEEP recommended that local administrations voluntarily cease issuance of the business license to reduce burdens on business. Coupled with wider fiscal reform, including through improved enforcement of property tax, municipal regulation could be put on a more rational footing.

¹ The business license is within municipal competence under Law No. 03/L-049 on Local Government Finance.

Embracing this recommendation and recognizing the need for change, to date twenty-two (22) municipalities have voluntarily eliminated or suspended the business license fee. This important step represents a continued fundamental shift toward market-oriented governance in Kosovo and contributes to improved business perceptions of local administrations.

USAID|BEEP, as part of the USAID Forward initiative, transitioned the MCI 2013 surveying and analysis to a local counterpart. Capturing municipal reforms and improvement across the country, MCI 2013 results were released in June 2013. Again surveying more than three thousand (3,000) businesses, municipal scores across the country showed on average more than a 21% improvement over the MCI 2011 results, while scores in USAID|BEEP's 8 core municipalities reflected a more than 29% improvement.

Project Result 3: 20% MCI Improvement in 8 Municipalities

USAID|BEEP's 8 core municipalities showed an average improvement of 30.48% in the MCI 2013 report as compared to the MCI 2011 baseline

The transition of the MCI surveying and analysis to the local counterpart through the USAID Forward initiative represents a tremendous opportunity to sustain this important reform tool for continued local business environment improvement.

CI-2: SUPPORT NATIONAL BUSINESS ENVIRONMENT IMPROVEMENT (DOING BUSINESS)

Doing Business reform. The World Bank Doing Business report provides an internationally-recognized platform for supply-driven business environment reform. Host country comparison with international performance can prove as a useful catalyst for domestic improvement. In Kosovo, USAID|BEEP helped bring national attention to Doing Business as a reform tool and facilitated a much-improved understanding of the Doing Business methodology and process. The Project

additionally utilized this supply-driven reform tool to catalyze broader and deeper demand-driven reform initiatives throughout the country.

Project Result 1: 20% Improvement in Project-supported Variables of Doing Business Indicators

Project-supported underlying variables of the Doing Business report saw an average improvement of 34.91%

USAID projects, notably USAID|BEEP, provided assistance to Kosovo to encourage and support legal reforms that are now being recognized internationally. Over the course of USAID|BEEP's

support in Kosovo, the government has adopted a number of reforms to capitalize on their Economic Vision 2014 commitment that impact Doing Business, including, among others, new Laws

on Cadastre², Fire Protection³, Accounting, Financial Reporting and Audit⁴ and Construction⁵, and amendments to the Laws on the Establishment of the Register of the Immovable Property Rights⁶ and on Notary⁷. With assistance from the Project, proper implementation of these reforms is now being reflected by the World Bank.

“I believe that [for Doing Business 2013] we showed that commitment brings results. I hope we can surpass our own success this year. Be sure that we are well aware that a large portion of this success is due to the work done by the USAID|BEEP team, and for that we are eternally grateful.”

- Bernard Nikaj, Senior Adviser to the Deputy Prime Minister and Ministry of Trade and Industry

The World Bank 2013 report released in

October 2012 reflected a 28-place country ranking improvement for Kosovo. Again, leading all 185 economies studied with a 170 cumulative indicator ranking improvement, Kosovo showed notable improvements in the indicators for “Starting a Business”, “Dealing with Construction Permits”, “Protecting Investors” and “Trading Across Borders.”⁸

Table X. DB 2013 Highlighted Kosovo Indicator Improvements

Doing Business Indicator	DB 2013 Rank Improvement	Contributing Reforms
Starting a Business	+44	Elimination of charter capital for Limited Liability Companies and the streamlining of business registration processes
Dealing with Construction Permits	+33	Reduction in costs by over 500% per capita GNI and an overall reduction by almost 50% in the time required to register a building
Protecting Investors	+76	Strengthened protections for minority shareholders
Trading Across Borders	+9	20% reduction in the cost of trade processes

With these improvements in the Doing Business 2013 report, USAID|BEEP’s Project Result I (PRI) target of 20% average improvement in the underlying variables of Project-supported indicators has been exceeded, showing an average improvement of 34.91%. Although the results show significant improvements, it must be noted that USAID|BEEP expects additional Project-supported improvements to be reflected in the Doing Business 2014 report, including a number of trade, property, and construction-related reforms not captured owing to the timing of World Bank surveying. The table below shows the specific PRI results.

² Law No. 04/L-013 on Cadastre, abolishing Law No. 2003/25 on Cadastre.

³ Law No. 04/L-012 on Fire Protection, abolishing Law No. 02/L-41 on Fire Protection.

⁴ Law No. 04/L-014 on Accounting, Financial Reporting and Audit.

⁵ Law No. 04/L-110 on Construction.

⁶ Law No. 04/L-009 on Amending and Supplementing the Law No. 2002/5 on the Establishment of the Immovable Property Rights Register.

⁷ Law No. 04/L-002 on Amending and Supplementing the Law No. 03/L-010 on Notary.

⁸ See Annex 3 for more detailed information on Doing Business improvements.

Table X. PR-I Results

Indicator	DB 2011	DB 2012	DB 2013	Change	
PR-I. Doing Business Improvement					
20% Improvement in Underlying Variables of Indicators Supported by BEEP					
Starting a Business					<p>For Project Result I, a target of 20% improvement across underlying variables of USAID BEEP-supported indicators was set.</p> <p>USAID BEEP tracked these data as reported by the World Bank annually, but did not set forward-looking annual targets for individual processes.</p> <p>The table shows the percentage change: for each process within every indicator; in total for each indicator; across all indicators; and across all underlying variables of USAID BEEP-supported indicators.</p>
Procedures (number)	10	10	9	10.00%	
Time (days)	58	58	52	10.34%	
Cost (% income per capita GNI)	28.7	26.7	23	19.86%	
Paid-in minimum capital (% income per capita GNI)	112.4	104.6	0	100.00%	
Total Indicator Change (average %)				35.05%	
Dealing with Construction Permits					
Procedures (number)	16	16	16	0.00%	
Time (days)	301	301	156	48.17%	
Cost (% income per capita GNI)	3,758.40	3,496.50	2,986.00	20.55%	
Total Indicator Change (average %)				22.91%	
Getting Electricity					
Procedures (number)	7	7	7	0.00%	
Time (days)	60	60	48	20.00%	
Cost (% income per capita GNI)	1,036.00	1,1016.80	915.4	11.64%	
Total Indicator Change (average %)				10.55%	
Registering Property					
Procedures (number)	8	8	8	0.00%	
Time (days)	33	33	33	0.00%	
Cost (% of property value)	0.6	0.6	0.6	0.00%	
Total Indicator Change (average %)				0.00%	
Getting Credit					
Strength of Legal Rights Index (0-10)	8	8	8	0.00%	
Depth of Credit Information Index (0-6)	5	5	5	0.00%	
Public Registry Coverage (% of adults)	16.9	20.5	22.2	31.36%	
Private Bureau Coverage (% of adults)	0	0	0	0.00%	
Total Indicator Change (average %)				10.45%	
Protecting Investors					
Extent of Disclosure Index (0-10)	3	3	6	100.00%	
Extent of Director Liability Index (0-10)	2	2	6	200.00%	
Ease of Shareholder Suits Index (0-10)	3	3	3	0.00%	
Strength of Investor Protection Index (0-10)	2.7	2.7	5	85.19%	
Total Indicator Change (average %)				96.30%	

Paying Taxes				
Payments (number per year)	33	33	33	0.00%
Time (hours per year)	163	164	164	-0.61%
Total tax rate (% of profit)	16.5	15.4	15.4	6.67%
Total Indicator Change (average %)				2.22%
Trading Across Borders				
Documents to export (number)	8	8	8	0.00%
Time to export (days)	17	17	15	11.76%
Cost to export (US\$ per container)	2,230	2,270	1,775	20.40%
Documents to import (number)	8	8	8	0.00%
Time to import (days)	16	16	15	6.25%
Cost to import (US\$ per container)	2,280	2,280	1,810	20.61%
Total Indicator Change (average %)				9.84%
Enforcing Contracts				
Time (days)	420	420	420	0.00%
Cost (% of claim)	33	33	33	0.00%
Procedures (number)	53	53	53	0.00%
Total Indicator Change (average %)				0.00%
Resolving Insolvency				
Time (years)	2.0	2.0	2.0	0.00%
Cost (% of estate)	15	15	15	0.00%
Recovery rate (cents on the dollar)	34.6	34.4	34.7	-0.29%
Total indicator change (average %)				-0.10%
Average change across all Doing Business indicators				18.72%
Average change across BEEP-supported Doing Business indicators				34.91%
				USAID BEEP-supported Doing Business indicators include (1) Starting a Business; (2) Dealing with Construction Permits; (3) Getting Credit; (4) Protecting Investors; and (5) Trading Across Borders.

Below are some key Project-specific reforms that contributed to this tremendous Doing Business improvement.

STARTING A BUSINESS

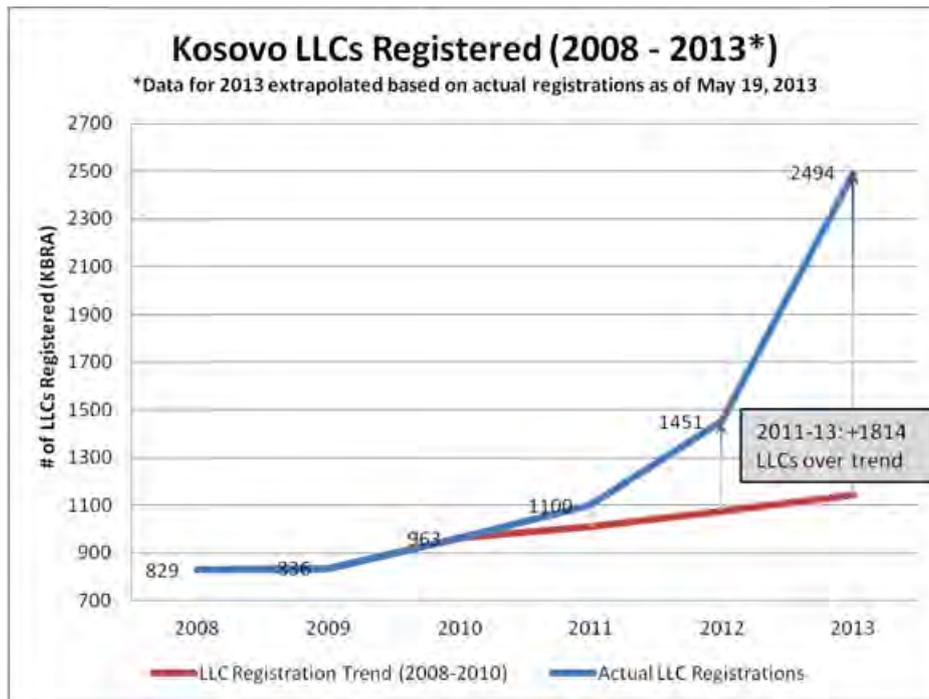
- **Elimination of the charter capital requirement for LLCs.** Under the USAID|BEEP-supported amendment to the Law on Business Organizations⁹ adopted in 2011, the requirement for Limited Liability Companies (LLCs) to deposit €1,000 in minimum charter capital was eliminated. Although opening a bank account is still required for tax purposes and remains as a captured step in the Doing Business 2013 report, elimination of the minimum charter capital requirement represents a cost reduction of 104.6% of the Gross National Income (GNI) per capita within “Starting a Business”.
- **Reduction in time to obtain a business certificate.** In Step #2 of “Starting a Business” for Kosovo, the Doing Business 2013 report reflects a 5-day reduction in the time it takes to obtain a business certificate. Again under the amendment to the Law on Business Organizations¹⁰, USAID|BEEP recommended a statutory time limit for the issuance of the business certificate (3 days from the date of application). With implementation, Kosovo’s performance in this indicator reflected a 5-day savings for this step.
- **Elimination of the business registration fee.** Through the Project-supported amendment to the Law on Business Organizations¹¹, the business registration fee was eliminated. The Doing Business 2013 report captured this reform, eliminating 1 step and reducing costs for business startup by €23.5.

Although there are a number of factors impacting business registrations, it should be noted that, as shown in the tables below, registrations in Kosovo have seen significant increases over pre-USAID|BEEP trends. While these measures cannot be directly attributed to Project interventions, the totality of business environment improvement suggests truly realized impacts that incentivize registration.

⁹ Law No. 04/L-006 on Amending and Supplementing Law No. 02/L-123 on Business Organizations.

¹⁰ *Idem.*

¹¹ *Idem.*



DEALING WITH CONSTRUCTION PERMITS

- **Reduction in the time to obtain fire protection consent.** The Doing Business 2013 report captures a 5-day savings in this step as a result of a new USAID|BEEP-supported Law

on Fire Protection¹². Under this Law, fire consent is now limited to “special cases” as determined by a sub-normative act from MESP, greatly limiting its application.

- **Reduction in building registration time post-construction.** With time limits on building registration incorporated in the USAID|BEEP-supported Law on the Cadastre¹³, the Doing Business 2013 report captured a 131-day savings. Previously reported as taking 165 days to register a building post-construction, new data reflects only 34 days.
- **Reduction in building registration costs post-construction.** Representing a significant cost savings within the “Dealing with Construction Permits” indicator, the Doing Business 2013 report captured a €4,293 cost savings for building registration post-construction. USAID|BEEP advocated for registration costs to be put on a cost recovery-basis through recommendations on the Law on Cadastre¹⁴. The Kosovo Parliament incorporated these recommendations when they adopted the new Law in 2011. The Project worked with MESP to develop an implementing AI¹⁵ that, among other things, greatly reduced the costs to register buildings post-construction based on cost recovery principles.

PROTECTING INVESTORS

Kosovo showed impressive ranking improvement within the “Protecting Investors” indicator (+76 ranks, from 176 in DB 2012 to 100 in DB 2013). As a measure of the protections for minority shareholders, especially dealing with corporate officer conflict of interest transactions, this indicator was improved greatly through a Project-supported amendment to the Law on Business Organizations¹⁶. Specific improvements within three (3) sub-indices of the “Protecting Investors” indicator are described below.

- **Extent of disclosure index.** Kosovo’s score for this index improved by one point with the adoption of the requirement that a shareholders’ meeting must be held to approve a transaction involving the conflict of interest of a corporate official, at which meeting the corporate official may not vote. Also, a 2-point improvement was realized by requiring disclosure of the transaction and the corporate official’s conflict of interest.
- **Extent of director liability index.** Kosovo’s score for this index improved by one point with the adoption of the provision that shareholders can hold the relevant corporate official liable for damage caused by a transaction involving a conflict of interest. Further, a court can

¹² Law No. 04/L-012 on Fire Protection (abolishing Law No. 02/L-41 on Fire Protection).

¹³ Law No. 04/L-013 on Cadastre (abolishing Law No. 2003/25 on Cadastre).

¹⁴ *Idem*.

¹⁵ Ministry of Environment and Spatial Planning Administrative Instruction No. 05/2012 on Fees and Charges of Cadastral Services and Products Rendered by Municipal Cadastral Offices and Licensed Surveying Companies.

¹⁶ Law No. 04/L-006 on Amending and Supplementing Law No. 02/L-123 on Business Organizations.

now void the transaction upon a successful claim by a shareholder plaintiff, generating an additional one point improvement. Because the corporate official is required to pay damages caused by the conflict of interest upon a successful claim by the shareholder, Doing Business awarded Kosovo a third additional point. Finally, the corporate official is now required to pay profits for damages caused by the transaction upon a successful claim by the shareholder(s), representing a fourth 1-point improvement.

- **Strength of investor protection index.** As a simple average of the other three sub-indices, this index improved from 2.7 to 5.0 as a result of the Project-supported reforms.

As a mechanism to incentivize future initiatives and leverage the current reform momentum,



Media clip from the Doing Business 2013 public outreach campaign to promote Kosovo's world-leading improvement

USAID|BEEP completed a Doing Business reform media campaign in December 2012 that was well-received by Kosovo audiences. As the focus of the outreach, the campaign highlighted a number of successes, including streamlined business registration, reduced costs and time for building registration post-construction, and

improved minority shareholder protections.

CI-3: SUPPORT NATIONAL BUSINESS ENVIRONMENT IMPROVEMENT (NON-DOING BUSINESS)

Land use reform. Predictability and security in land use represents a fundamental pillar of market-oriented governance. From easy-to-navigate construction permitting to simplified land and building registration, rights in private property are critical to business operations and wealth creation. For these reasons, land use reform has been a primary focus of USAID|BEEP's Component One.



USAID|BEEP's support was aimed to improve the three pillars of land use: construction, spatial planning and the treatment of unpermitted constructions. Already a strong supporter of reform initiatives with the Ministry, MESP requested in 2011 that USAID|BEEP take a leading role in implementing transformational land use reform.

Construction reform. Beginning with construction, USAID|BEEP assisted MESP to develop a new Law on Construction that aimed to streamline the construction permitting and inspections processes. Salient features of the draft Law included:

- *Silence is consent principle.* This establishes a time limit for authorized permitting bodies to issue construction permits. If the body does not issue the permit within the time limit and does not provide sufficient reason, then the permit is legally deemed issued and the applicant may proceed with construction according to the terms submitted in the application. This reduces discretion on the part of the permitting bodies, eroding possibilities for and reliance upon corruption.
- *Cost recovery-based permitting fee.* It is very common for municipalities to use permits and licenses as a revenue-raising mechanism rather than for its intended purpose of protecting the public's health and safety. The Law incorporates a requirement that authorized bodies to publicize their permit fee and that the fee be based on only the costs of issuing the permit. Any amount over the costs of issuance is a *de facto* tax.
- *Transparent and predictable procedures for issuing construction permits.* The Law establishes clear and predictable procedures for applying for and obtaining a construction permit. This includes the process all the way from the application to final inspection and issuance of the occupancy certificate.
- *Risk-based approach.* Not all constructions are the same. Employing international best practice, the permitting approach taken in the Law incorporates a risk-based assessment of the construction activities so the authorized permitting bodies can more effectively allocate resources. Time limits for the purpose of "silence is consent" are extended for the purposes of riskier construction activities.
- *Requirement for development of a Construction Code.* Work does not end with adoption of the DLC. The Law requires the development of a tailored Construction Code. The Construction Code establishes the minimum mandatory technical requirements for construction activities in Kosovo.

In early March 2012, the GoK approved the draft Law on Construction in the Government Meeting and submitted it to the Parliamentary Commission on Agriculture, Spatial Planning, Environment,

Forestry, and Rural Review for review. USAID|BEEP helped to facilitate public comment during the Commission's first reading where discussion proved intense. The Project also assisted the Commission in responding to concerns surrounding the draft Law, including the implementation concerns voiced by the municipalities.

On May 31, 2012 Parliament passed the draft Law in the second reading and sent it to the President for signature. On June 22, 2012 the President then signed the Law¹⁷ into force.



On the front page of the Kosova Sot newspaper, the headline reads “The New Law on Construction will Lower Costs and Corruption”

¹⁷ Law No. 04/L-110 on Construction.

An important part of the new Law was the requirement for MESP and the municipalities to establish cost recovery-based fees for construction permits. To facilitate this process, providing guidance to and creating consistency across competent bodies, USAID|BEEP assisted MESP to develop an Administrative Instruction (AI) on Construction Permit Administrative Fees and



Construction Permit Fee Workshop with MESP and municipalities in Pristina

Infrastructure Regulatory Charges¹⁸ that established a clear calculus for developing such a fee. In addition, and included in this AI, USAID|BEEP developed draft contracts and guidance for use by municipalities when negotiating infrastructure development agreements. These development agreements will help municipalities and citizens better define responsibilities for providing infrastructure crucial to individual projects as well as the country’s overall business environment.

To help MESP and municipalities understand and apply the cost recovery equation, USAID|BEEP trained staff (training the trainers) from MESP on the calculation of these fees so that the Ministry could then better assist municipalities in their fee calculations. With USAID|BEEP-encouragement and support, MESP then held five (5) regional training workshops with municipalities (those in Peja, Prizren, Pristina, Gjilan, and Mitrovica) and one (1) with construction businesses on the new AI. These trainings were very well received, with over one hundred and seventy (170) total participants and eighteen (18) municipalities and seventeen (17) businesses represented.

To date, MESP and twenty-seven (27) municipalities have established their construction permit and social impacts infrastructure¹⁹ fees using cost recovery principles.

Table X. Construction Permit and Social Impact Infrastructure Fees²⁰

Municipality	Construction Permit Fee (€)	Social Impact
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¹⁸ Ministry of Environment and Spatial Planning Administrative Instruction No. 22/2012 on Construction Permit Administrative Fees and Infrastructure Regulatory Charges, adopted by MESP in November 2012.

¹⁹ Social impact infrastructure fees are based on the total cost of municipal services and the number of persons to arrive at a per-person fee that can be assessed with there is a demonstrable additional burden on municipal services to be delivered.

²⁰ Social impact infrastructure fees (technically designated “Increased Density Infrastructure Regulatory Charges” under the Administrative Instruction) are set out on a cost per capita of municipal services and represent a fee charged for an increased burden on municipal services as a result of the construction work in question.

	per square meter)	Infrastructure Fee (€)
1. Mitrovica	2.96	103.02
2. Peja	2.53	100.69
3. Novo Brdo	2.82	144.32
4. Hani i Elezit	3.03	96.63
5. Viti	2.57	89.00
6. Shtimë	1.50	113.00
7. Obiliq	3.87	101.02
8. Gracanica	3.48	149.18
9. Strpce	2.61	98.98
10. Junik	2.80	69.82
11. Malishevë	2.62	140.32
12. Ferizaj	2.70	117.65
13. Kamenica	3.30	141.12
14. Drenas	3.16	106.73
15. Vushtrri	2.54	117.95
16. Skënderaj	2.39	121.01
17. Pristina	9.96	277.11
18. Gjilan	2.56	118.20
19. Kaçanik	3.56	119.03
20. Fushë Kosovë	2.75	128.81
21. Istog	2.56	99.87
22. Lipjan	2.30	177.82
23. Gjakova	2.57	103.00
24. Suhareka	3.77	115.03
25. Decan	3.06	96.07
26. Podujevo	2.70	100.28
27. Klinë	2.13	97.23
28. MESP (Class 3)	3.08	-

To further streamline construction permitting and ensure proper compliance review with the Construction Code, USAID|BEEP is assisting MESP to develop an AI on the construction permit review process. This AI establishes efficient, reasonable, and consistent processes for submitting and reviewing applications for terms of construction and construction permits. Similar to the cost recovery-based fee setting, USAID|BEEP supported MESP's training of internal staff to then train municipalities on issuing construction permit permits. The Project additionally supported MESP to develop and adopt AIs on the Categorization of Construction Works²¹ and on Construction Works

²¹ Ministry of Environment and Spatial Planning Administrative Instruction No. 09/2013 on the Categorization of Construction Works.

for which a Construction Permit is not Required²² to better inform risk-based permit review and inspections.

A critical part of the abovementioned plan review process is ensuring compliance with minimum health and safety technical requirements. To establish these technical requirements, USAID|BEEP supported MESP, through an established working group consisting of private and public sector stakeholders, to develop a universally-applicable Construction Code that incorporates relevant elements of EuroCodes and that can be implemented in Kosovo. Below are the contents of Kosovo's Construction Code.

Table X. Construction Code Contents

Section 1: Administrative/Legal
Chapter 1: Administrative/Legal
Section 2: Structural
Chapter 1: Concrete Structures
Chapter 2: Masonry Structures
Chapter 3: Steel Structures
Chapter 4: Timber Structures
Chapter 5: Composite Steel and Concrete Structures
Chapter 6: Geotechnical Works
Section 3: Buildings
Chapter 1: Windows and Doors
Chapter 2: Energy and Energy Performance of Buildings (Thermo Insulation)
Chapter 3: Residential and Apartment Buildings
Chapter 4: Noise
Section 4: Mechanical Installations
Chapter 1: Ventilation and Air Conditioning in Buildings
Chapter 2: Chimneys on Buildings
Chapter 3: Heating and Cooling of Buildings
Chapter 4: Lifts
Section 5: Electrical Installations
Chapter 1: Low Voltage Electrical Installations
Chapter 2: Lightning Systems
Section 6: Plumbing Installations
Chapter 1: Plumbing Installations
Section 7: Handicap Access
Chapter 1: Handicap Access
Section 8: Fire Safety
Chapter 1: Fire Safety
Glossary
Chapter 1: Terminology

²² Ministry of Environment and Spatial Planning Administrative Instruction No. 08/2013 on Construction Works for which a Construction Permit is not Required.



Masonry construction ***BEFORE*** the pre-apprenticeship training

The Construction Code incorporates a number of international standards to establish the minimum required technical norms in Kosovo. In connection with implementation of the Construction Code, and discussed below in Component Two, USAID|BEEP supported the Kosovo Standardization Agency (KSA) to install a internationally-harmonized Standards Management Information System (SMIS). This improves private



Masonry construction ***AFTER*** the pre-apprenticeship training

sector access to standards; increases interconnectivity between government institutions for improved standards sharing; and promotes a more inclusive process in the standards adoption process in Kosovo.

Compliance with international construction standards requires not only the use of specified materials and engineering design, but also the hands-on application of industry practice in each construction trade. A local vocational school in Skënderaj, the Center for Competence, has put in place the beginnings of a modern construction curriculum tailored to specific trades, including masonry, electrical and plumbing, to name a few. USAID|BEEP during May 2013 assisted the Center

in carrying out an intensive 20-day apprenticeship training on reinforced masonry to apply industry practice consistent with the Construction Code.

The pre-apprenticeship program contributed to further the implementation of construction reform in a number of ways, including by providing training to the school's instructors and helping to create the institutional capacity to provide training in modern construction techniques and the technical norms of the new Construction Code. In addition, the pre-apprenticeship program helps create a professional construction work force in Kosovo trained in those modern techniques and norms.

Spatial planning. The construction permit serves a useful public service by facilitating not only the review of construction plans to ensure that they meet minimal safety requirements, but also that their intended use complies with national and local spatial plans. Spatial plans are important because they provide predictability in land use by clearly setting out use restrictions on land parcels and protecting property rights of neighboring land parcels. In this way, for example, residential areas are separated from areas to be used by potentially intrusive industrial activities.

MESP, wanting to harmonize the Law on Spatial Planning with the new Law on Construction, requested USAID|BEEP's assistance in its development. The Project provided significant commentary and accompanying policy rationale to MESP on the draft. Utilizing this draft, MESP, with USAID|BEEP support, solicited public comment and held rigorous debate. Based on the comprehensive public outreach, MESP received the most-ever comments on any draft law in its history. With Project support, MESP then reviewed public comments and incorporated them where useful.

The draft Law embraces the evolving European approach and free market principles to establish a clear and predictable framework for spatial planning. Under the draft, it is envisioned that MESP develop and refine a National Zoning Map and Spatial Plan that serves as a baseline for all parcels in Kosovo. With this in place, if municipalities lack urban regulatory plans (plans that govern in more detail land use restrictions at the local level) the construction permit applicant can refer to the national plan so as to avoid delays.

The USAID|BEEP-support draft Law on Spatial Planning was approved by the Government on December 7, 2012 and passed the first reading in Parliament in February 2013.

Program for the Treatment of Constructions Without Permit. Through a previously-ambiguous and difficult-to-navigate construction permitting process, constructions in Kosovo were often unpermitted; unduly restricting the property tax base and creating barriers to property protection and to using the asset in other transactions. Recognizing these barriers and the problems associated with unpermitted constructions, including the difficulty of enforcing property rights and the potential for unsafe buildings, MESP wants to develop a fair and transparent program to legalize those constructions.

With USAID|BEEP as its designated implementing partner in construction reform, MESP requested the Project's assistance in developing its draft Law on the Treatment of Constructions Without Permit. The goal of this law is to establish a program for owners of previously-unpermitted constructions to come forward and legalize their buildings. The legalization process under the draft Law is expected to closely mirror that of the construction permitting process; utilizing both a review of compliance with mandatory technical requirements through the Construction Code and compliance with spatial planning. MESP, with Project support, developed a new draft Law on the Treatment of Constructions Without Permit and submitted it to the Government on December 11, 2012 where it was approved later that month. It is expected that the draft Law will be approved in late 2013 and implementation will take place over a 3 – 5 year period.

Permissive System and Inspections. As mentioned previously, it was common practice in Kosovo for authorities to unnecessarily use the regulatory system as a means of raising revenue. Additionally, there existed no common understanding or use of permissive system terminology (e.g. permit, license, registration, etc.). Follow-on inspections of permissive system requirements similarly were often over-burdensome and conducted with nearly unfettered discretion. In totality,



USAID|BEEP Deputy Chief of Party and Component One Lead at a workshop to finalize the draft Law on Inspections

these administrative burdens acted as strong dis-incentives to investment and created distrust of government institutions.

To reduce these barriers to business operation, USAID|BEEP supported an effort to rationalize limitations on free economic activity (i.e. the permissive system) and establish a more rational footing for follow-on inspections. The OPM, with USAID|BEEP support, developed draft Laws on the Permissive System and Inspections that envisioned clearly-established frameworks for the issuance of permissions and the conducting of inspections, and set out clear definitions for permissive system and inspections terminology.

Principal features of the draft Law on the Permissive System included the following:

- **A Proper Role for Government Regulation of Private Activity.** The draft Law set out to create a framework that limits government regulation of private activity to that which is necessary to protect public health and safety while prohibiting regulation that is unduly burdensome or unwarranted. Its approach will both make it easier to engage in commercial activity in Kosovo by eliminating unnecessary business constraints; and also increase the protection of public health and safety by focusing government regulation on areas where it is truly needed.
- **Streamlined Framework.** The draft Law creates a simple yet effective framework for government regulation by providing for four types of permissions, including notices, registrations, permits and professional licenses.
- **Rational Relation to Assessed Risk.** The draft links each type of permission to a level of risk that a government regulator must determine objectively in order to justify requiring the permission for a particular activity. This will introduce harmony and uniformity in the regulatory actions of government bodies and bring them into conformity with the requirements of a market economy and good governance.
- **Transparency.** The draft law requires a regulatory authority to make publicly available all the rules, requirements and procedures related to each permission; as well as information on each permission issued.

Similarly, principal features of the draft Law on Inspections included:

- **Direct Links to the Law on the Permissive System.** The draft provides that inspections may be conducted only with respect to risk-related activities that are regulated under the Law on the Permissive System.
- **Emphasis on Citizens' Rights and Defined Powers of Inspectors.** The draft Law is based on the application of international best practice to the Kosovo context and devotes considerable attention to protecting the rights of citizens vis a vis the inspector; to defining clearly inspectors' powers (and the limits thereof); and to the proper procedures to be followed in inspections. The draft also places emphasis on the citizen's right to know the scope and frequency of a permissible inspection.
- **Emphasis on Encouraging Compliance Rather than Imposing Fines.** The draft provides that a citizen is generally given the opportunity to correct a violation within a reasonable timeframe, and that no fine is imposed unless the citizen fails to do so. This represents a dramatic change from the current approach, and the perception that the purpose of inspections is to raise revenue. Consistent with this, the Project has advised that

national and municipal bodies not include in their budgets revenues from inspections fines, which is the current practice, but to treat imposed penalties as unplanned revenue. This shift in the role of inspections is essential to creating an environment where violations are punished, but both citizens and regulators work together to implement required health and safety considerations in the overall interests of the people of Kosovo.

The Project supported the National Council for Economic Development (NCED) to promote the draft laws and prepare for a future guillotine review of permits and licenses. To support a future guillotine review, the Project in August 2012 submitted to the LO of the OPM a concept paper on the permissive system that premised on the above-mentioned principles, describing, among other things, the different types of permissions using internationally-consistent terminology; articulated the narrow circumstances under which application of such a permission to limit free activity is appropriate; and demonstrated the necessary linkages between permissions and the follow-on compliance assessment mechanisms such as inspections.

Using the concept paper, USAID|BEEP in October 2012 sponsored a working session, that included representatives from the LO OPM, International Finance Corporation (IFC), and MTI to develop the Guillotine Review Manual that would act as the basis for reviewing government permissions. The Manual, approved by the government, will be the basis for the guillotine review, and is expected to take place with adoption of the Law on the Permissive System later in 2013.

Support to the Women's Group G7. Seeking to form an umbrella organization to further women's issues in the economic sphere, USAID|BEEP is supporting a local subcontractor to assist the "Founding Group" of prominent Kosovar women to determine the best legal form for the organization's establishment. Based on discussions with counterparts, including USAID and the Founding Group, the subcontractor recommended that the NGO form would be advantageous and should be considered. Based on discussions with USAID, the subcontractor provided all necessary documentation for registration as an NGO, and the registration was successfully completed.

CI-4: INCREASE PUBLIC ACCESS TO AND KNOWLEDGE OF LAW AND LEGAL REFORMS THROUGH DEVELOPMENT OF LAW ON NORMATIVE ACTS AND LEGAL INFORMATION DATABASE; AND STRENGTHEN THE OFFICE OF THE PRIME MINISTER

Legal Information Database. A fundamental component of good governance is making public and easily accessible all governing normative acts. In Kosovo, however, this was not common practice for all governmental institutions. Additionally, there was no centralized information center for such normative acts, requiring businesses and citizens to expend tremendous energy searching for information. This is a burden on businesses and citizens as it presented a significant challenge in knowing and understanding their rights and obligations under the law. Not only did this create the opportunity for arbitrary enforcement, but acted as a disincentive to investment due to the lack of transparency and predictability in the legal regime.

Identifying this critical omission, USAID|BEEP worked with the Legal Office (LO) and the Office of the Official Gazette (OOG) of the Office of the Prime Minister (OPM) and the Ministry of Public Administration (MPA) to establish the first-ever consolidated, electronic, searchable legal information database (LID). In collaboration with these institutions, USAID|BEEP assisted the government to take a landmark step toward more democratic and market-oriented governance.

The Legal Information Database is the first of its kind in Kosovo, containing all normative acts in force and creating an online, searchable, and publicly accessible resource for accessing normative acts.

With elimination of these sub-normative acts, USAID|BEEP assisted the Office of the Prime Minister to establish the first-ever regulatory baseline in Kosovo.

The first step in this process was to clearly demarcate a regulatory baseline. The Project co-sponsored a working session in 2011 to identify unnecessary and redundant AIs. From the one thousand five hundred (1,500) AIs identified, the task force compiled a list of over three hundred and seventy (370) that it recommended for rescission. Accepting the recommendations of the task force, Prime Minister Thaçi signed Decision Nr. 08/35 in September 2011, which clearly published for the first time the complete list of all AIs in force in Kosovo with the provision that any AI not included in the list was deemed null and void. This applied to the more than three hundred and seventy (370) AIs that the task force identified as well as any other AIs that the Government did not identify. The Decision established a clear regulatory base in Kosovo from which to go forward.

As the next element for establishment of the LID, USAID|BEEP sponsored a second review of sub-normative acts in April 2012. This second session was a substantive review of all GoK sub-normative acts. At this session, all ministries and representatives of the OPM attended and worked diligently to narrow the regulatory base. With the goal of making the regulatory environment more conducive to free economic activity, the working group designated seventy-two (72) sub-normative acts for elimination. The group also earmarked any remaining sub-normative acts that contained a license, permit, or registration requirement for a future guillotine review under the umbrella of Permissive System and Inspections reform.

In June 2012, the OPM issued a Decision officially abolishing the list of seventy-two (72) sub-normative acts identified during the working session²³. This elimination of over four hundred and forty (440) AIs represented another crucial step in the collaborated effort with the government to establish the LID.

With the normative act inventory in place, USAID|BEEP, through a local subcontractor, developed the necessary software that would house the acts in a searchable format. In total, more than two thousand (2,000) acts were consolidated, translated into all required languages, “tagged” with relevant information to make them more easily searchable across a number of useful search categories, and migrated into the database. In June 2013, the GoK, with USAID|BEEP assistance launched the landmark LID. (<http://gzk.rks-gov.net>).

Law on Normative Acts. During 2011, USAID|BEEP and the Head of the Office of Legal Services (OLS) of the OPM forged an agreement to work together to develop a Law on Normative Acts (LNA) to complement the LID. The LNA established requirements for the development of normative acts – laws and regulations – that, among other things, required government bodies to conduct impact assessments and provide reasonable opportunity for public notice and comment. The LID made it possible to create complete transparency with respect to all the laws and regulations that are in force, enabling businesses, for example, to become aware of their rights and obligations under the law, and ensuring that no acts can be applied unless they have been made known to the public.

USAID|BEEP sponsored an intensive working session with the LO of the OPM in June 2013 to finalize the draft LNA. This draft is expected to be carried forward to the Government Meeting and Parliament following the Project's completion.

²³ Decision of the Office of the Prime Minister Nrs. 01/81 - 07/81.

COMPONENT TWO: REDUCED BARRIERS TO TRADE

Component Two: Lower Trade Barriers. Component Two focused on the reduction of barriers to trade to facilitate increased commerce and international cooperation, as well as the implementation of regional and multilateral trade agreements.

Long-term growth is enhanced when a more liberal trade regime is implemented. Unambiguous rules and regulations that guarantee the free and fair movement of goods and services are fundamental to increased trade. For Kosovo to realize the benefits of more efficient trade, a combination of strategies is required: implementation of sound, market-based trade policies and modernization of trade-related institutions; institutionalization of a strong, liberalized business regulatory framework; strengthening of basic market institutions; and the implementation of transparent policies that attract foreign direct investment.

For these reasons, Component Two assisted the Ministry of Trade and Industry with institutional reforms and Kosovo Customs on activities involving private sector partners (clearing agents, transporters, and business associations). The aim was to streamline trade-related activities through broad-based consultative mechanisms – involving private and government stakeholders in the formulation, implementation, assessment, and fine-tuning of trade policy and customs procedures.

C2-1: IMPROVE THE LEGAL FRAMEWORK FOR IMPORT AND EXPORT TRANSACTIONS

Law on External Trade. USAID|BEEP assisted the Ministry of Trade and Industry (MTI), at the MTI's request, to develop a revised Law on External Trade. The new Law addressed the outdated nature of the law then in force. The Project's goal in developing the new Law was to set a transparent framework for foreign trade based on World Trade Organization (WTO) principles and agreements, as reflected in European Union (EU) practice. This means that any restrictions on external trade must be transparent, provide the necessary procedural safeguards, and be imposed in accordance with international best practice.

Working with the MTI, the Project developed proposed updates for improving the existing Law based on earlier recommendations provided in the Gap Analysis of the Kosovo Legal Framework for External Trade. At the end of September 2011, the Parliamentary Commission held a public hearing on the existing Law on External Trade Activity where USAID|BEEP provided technical advice and discussed all of the proposed changes.

The Parliamentary Commission then held a public hearing on the existing Law on External Trade Activity where the Project provided technical advice and discussed all of the proposed changes. Taking into consideration discussions at the public hearing, USAID|BEEP submitted comprehensive

The Law on External Trade helped establish a stronger legal framework for trade through more streamlined procedures for trade.

recommendations on the Law to the Deputy Prime Minister and Minister of Trade and Industry.

The Project provided technical support to the MTI and members of the reviewing Parliamentary Commission to ensure that all of USAID|BEEP's recommendations were carefully considered. The Project's assistance came to a successful conclusion as the Law was adopted by Parliament on November 14 and it was signed into law by

the President on December 2, 2011²⁴.

Law on Safeguard Measures. Safeguard measures are one of the three WTO authorized contingency measures that provide remedies to affected parties when faced with increased imports that cause injury to domestic producers of a like product. Governments may take temporary emergency action against imports that are hurting domestic producers as long as they follow all proper WTO procedures. During the effective period, safeguard measures allow domestic businesses time to capitalize on productivity improvements and increase market competitiveness.

In mid-August 2011, USAID|BEEP provided technical advice before the Parliamentary Commission for Economic Development, Transport, Infrastructure, Trade and Industry concerning a clause-by-clause review of the Law. Later in August, the Component Two technical team participated in a meeting before the Parliamentary Commission to provide additional technical support and respond to Commission questions regarding the draft. Based on the Project's recommendations, the Kosovo Assembly adopted the new Law on Safeguard Measures on August 31, 2011²⁵.

Under the Law, the MTI must adopt implementing regulations before taking action with regard to invoking trade remedies. Partnering with Government counterparts, the Project developed draft regulations in accordance with international best practices. These regulations have not been adopted by the MTI.

Law on Anti-dumping and Countervailing Measures. In early November 2011, the MTI asked the Project to review the Law on Anti-dumping and Countervailing Measures²⁶. The current law invokes European Commission (EC) regulatory actions regarding the application of anti-dumping and countervailing measures in Kosovo. Unfortunately, this means that the law is not able to be applied domestically because the EC regulations provide for an operational role for the European

²⁴ Law No. 04/L-048 on External Trade (2011).

²⁵ Law No. 04/L-047 on Safeguard Measures on Imports.

²⁶ Law No. 03/L-097 on Anti-dumping and Countervailing Measures.

Commission in the administration of anti-dumping and countervailing investigations, and Kosovo is not a member of the European Union (EU). The MTI requested the Project's assistance to harmonize the law for application domestically, while maintaining international best practice.

Anti-dumping and countervailing measures are two of the WTO-supported contingency measures for a more predictable trade environment.

In February 2012, USAID|BEEP completed its analysis and recommendations for amending the current Law on Anti-dumping and Countervailing Measures. The proposed amendments would, among other things, eliminate all legal references to EC procedures and institutions (again, because Kosovo is not a member of the EU), clarify definitions of terms, and implement the notification requirements of the Central European Free Trade Agreement (CEFTA) when CEFTA requirements apply. The Project submitted its recommendations to the MTI and held internal technical discussions on the proposed amendments with the Trade Department. A new law has not to date been adopted.

To promote dialogue regarding recommendations, the Project included technical discussions in a workshop on trade contingency measures. In addition, USAID|BEEP produced the Standard Operating Procedures (SOPs) for the application of these trade remedies, which, if adopted, would allow the amended Laws to be applied in Kosovo consistent with international requirements and best practice. Each SOP manual provides an overview of and procedures for investigations, determination of injury and causation, steps to final determination, and a review of the respective law.

Law on General Product Safety. In November 2011, the Project provided the MTI with a critical review of the draft Law on General Product Safety. USAID|BEEP presented recommendations to remove unnecessary barriers to trade activity at the Parliamentary Commission on Economic Development, Infrastructure, Trade and Industry meeting to discuss the draft law. The Commission embraced these recommendations and eliminated unnecessary inspections and excessive penalty provisions which would have given arbitrary and discretionary power to MTI officials to unnecessarily regulate the market in Kosovo. This was also important as USAID|BEEP continued its efforts to rationalize the Permissive and Inspections Systems in Kosovo. Parliament passed the new law in early 2012²⁷.

Insurance-backed customs guarantees. To secure the payment of tariffs and fees on trade transactions, Kosovo Customs regularly requires bank guarantees. These guarantees, however, are often expensive and many times require full collateralization, creating a clear impediment to trade.

²⁷ Law No. 04/L-078 on General Product Safety.

As a trade facilitation measure, USAID|BEEP recommended the introduction of insurance-backed customs guarantees (customs bonds). Better positioned to assess and price risk, insurance



Customs bond workshop for the Kosovo Insurance Association, Customs, the Ministry of Finance and other stakeholders

companies can offer the same guarantees at a lesser cost and with payment of only a premium. Kosovo Customs and the Ministry of Finance (MoF) have stated their interest in introducing the customs guarantees, but said that they would do so at a later time as part of a comprehensive approach to trade and fiscal reform. The Project has provided

the GoK with all enabling information to move forward with this initiative.

Trade Education Programs. In December 2011 the Project conducted a Workshop on International Trade for Members of Parliament. The objective of the Workshop was to familiarize members on the various aspects of the WTO, what Observer Status would mean for Kosovo, and on the related rights and obligations Kosovo has under the



USAID|BEEP Component Two short-term trade expert and Component Lead conducting an international trade workshop

Central European Free Trade Agreement. Similarly, in January –

February 2012 USAID|BEEP prepared a proposed update to the Trade Policy of Kosovo 2009 and then conducted a one week training course for the MTI and other stakeholders explaining the update.

World Trade Organization (WTO) observer status. In October 2011, the MTI requested that the Project prepare a cost-benefit analysis of WTO observer status for Kosovo and draft the legal instrument for formal application. In November, Component Two prepared the requested analysis which concluded that observer status would be beneficial for the country and a draft legal instrument for Kosovo's application for observer status to the WTO. USAID|BEEP delivered both the analysis and

draft legal instrument to the Deputy Minister of Economic Development and Minister of Trade and Industry. The Government has the matter of observer status under review.

Customs Code. Early in the Project, USAID|BEEP identified revisions to the Customs Code then in force as a vehicle for reducing barriers to trade as it did not incorporate many of the important objectives and principles incorporated in the WCO's Revised Kyoto Convention and the 2008 EU Customs Code. It was then identified that a revised Customs Code would provide the legal authority for many internationally-accepted trade facilitation measures that were not authorized under the then-existing Code.

Working with the Legal Department at the Ministry of Finance and the Director General of Kosovo Customs, USAID|BEEP developed recommendations to amend the Customs Code and bring it closer to international best practice. Among other things, the proposed amendments focused on:

- **Voluntary Compliance.** A priority activity for modern tax and customs administration is the introduction of ways and means to augment, to the greatest extent possible, voluntary compliance with fiscal law for both direct and indirect taxes. The fundamental basis of modern fiscal law is the principle of *self-declaration*. For both income tax and for customs duty and VAT on imports, the onus in law must be clearly placed on the taxpayer, trader or duly authorized third-party representative to complete a tax return or a customs goods declaration fully and truthfully, and to determine the amount(s) of tax, duty or other levies that are lawfully payable.
- **Risk-based Controls.** The use of risk management and post-clearance audits allows modern customs administrations to accord special, simplified treatment to traders who meet specified criteria, such as a good compliance record, satisfactory audits, and/or the maintenance of records in an approved manner, etc. Traders accorded these privileges may be termed *authorized economic operators*, reducing the time needed to clear goods and the level of effort required on the part of Customs.
- **Transparency.** In conjunction with the principle of self-declaration, the responsibility must on Kosovo Customs to provide technical information in a transparent form and manner that will inform the taxpayer / trader and thus provide the capacity for taxpayers to comply voluntarily with fiscal, customs and trade law.
- **Stakeholder Consultations.** Modern customs laws direct the customs administration to inaugurate a formal consultative mechanism(s) with private sector clients and partners. No such provisions were found in the Customs Code of 2008, representing a major short-coming.

- **Reduced Administrative Discretion.** Pursuant to international customs administration, importers, exporters or their authorized representatives are at liberty to make a declaration under whichever customs procedure they require for their business (import, export, warehousing, transshipment, coastwise carriage, inward processing, etc.) This is a trader’s fundamental right and obligation under modern customs practice. There is no valid need for any additional permissions or approvals from Customs officials.
- **Goods Samples.** The Code should provide that in all cases, the sample taken by an officer (for testing related to a determination of classification, value or origin) shall be returned to the owner. The law must clearly articulate procedures for disposal or return of goods samples taken by Customs.

In March 2012, the Director General of Kosovo Customs agreed to move forward with the Project analysis and recommendations. Upon submission, the Project provided technical advice and support on the draft law to the Parliamentary Commission on Economic Development, Infrastructure and Trade & Industry when it reached the Kosovo Assembly. Finally, the revised Customs Code was adopted in Parliament and signed by the President in May 2012²⁸.

C2-2: SUPPORT FOR STREAMLINED IMPORT AND EXPORT PROCESSES

Trading across Borders Scenario Analysis and reduction of import and export documentary requirements. An important tool for assessing reduced barriers to trade efforts in Kosovo is the World Bank’s “Doing Business Trading across Borders” annual survey, which measures time, costs, and documents required to import and export goods, using a standard methodology. As reported in the DB Trading



Goods passing through a Customs warehouse

Across Borders 2012 report, Kosovo ranked 131 out of 183 economies studied – the lowest performance in the region for that year.

In September 2011, USAID|BEEP developed the Trading Across Borders Scenario Analysis, making recommendations to effect positive change to all indicator measures and reduce the time, costs, and documents required for

import and export. The Scenario Analysis addresses recommendations regarding actions to be taken by Kosovo Customs.

²⁸ Law No. 04/L-099 on Amending and Supplementing the Customs and Excise Code in Kosovo No. 03/L-109.

Upon receipt of the Scenario Analysis, critical external stakeholders, including the Director General of Customs, the Director of the MTI Trade Department, and MTI Ministerial Advisors, provided valuable input and voiced their willingness to rapidly implement recommendations.

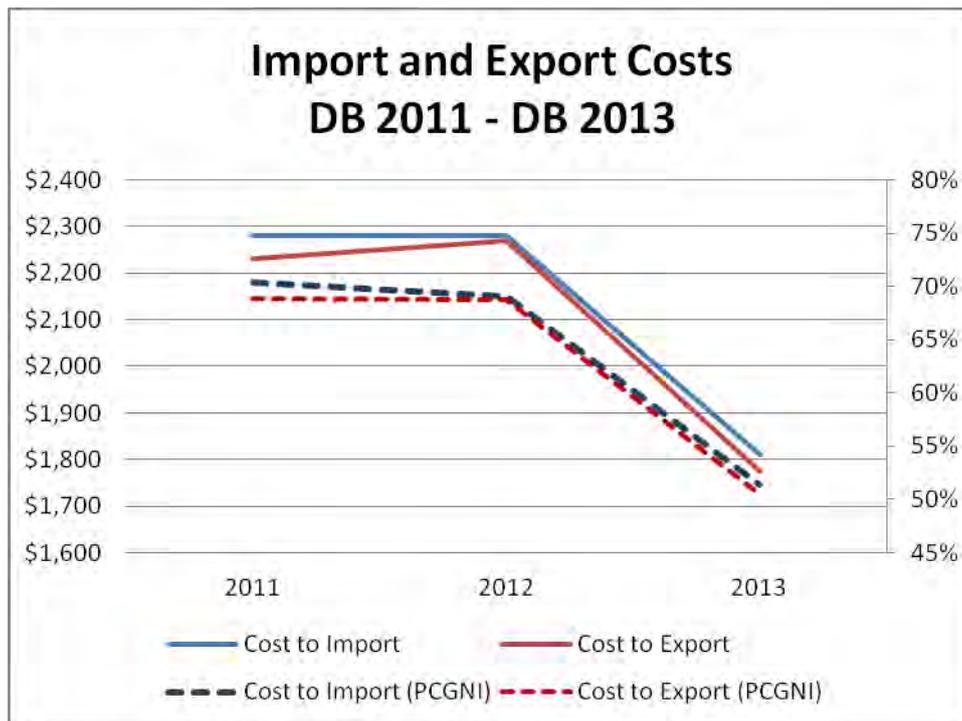
Subsequently, Kosovo Customs adopted Internal Administrative Instruction No. 01/2011 on October 25, 2011. The new AI eliminates six (6) of the eight (8) documents required for export and five (5) of the eight (8) documents required for import as recorded by the DB 2013 report²⁹.

USAID|BEEP's monitoring efforts preliminarily revealed that importers and exporters were continuing to produce unnecessary documents because Customs had not sufficiently advertised this reform. USAID|BEEP quickly focused efforts to inform businesses about the reduced documentary requirements and to monitor implementation, including a comprehensive media campaign, discussions with the Spediteurs Association, and visits to Customs border points.

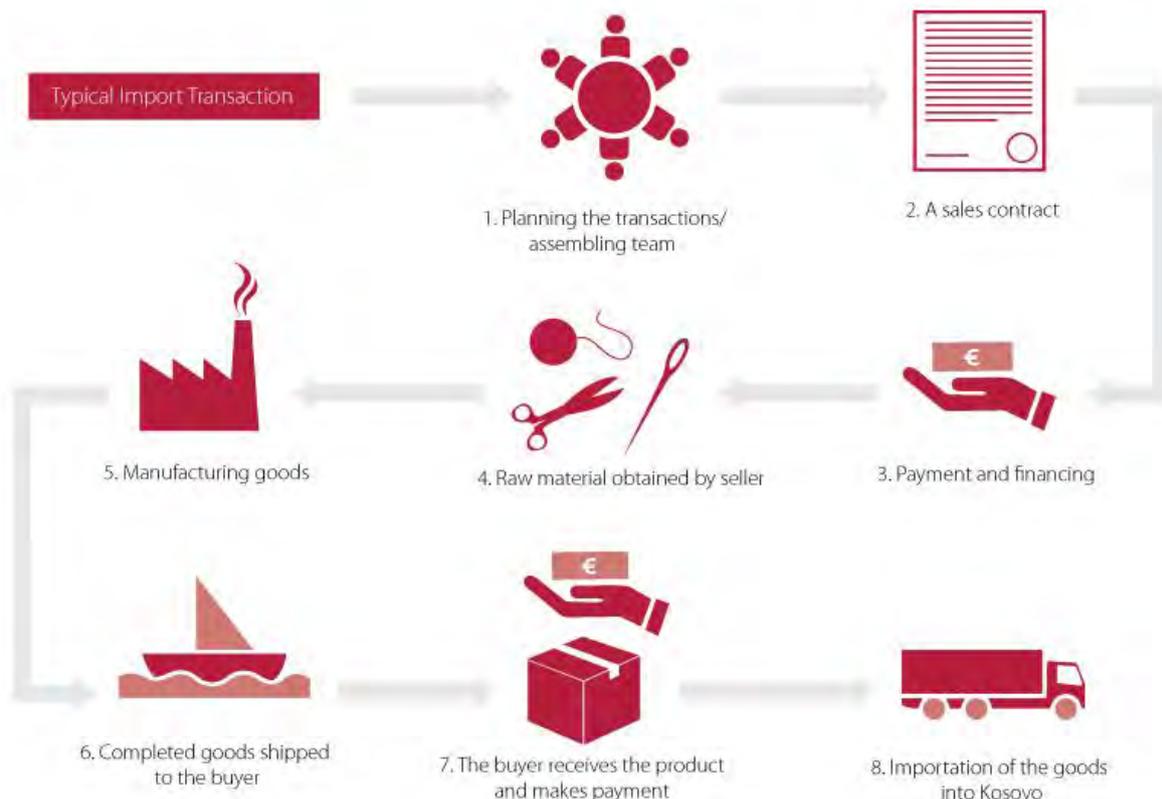
The Project's follow-on monitoring found that spediteurs were no longer requesting the additional documents from their clients. Based on USAID|BEEP recommendations, the Director General of Kosovo Customs ordered that all Customs Offices posted a notification outlining the changes and updated documentary requirements. Particularly important, cost and time savings are realized more effectively now that importers and exporters are aware of the reduced documentation requirements.

These reforms contributed to a reduction in the costs to import and export as captured by the Doing Business reports through improved capacities within Kosovo Customs and the MTI and streamlined operational procedures. Businesses have realized a \$455 and \$470 savings per transaction for export and import transactions, respectively, comparing the Doing Business 2013 and 2011 reports in the "Trading Across Borders" indicator. The table below reflects the reduction in import and export transaction costs and the reduction in these costs as a percentage of Gross National Income (GNI).

²⁹ According to the AI, the export declaration and accompanying commercial invoice are the only two documents required by Kosovo Customs for export transactions. Similarly, the bill of lading, CMR, and packing list are the only three documents required by Kosovo Customs for import transactions.



Customs import/export registration requirement eliminated. Based on USAID|BEEP recommendations, the Director General of Kosovo Customs eliminated the need for import/export businesses to register with Customs for international trade transactions. Only speditours are now required to register with Customs as third party representatives. In addition, speditours must have a power of attorney in order to provide cargo clearance services on behalf of importers and exporters.



C2-3: BUILD CAPACITY TO INSTITUTIONALIZE TRADE BEST PRACTICE

Support to Kosovo Standardization Agency. The adoption of international standards is crucial for establishing clear and internationally-harmonized technical regulations in the domestic regulatory regime. As the competent body in Kosovo for adopting these standards, the Kosovo Standardization Agency (KSA) is at the heart of this process.

The KSA currently utilizes a simple database that makes it difficult to manage adopted standards. Additionally, there is little to no standards sharing across government institutions due to, among other things, the lack of an accessible standards management system. Disharmonized and unclear technical regulations often result from this lack of standards sharing. Finally, and most importantly, the public has little access to adopted standards, making it nearly impossible to comply with regulatory technical requirements.

Recognizing this gap, USAID|BEEP supported the KSA to identify a Standards Management Information System (SMIS) solution. Recognized internationally as one of the prominent standards institutions, the Spanish Association for Standardization and Certification (AENOR) proposed an International Organization for Standardization (ISO)-harmonized SMIS that would help put KSA on the leading edge of standards management.



USAID|BEEP visit to the Albanian Standards Directorate to observe the AENOR Standards Management Information System

The AENOR solution had the added benefit of being translated already into the Albanian language (one of the primary languages used by GoK institutions) due to a similar SMIS installation at the Albania General Directorate of Standardization (DPS). USAID|BEEP and the KSA visited the DPS to observe its functionality, including the user interface and interconnections with other government institutions. As a party to

the visit, the Head of the KSA voiced his satisfaction with the system and recommended moving forward on this important initiative.

AENOR completed installation of the SMIS at the KSA and MPA in June 2013 and it has been fully integrated.

Trade Policy Working Group. Encouraging open, transparent dialogue with all stakeholders is key to the development of democratic institutions. Improving the business environment depends on meeting the needs of business through identification and elimination of unjustified intervention in private sector activity.

With USAID|BEEP support, the GoK established the Trade Policy Working Group (TPWG) to address trade-related issues, creating a forum for public-private dialogue. The working group is made up of five sector-specific sub-groups on Agriculture; Manufacturers; Trade Agreements; Trade Facilitation; and Services. The TPWG includes members from the public and private sector, including the MTI, MoF, Kosovo Customs, Ministry of Agriculture, the Kosovo Chamber of Commerce, AmCham, TAK, and the World Bank. The TPWG is the focal point of all trade issues as Kosovo moves towards membership in the European Union (EU) and also will be the channel for private sector perspectives as Kosovo moves towards observer status and eventual membership in the WTO.

The Trade Policy Working Group provides the private sector with a national-level platform to identify, discuss and remedy trade issues, and creates a forum for inter-governmental trade policy coordination.

At the end of November 2011, the TPWG held its first Agriculture Subgroup meeting. During the meeting, the Project intervened on a number of occasions to get participants to focus on specific issues, creating a unified approach to address trade-related concerns. In the past, trade issues were dealt with on an ad hoc basis and created confusion, inconsistency in policy and practice, and unnecessary barriers to business. Addressing private concerns in this way represents a crucially important change in the GoK's approach to governance.

Following the success of the Agriculture Sub-group, the MTI Trade Department asked the Project to assist planning for the first meeting of the Trade Facilitation Sub-group in late December 2011. Component Two provided technical and managerial advice to the Trade Department and made a presentation on state-of-the-art worldwide trade facilitation initiatives from the perspective of Kosovo. A major outcome of the first meeting was that the Sub-group members committed to advocate for a modernized Customs Code based on the 2008 EU Model Code.

At the Trade Facilitation Subgroup in early February 2012, USAID|BEEP presented a concept paper discussing recommended amendments to the Customs Code from the perspective of trade facilitation and modern Customs administration. Here, business representatives on the Subgroup expressed the need for adoption of a number of trade facilitation measures and provisions in the Code, in accordance with international standards. The intention of the presentation was to empower the business community with the necessary technical knowledge and background to advocate for an improved Customs Code. The follow-on advocacy proved critical to adoption of the

USAID|BEEP-supported amendment to the Kosovo Customs and Excise Code discussed in C2-1 above.

The Industry Subgroup met for the first time in March 2012 where six (6) major producers participated in the discussions. USAID|BEEP presented reforms in favor of improving the efficiency, productivity, and competitiveness of domestic exports in regional and international markets. Following this meeting, USAID|BEEP provided significant assistance to track issues noted by businesses for follow-on action by Kosovo Customs and the MTI.



First meeting of the Industry subgroup of the Trade Policy Working Group

In June 2012, the Project provided guidance to support MTI management on the third plenary session of the TPWG. This included (1) support to review all trade issues raised by businesses in the four project-supported subgroups and actions taken by the GoK in response and (2) an update of the Kosovo Trade Policy

(discussed in more detail below). The Deputy Prime Minister for Economic Development chaired this session and outlined next steps for the work of the TPWG under the auspices of the National Council for Economic Development (NCED).

The TPWG is expected to provide a crucial platform for raising and addressing trade-related concerns beyond the life of USAID|BEEP.

Metrology, Accreditation, Standardization, and Quality (MAS-Q). In addition to streamlining procedures and removing operational hurdles, reducing technical barriers to trade represents a crucial component of improving the trade environment. Establishing a harmonized, rational, and transparent system for the adoption of international standards, creation of mandatory technical requirements, and implementation of an effective system for compliance assessment is an essential part of reducing these technical barriers. These are all pieces of the overall “best practice” Metrology, Accreditation, Standardization and Quality (MAS-Q) framework, which is designed to protect the public health and safety. Technical requirements that go beyond best practice protection are considered technical barriers to trade.

In early August 2011, the Project carried out interviews and fact-finding visits with the Kosovo Metrology Department (KMD), Kosovo Accreditation Directorate (DAK), and Kosovo Standardization Agency (KSA) units at the MTI. Through these interviews, USAID|BEEP identified



USAID|BEEP MAS-Q workshop for the Ministry of Trade and Industry and the Kosovo Customs

preliminary issues related to MAS-Q in the Kosovo framework,

noting, among other things, the lack of accredited laboratories, an opaque system for adoption of mandatory technical requirements, and the need for improved compliance assessment.

The Project also held a MAS-Q workshop for the relevant officials from the Ministry of Health, the Ministry of Agriculture, Kosovo Customs, the MTI, the Food and Veterinary Agency, and several private sector laboratories, and developed an informative and action-oriented report that was shared with the MTI. The workshop focused on explaining the role of the MAS-Q system in the overall regulatory framework, its importance to trade and competitiveness of domestic goods and services, and unnecessary barriers that individual domestic systems can create.

Based on the Project's findings, USAID|BEEP provided technical assistance for the development of training modules on MAS-Q. USAID|BEEP completed a training video package, which can now be used as an e-learning tool, and delivered copies to the Kosovo Chamber of Commerce (KCC), the Alliance of Kosovo Businesses (AKB), the American Chamber of Commerce, the Exporters' Association, the Clearing Agents' Association, Kosovo Customs, and the Trade Department at the MTI.

Much of USAID|BEEP's work in this area included development and implementation of the construction code and establishment of the SMIS at the KSA.

Building the capacity of the trade-related institutions. An important part of USAID|BEEP activities was the training of trade-related bodies to build local capacities. Working with institutions like Kosovo Customs and the MTI, the Project "trained the trainers" through assistance to implementers for development of skills necessary to continue capacity building well into the future.



USAID|BEEP Customs Valuation workshop in Prizren

To support future training initiatives, USAID|BEEP presented Kosovo Customs with a DVD recording of the Project’s Customs Valuation training course organized and delivered early in 2011 to importers, clearing agents, and customs officers. Also, the Project provided the MTI Training Department with a DVD on our previously-delivered Workshop on “Introduction to MAS-Q.” This was further developed into a unique training module for both

Kosovo Customs and the MTI.

In late November 2011, the MTI and USAID|BEEP reached an agreement on the training the Project would deliver to the Trade Department. Topics included Standard Operating Procedures on anti-dumping, countervailing and safeguard measures for case officers, including those from Customs, the MTI, and the Ministry of Agriculture, Forestry and Rural Development. USAID|BEEP completed first drafts of the MTI Standard Operating Procedures and delivered a follow-on training course on these trade contingency measures. Officials who attended the course provided very positive feedback, noting a much improved understanding of procedures required for application of trade contingency measures.

Further, the Project conducted an introductory training course on international trade for officers from the MTI Trade Department and Legal Department, Investment Promotion Agency of Kosovo (IPAK), Industry Department, Small and Medium Enterprise (SME) Agency, Intellectual



USAID|BEEP Component Two workshop on trade remedies

Property Office, Customs, Agriculture, Health, Finance, Environment, and Food and Veterinary Agency in early February 2012. This training course provided an overview of the history of international trade, an analysis of the economics of growth related to international trade, economic analysis of trade policy, trends in trade over the last forty years including WTO Agreements, and a perspective looking forward to a new WTO Agreement on Trade Facilitation.

Tariff policy update. The Project provided technical advice on tariff policy to the GoK. Currently, a single tariff rate of customs duty (10%) is assessed on virtually all incoming goods without regard to

trade policy. During the initial establishment of basic government institutions in Kosovo, a single tariff was easy to administer, transparent, and provided a mechanism for collection of revenues. Now, however, Kosovo is in a better position to more properly focus tariff policy as domestic institutions are more stable and sophisticated.

To this end, USAID|BEEP worked with ministerial advisors at the MTI, with the Legal Director at the Ministry of Foreign Affairs (MFA), with the Director of the Trade Department at the MTI, and with the business community. Together the Project and these institutions examined opportunities to



National discussion on trade policy supported by USAID|BEEP

adjust tariff policy to better support economic development in the country, with particular concern for infant industries and key agricultural producers.

Based on input from these various stakeholders, the Project prepared a comprehensive “Trade Policy Update” which was

presented to the Deputy Prime Minister of Economic Development / Minister of Trade and Industry.

USAID|BEEP informed senior MTI staff of the options available regarding trade policy. As a result, the MTI decided to take up the issue of changing tariff rates with the MoF to create a more favorable and sophisticated trade environment. The Trade Policy Update was a focus of USAID|BEEP training in February 2012 on international trade, attended by officers from the Trade Department, as well as officials from other ministries and private sector stakeholders.

C2-4: DEVELOP AND PUBLISH INTERNATIONAL TRADE GUIDE (ITG) TO PROMOTE TRADE PREDICTABILITY

International Trade Guide. USAID|BEEP in early March 2013 supported the Kosovo Chamber of Commerce to launch the online trade facilitation tool known as the International Trade Guide. Businesses wishing to conduct trade in or with Kosovo can now go online to review the necessary import and export requirements. The ITG contains important information such as tariff rates, trade-relevant legislation, contact information for domestic organizations and government and financial institutions, a lexicon of commonly-used trade and customs terminology, and available mechanisms for alternative dispute resolution.



Kosovo International Trade Guide Launch Event

an interactive, three-language, publicly-accessible website. This critical trade facilitation tool was launched on March 4, with discussion led by the KCC, Ministry of Trade and Industry, Kosovo Customs and the USAID|Kosovo Mission Director, Maureen Shauket, and with attendance from over two hundred (200) private and public sector participants.

The ITG is available at www.itg-rks.com.

“Now with this document businesses can understand easier and can fulfill faster their obligations that are the result of trade transactions” said the Deputy Minister of Trade and Industry, Cuneyd Ustaibo. With the assistance of USAID and the KCC, the trade landscape in Kosovo has never been more transparent and easier to navigate.

Over the course of the Project, USAID|BEEP worked with government and private sector partners to develop the comprehensive guide to shed light on requirements for trading with and in Kosovo. Partnering with the KCC, USAID|BEEP consolidated the information and developed

“This Guide is an incredible help for the work that businesses do every day, and will help with the difficulties that businesses find at borders during export and import.”
– Naim Huruglica, Director General, Kosovo Customs

COMPONENT THREE: REDUCED RISKS OF LENDING IN THE FINANCIAL SECTOR

Component Three: A More Efficient Financial Sector. Component Three aimed to increase access to finance and enable Kosovo lenders to make more informed decisions based on reliable credit information. Component Three personnel worked with the Central Bank of Kosovo (CBK) to ensure that more credit data is captured, that it is stored securely, that it is provided in a timely manner to authorized users, and that it is accurate. Furthermore, the CBK expanded the scope of the credit information system by working to add new data providers and to incentivize subjects of credit reports to check and update their own credit information. Additionally, the Project supported the CBK to upgrade its Credit Registry software, and assisted the CBK to implement the upgrade to ensure more accurate and timely credit information.

C3-1: REVIEW WORLD BANK'S DOING BUSINESS REPORT AND MONITOR PERFORMANCE IN THE GETTING CREDIT INDICATOR

Depth of Credit Information Index validated. At the request of the CBK, USAID|BEEP worked closely with the Credit Registry of Kosovo (CRK) to respond to World Bank questionnaires for purposes of scoring Kosovo in the “Getting Credit” indicator. In particular, USAID|BEEP helped to validate and confirm to the World Bank that the more than two years of historical credit information are distributed by the CRK. A question within this index asks “Are more than 2 years of historical credit information distributed?³⁰” In the Doing Business 2011 report, the answer was “No” for Kosovo.

Following the Project’s research efforts, USAID|BEEP sent all corresponding clarifications to the World Bank. As a result, the Doing Business 2012 report recorded a “Yes” for this question, capturing the updated information and raising Kosovo’s score 1 point in this index. This clarification contributed to USAID|BEEP’s Project Result I.

Strength of Legal Rights Index validated. Again as part of “Getting Credit” validation efforts the Project analyzed whether businesses can pledge collateral using both specific and general descriptions of assets. In the Doing Business 2011 report, Kosovo records a “No” for question #3 in the Strength

Project Result I: 20% Improvement in Project-supported Variables of Doing Business Indicators

Validating the “Getting Credit” indicator of the World Bank Doing Business report contributes to USAID|BEEP’s Project Result I

³⁰ World Bank Doing Business Report, Getting Credit indicator:
<http://www.doingbusiness.org/data/exploreconomies/kosovo/#getting-credit>

of Legal Rights Index, which asks “Does the law allow businesses to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of collateral?”³¹”

After completing an extensive legal review of the pledge regulations and administrative instructions, an analysis of actual records in the registry and information gathered on banking practices in pledging assets, USAID|BEEP discovered that, in fact, a business can pledge collateral using either a general or specific description. The Project immediately sent clarifying information to the World Bank in this regard. However, the Doing Business 2012 and 2013 reports did not reflect this information.

C3-2: FINALIZE UPGRADE TO THE CBK PUBLIC CREDIT REGISTRY

Credit registry upgrade. The CBK in September 2012 launched the USAID|BEEP-supported Credit Registry software upgrade. This upgrade aimed to improve the availability and predictability of credit information and incentivize greater participation by businesses and citizens in the credit information system. In Kosovo, it was difficult for businesses and citizens to obtain their credit reports. They often had to visit the capital Pristina to physically request their report, and sometimes only receive it days later. Further, there were concerns about protection of borrowers’ privacy rights and accuracy of the data in the credit reports. Many borrowers and citizens had limited knowledge about their credit reports and how that impacted their access to finance.

In combination with the Regulation on the Credit Registry improving borrowers’ rights, the software upgrade provides greater assurance to subjects of credit information and ensures improved data protection. Businesses and citizens also now have greater access to credit reports with the new upgrade (more information on the credit portal below in C3-2).

In addition, financial institutions can more easily report to and access the Credit Registry. Already financial institutions have reported impressive improvements over the old system; within the first month, several banks



Training for users of the credit information system

³¹ World Bank Doing Business Report, Getting Credit indicator:
<http://www.doingbusiness.org/data/exploreeconomies/kosovo/#getting-credit>

reported a forty-five percent (45%) decrease in the time it takes to report credit classifications to the CRK. These banks, after only a month, reported up to an eighty-nine percent (89%) reduction in time.

To properly implement the upgraded Credit Registry software, USAID|BEEP conducted comprehensive training for financial institutions as users of the credit information system. The Project trained four hundred (400) total participants over thirty-five (35) sessions. Users expressed positive feedback across all surveyed aspects, including, among other things, appearance, use, and functionality.

As the underlying technology of the software upgrade, the Project provided Oracle-certified training for Information Technology (IT) staff of the CBK. USAID|BEEP conducted three (3) Oracle trainings from October to November 2012 for IT staff of the CBK, TAK and Kosovo Customs³². Covering Structured Query Language (SQL) fundamentals and database management practice, the Project trained twelve (12) participants at each event.

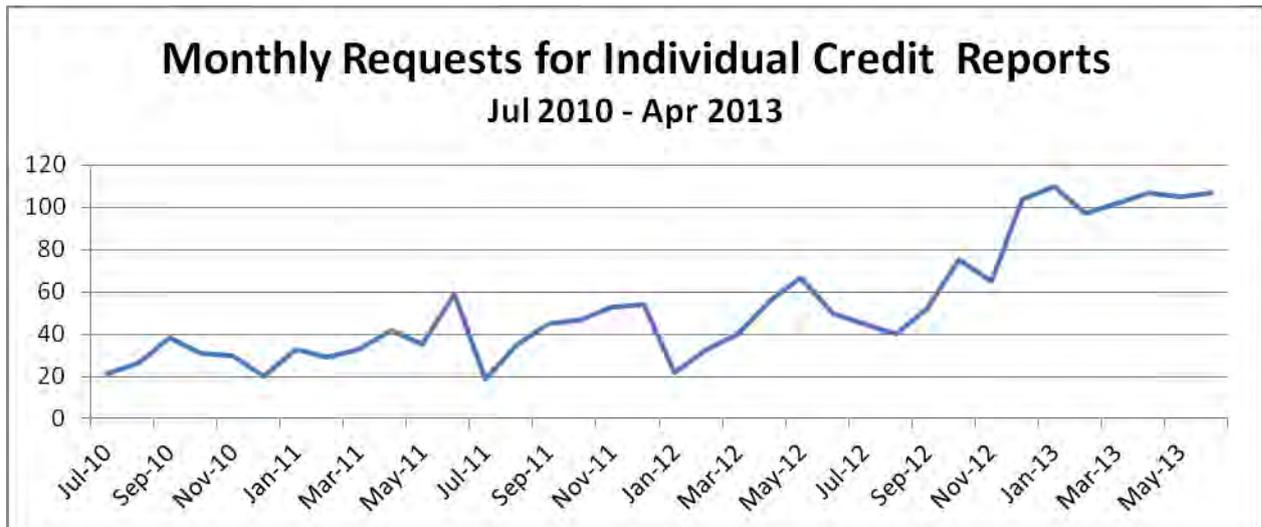
The CBK and USAID jointly held a public outreach event on December 6, 2012 to promote the new CRK upgrade and announce a new credit portal where citizens and businesses can obtain their credit reports online. With keynote speeches from the CBK and USAID, the event was very well received by the public.

To further promote the importance of credit and the improved data accuracy and predictability accompanying the Credit Registry upgrade, USAID|BEEP aired a four-week outreach campaign in December 2012 and January 2013. The media campaign utilized television, print media, internet and radio, reaching an estimated audience of over three hundred and eighty thousand (380,000) people³³.

Based on these improvements in the credit information system, USAID|BEEP supported a more than 150% increase in the number of credit report requests by businesses and citizens in the Project's final year (as compared to the July 2011 - June 2012 timeframe). The table below illustrates this increase in credit reports requests across the Project's lifetime.

³² Although Oracle training originated from the credit registry upgrade, TAK and Customs use Oracle-based technologies and joined as a matter of efficiency.

³³ Estimated 351,530 for TV; 18,037 newspaper; 14,000 internet; and 1,054 radio.



Public outreach. Further demonstrating its commitment to improve participation in the credit information system, the CBK released ten thousand (10,000) USAID|BEEP co-branded informational



brochures to the general public. The brochures explain what the Credit Registry of Kosovo is, how borrowers can dispute incorrect information contained in their credit reports, and how a good credit record will facilitate a person's receiving a new

Media clip from the Credit Registry upgrade public outreach campaign

loan. Use of the CRK by credit providers and borrowers has grown rapidly over the life of the Project. For example, inquiries by banks and microfinance institutions about borrowers reached 923,542 in 2011, up 24% from the prior year, indicating a growing request for credit by both individuals and businesses.

As to other possible users of the credit registry system, the CRK does not have the legal authority to collect credit information from, for example, utility companies. As the CBK does not regulate or monitor non-financial institutions, it has no interest in receiving credit information from such entities since it cannot ensure data accuracy. Inaccurate or non-current credit information would compromise the CRK's data base and lead to errors, undermining its credibility.

Study Visit to Italy with CBK Staff. To assist preparation of use of the new CRK software and to familiarize CBK officials with modern credit registry practice, USAID|BEEP sponsored a Study Tour visit to the Central Bank of Italy in June 2012. Through work with the CBK, USAID|BEEP made

several recommendations on reducing the number of errors that occur in updates to credit information through improved technical and operational improvements. This includes establishment of a transparent and effective data dispute procedure for citizen and business challenges to incorrect information.

The Study Tour to Italy focused on trainings and real-world application examples that met these challenges head-on. The agenda included topics like “Ten Steps to Data Quality”, “Analyzing the Information Environment”, “Real-life Application on the Framework and Methodology”, and “Practical Software Test Automation.”

Results of the tour were aimed to:

- Implement a framework for information quality;
- Develop skills in analyzing the information environment and implementing controls;
- Implement the framework and methodology for real-life application;
- Test software automation and overcome problems; and
- Improve data quality in the CRK.

Participants from the Credit Registry included the Head of the Credit Registry, the Analysis and Development Officer, and a Credit Registry Officer. The Study Tour was a significant contribution to the CRK’s ability to transition to the new software. Training and real-world application received were reported by CRK participants as crucial to their success in implementing the new software.

Strengthening Central Bank supervisory capacity. To strengthen the capacity of the CBK as a regulator and supervisor of financial institutions, the Project recognized the importance of leveraging the credit registry upgrade so that better information and management reports could be generated. These reports, in turn, support and facilitate the CBK’s supervisory function and help ensure stability of the financial system. Examples of such reports would be those that monitor lending and concentration of risks, trends in loans, and classifications. An early review of needs in the CBK’s supervisory department and research and statistics department enabled the Project to identify additional data requirements for inclusion in the credit registry system.

C3-3: SUPPORT FOR LEGAL, REGULATORY, AND INFORMATIONAL REFORM IN THE FINANCIAL SECTOR

Regulation on the Credit Registry. To complement implementation of the new CRK software upgrade, USAID|BEEP worked with the CBK to develop a new Regulation on the Credit Registry that, among

other things, allows insurance companies access to the credit information system and requires that they report to the system and establishes new borrowers' rights protections. A number of important features of the new regulation include:

- **Establishment of data subject rights.** Before the Project began, there were very few requests by businesses and citizens for their own credit reports. There were many reasons for this, including the lack of a clear dispute mechanism for incorrect credit information, credit reports were often difficult to obtain if the individual or business resided outside of Pristina, and credit reports contained unorganized and confusing information without explanation.

To remedy these barriers, the new regulation sets out clear procedures for disputing credit information, provides an option to request and receive credit reports from financial institutions, and establishes improved protections for personal information.

- **Expansion of credit information collected.** The new regulation also expands the amount of credit information that can be collected, while respecting all legal protections for personal information. Expanded credit information allows credit providers to more reliably assess risk, potentially leading to lower interest rates and higher volumes of loans through reduced risks to lending.

- **Improved data protections.** Protection of a data subject's personal information is a top priority when dealing with dissemination of credit information. With this in mind, the USAID|BEEP-sponsored regulation made it very clear when, to whom, and under what circumstances it is permissible to divulge credit information.

The new Regulation on the Credit Registry improves borrowers' rights and complements the newly-upgraded Credit Registry software

- **Expansion of the types of users of the credit information system.** The new regulation expands the types of users of credit information, providing insurance companies access to the credit information system while leaving the door open for future additions. Insurance companies use credit information to determine more accurate risk for consumers, and they will contribute to the depth of the credit information system. Allowing insurance companies to access the credit information system is also expected to contribute to improved Kosovo performance in the "Getting Credit" indicator in the Doing Business Report 2013.

Collaborating with a dedicated working group on this regulation, USAID|BEEP and the CBK finalized the draft in January. Anxious to move forward on transformational reform in this area, the Regulation was approved by the CBK's Board of Governors in February 2012.

The new Regulation on the Credit Registry is an important part of achieving Project Results 434 and 535. Aimed in part to establish an improved regulatory framework for incentivizing increased use of the credit information system, the new Regulation on the Credit Registry establishes new borrowers' rights that include protection of personal information, the right to block incorrect credit information, access to one free credit report per year, and the ability to request and obtain credit reports all over the country. Utilizing a country-wide credit media campaign (discussed above), USAID|BEEP was able to distribute crucial information on the new rights and procedures, and further discussed the importance of a good credit report for borrowing. This has proved to be a success in our collaborative effort with the CBK to incentivize increased use of the credit information system, increasing credit report requests.

Regulation on Credit Classifications. The CBK convened a working group to review all of its regulations for harmonization with the new Law on Banks, Microfinance Institutions and Non-bank Financial Institutions³⁶. USAID|BEEP helped bring these regulations into line with the new credit registry upgrade. Among these was the (previously known as) Regulation 9 on Credit Classifications, which governed the mandatory reporting times for banks to submit credit classification updates³⁷.

USAID|BEEP undertook revision of the licensing manual to harmonize the manual with principles featured in the anticipated Law on the Permissive System

An issue identified by the Project was the significant gap of three (3) months in required credit classification reporting. Credit reports are updated monthly and so credit classification information was unreliable for risk assessment. USAID|BEEP recommended monthly credit classification reporting for improved data reliability. The CBK incorporated these recommendations into the updated Rule 7 on Credit Risk Management and submitted it to the CBK Executive Board who approved the Rule in September.

CBK Licensing Manual revision. In February 2013 the Project began its review of the CBK Licensing Manual in order to bring it into line with the Laws on the Central Bank of Kosovo and on Banks, Microfinance Institutions and Non-bank Financial Institutions; with current CBK rules and regulations; with EU practice; and incorporating permissive system best practice. USAID|BEEP assisted the CBK to undertake a nearly complete restructuring and redrafting of the Licensing Manual, including through the addition of a number of important sections aimed to accomplish the above-mentioned goals. In March 2013, USAID|BEEP supported the CBK to complete this revision

³⁴ The goal of Project Result 4 is aimed to increase the number of types of users of the credit information system to five is to increase the number of businesses and citizens that access their own credit reports.

³⁵ Project Result 5 is to increase the number of businesses and citizens that access their own credit reports.

³⁶ Law No. 04/L-093 on Banks, Microfinance Institutions and Non-bank Financial Institutions.

³⁷ Now known as Rule 7 on Credit Risk Management.

and submitted the new draft to the CBK Executive Board for approval. The CBK is expected to approve the manual after the Project's lifetime.

Bills of Exchange and Negotiable Instruments. The Project supported the CBK to prepare comments and explanatory notes on the draft Laws on Negotiable Instruments and Bills of Exchange. These draft laws are aimed to facilitate commercial transactions through the use of instruments like checks, bills of exchange and promissory notes. After discussions with the CBK, they committed to establishing a working group to review and prepare the preliminary draft laws. These draft laws will be adopted after USAID|BEEP's project lifetime.