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FINAL REPORT

MUNICIPAL COMPETITIVENESS INDEX

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MUNICIPAL COMPETITIVENESS INDEX

Final report

November 2020

Municipal Competitiveness Index

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1. Overview of the Municipal Competitiveness Index (MCI) project

The Municipal Competitiveness Index measures the performance of municipalities in Kosovo in relation to businesses operating in their municipalities. Riinvest Institute, as an implementing partner of USAID, has produced three MCI annual reports for 2018, 2019, and 2020. The overall MCI results show a similar trend to the findings across years, with some improvements, especially in terms of transparency and labor and business support services. The MCI construction is based on the Asia Foundation's Local Economic Governance Index methodology. Competitiveness indices and sub-indices are created on the basis of economic transition literature and close consultation with key actors for domestic market development. Following the principles of the MCI research framework, implementation has pursued a rigorous workflow at all stages including survey design, piloting, sample design, data collection, and data analysis and reporting. Municipalities play a significant role in the development of the private sector and consequently, they accelerate the economic growth of a country. A survey on the competitiveness of municipalities was implemented by conducting more than 3,100 surveys per round in all 38 municipalities of Kosovo. The MCI is designed to assess the ease of doing business and the role of economic governance in ensuring a favorable business environment at the municipal level. As a quantified measurement, the MCI also provides a benchmark for municipalities to track their progress in ensuring a good business environment and a platform for exchanging successful practices with each other. The MCI is a construct of 8 standardized sub-indices measuring key dimensions of the impact of local governance on the business environment:

- 1. Barriers to Entry** - the costs related to entering the market and the fairness of the competition in the local market.
- 2. Transparency** - the overall business access to information and different public documents at the local level.
- 3. Participation and Predictability** - the extent to which municipalities involve businesses in decision making and the confidence of businesses in predicting the policy environment.
- 4. Time Costs** - the time firms spend complying with regulations and time spent on business inspections by municipal agencies.
- 5. Taxes** - how businesses perceive the overall burden of levied taxes and charged fees.
- 6. Municipal Administration** - municipal official capabilities and attitudes towards business and fairness in tendering.

7. Labor Market and Business Support - the satisfaction of businesses with the level of education and professional skills offered in the market.

8. Infrastructure - the quality of roads and road maintenance, water, and sanitation services.

Each of the sub-indices has a maximum of 10 points, and the MCI is a simple average of the 8 sub-indices. Riinvest has also used a weighting methodology by employing factor analysis. The index is weighted based on the policy relevance of the areas that the sub-indices cover.

Data suggest that the overall national MCI score has increased. A slight drop of the score was the time costs sub-index, even though it remains the best-ranked indicator. Significant improvements were noted in the transparency sub-index and labor and business support services sub-index. The sub-index with the highest score remains the time cost, suggesting that time spent by business owners in dealing with administrative procedures is not a significant barrier. The municipal administration sub-index - which looks at the municipal officials' capabilities and attitudes toward businesses and fairness in public tendering - has performed the worst, with a slight improvement in the last year. The biggest changes in scores can be noticed when looking at a disaggregated level of data for each municipality. Here significant changes in rankings can be noticed for all municipalities. This can serve as a good source of information to better inform policy-making processes at the local level. The following tables summarize the best performers and the national aggregate sub-indices.

Table 1: Ranking of ten best performing municipalities (2018)

No.	Municipality	MCI
1	Lipjan/Lipljan	7.0
2	Rahovec/Orahovac	6.8
3	Viti/Vitina	6.6
4	Junik	6.6
5	Hani i Elezit/Elez Han	6.5
6	Gjakovë/Đakovica	6.5
7	Podujevë/Podujevo	6.3
8	Obiliq/Obilić	6.3
9	Prishtinë/Priština	6.3
10	Suharekë/Suva Reka	6.3

Source: Survey 2018, authors' calculations.

Table 2: Ranking of ten best performing municipalities (2019)

No.	Municipality	MCI
1	Lipjan/Lipljan	6.87
2	Rahovec/Orahovac	6.63
3	Viti/Vitina	6.58
4	Junik	6.44
5	Gjakovë/Đakovica	6.27
6	Hani i Elezit/Elez Han	6.20
7	Parteš/Partesh	6.17
8	Suharekë/Suva Reka	6.14
9	Obiliq/Obilić	6.13
10	Podujevë/Podujevo	6.13

Source: Survey 2019, authors' calculations.

Table 3: Ranking of ten best performing municipalities (2020)

No.	Municipality	MCI
1	Lipjan/Lipljan	7.6
2	Gjakovë/Đakovica	7.5
3	Viti/Vitina	7.4
4	Rahovec/Orahovac	7.3
5	Junik	6.8
6	Hani i Elezit/Elez Han	6.7
7	Parteš/Partesh	6.7
8	Obiliq/Obilić	6.6
9	Vushtrri/Vučitrn	6.5
10	Mitrovicë/Mitrovica	6.5

Source: Survey 2020, authors' calculations.

The overall MCI results (table 4) show a similar trend to the findings across years with some improvements, especially in terms of transparency and labor and business support services.

Table 4. MCI- sub-indices, national aggregates

MCI sub-index	National score		
	2018	2019	2020
1 Barriers to entry	7.9	7.3	7.2
2 Predictability and Participation	5.3	5.3	5.7
3 Transparency	4.1	4.3	4.9
4 Time Costs	9.2	9.1	8.1
5 Taxes and Fees	6.2	6.2	5.9
6 Municipal Administration	4.6	3.5	3.9
7 Labor and Business Support Services	4.7	4.7	6.1
8 Municipal Infrastructure	6.5	6.5	6.3

Source: Surveys 2018-2019-2020, authors' calculations.

2. The launch event of the MCI project

On December 8, 2017, Riinvest and USAID launched the Municipal Competitiveness Index (MCI) project. The following photos are from the launch event. Also, the press conference of the launch event is available on the Riinvest YouTube at the following link:

https://www.youtube.com/watch?v=qUizwOFeFvI&feature=emb_logo



3. National events (2018; 2019; 2020)

**(links to all documents are provided in Appendix 1)*

3.1. The MCI 2018

The MCI national event was held in Pristina on May 8, 2018. The event marked the publication of the MCI 2018 study and brought together representatives from 38 municipalities, as well as other important stakeholders from USAID, civil society, and the private sector. During the meeting, the research team presented the main findings of the research, MCI ranking of municipalities, and each sub-index results, as well as policy recommendations. Also, the 10 best performing municipalities were presented with certificates by the MCI team. Also, the MCI report in all three languages was disseminated to municipalities. They can be downloaded from the link provided in the annex. The following photos are from the national event of the 2018 MCI report launch.



3.2. MCI 2019

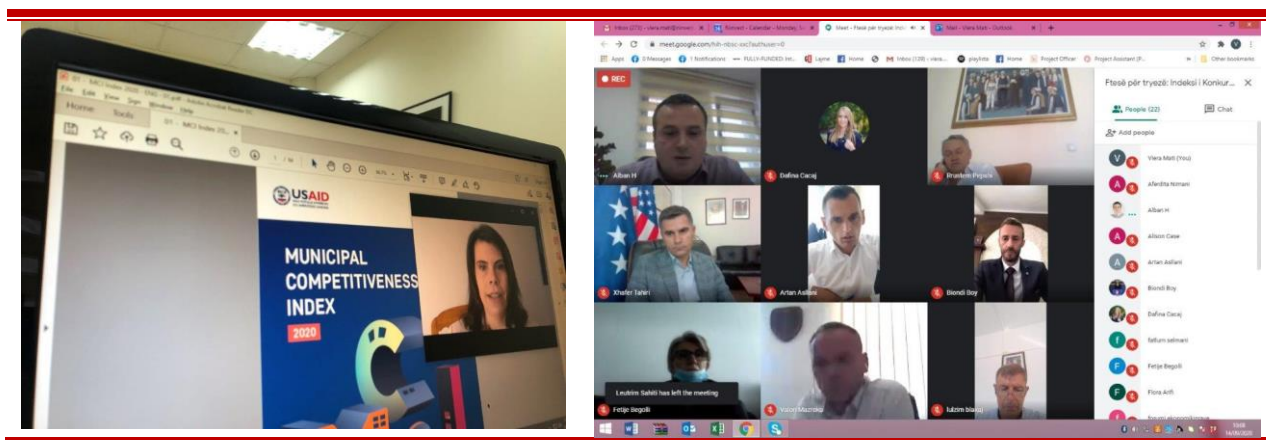
The launch of the 2019 MCI report took place on May 11, 2019. Present in the event were representatives from 38 municipalities such as: mayors of municipalities and directors of Economic Development Directorates of municipalities, as well as other important stakeholders from USAID, the Government of Kosovo, businesses, CSOs and Riinvest. During the meeting, the research team presented the main findings of the research, MCI ranking of municipalities, and each sub-index results, as well as policy recommendations. Also, the 10 best performing municipalities were presented with certificates by the MCI team. The MCI report in all three languages was disseminated to municipalities. They

can be downloaded from the link provided in the annex. The following photos are from the national event of the 2019 MCI report launch.



3.3. MCI 2020

The launch event of the 2020 MCI report was organized online due to restrictions imposed by the COVID-19 pandemic. The MCI event took place on September 14, 2020. Present in the event were a number of relevant project stakeholders such as mayors of municipalities, directors of Economic Development Directorates of municipalities, and representatives from USAID, businesses, CSOs and Riinvest. The research team presented the main findings of the research, MCI ranking of municipalities, and each sub-index results, as well as policy recommendations. It is worth noting that the event was organized using the Google Meet platform. Additional efforts were made to accommodate all languages for participants. The event was simultaneously translated into Albanian, English, and Serbian. Also, the MCI report in all three languages and the certificates for 10 best performing municipalities were disseminated to municipalities. They can be downloaded from the link provided in the annex. The following photos are from the national event of the 2020 MCI report launch.



4. Summaries of feedback from follow-up meetings with municipalities

Following each round of MCI, Riinvest Institute as the implementing partner organized meetings with municipalities to discuss the results and ways in which the information provided by MCI can inform local level policy-making. The purpose of these meetings was the discussion of individual results per municipality, detailed elaboration on specific policy implications, and feedback on the study and findings from the representatives of municipalities. The details from these meetings from each round can be found in annual reports. In 2018, the team spent one month from mid-September until mid-October organizing meetings with municipalities and private sector representatives. In 2019, the team spent one and a half months during May-June visiting municipalities around the country and discussed the results derived from the MCI report. Some of the meetings were held individually between the MCI team and single municipality representatives, whereas in the rest of the meetings the team also met representatives from multiple municipalities. Different from other years, in 2020 most of the meetings with the municipal officials were conducted online due to restrictions as a result of the COVID-19 pandemic.

While there is some slight heterogeneity among municipalities, the overall feedback suggests that all municipalities (as it is also shown in the MCI reports) suffer from similar problems, ranging from inefficient local administration to provision of basic local infrastructure such as water supply, functioning sewage systems and a proper waste management system. Table 5 presents a list of the most common issues that were raised by representatives of municipalities and/or those of the private sector representatives.

In 2018, to establish strong cooperation and exchange of best practices between municipalities and the Municipal Competitiveness Index project, the implementation team of MCI signed two Memorandums of Understanding with two of the ten best performing municipalities for 2018. These MoUs were signed with the Municipality of Gjakova/Đakovica and the Municipality of Lipjan/Lipljan.

Table 5. Most common issues raised by municipalities and/or those of the private sector representatives (ordered based on frequency)

No.	Issues raised by municipalities	Frequency **
1	Limited budget	High
2	Project implementation capacities	High
3	Infrastructural problems (sewages system with water supply)	High
4	Lack of interest by private sector and citizens	Medium-High
5	Lack of communication between central and local level	Medium-High
6	Insufficient capacities of inspectorate	Medium-High
7	Cooperation with regional offices of the employment agency	Medium
8	Insufficient outreach by municipality	Medium
9	Lack of mechanisms of municipalities to incentivize private sector investments	Medium-Low
10	Problems related to grants and subsidy schemes	Low-Medium
11	Strategies largely corresponding to election cycles	Low
12*	Problems that were raised after the start of the pandemic COVID-19	High

Source: Municipal meetings, authors' summary based on annual reports.

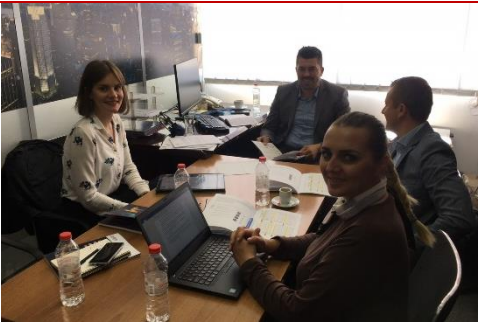
*Relevant only in MCI 2020 round.¹

** Frequency by which the issue was raised



¹ The municipality representatives noted that they expect substantial socio-economic impacts caused by the COVID-19 pandemic. Given their limited budgetary resources, they indicated that there will be little room to offer their support to the private sector. Most of the municipal representatives noted that they expect that the central government to take the leading role in designing and implementing interventions to ameliorate the consequences of the pandemic. On the other hand, businesses suggested that the fees for the use of public space ought to be lowered or removed for a period following the pandemic. To this end, most of municipalities have responded (or are planning to respond) by lowering and/or removing certain fees, primarily for the Hotel/Restaurant/Café (HoReCa) sector. While businesses maintain that the communication with municipal administration has improved, they consider that there is still room for further improvements. In particular, since businesses and individuals will face limitations to access the municipality premises due to restrictions following the pandemic, they consider that the communication should considerably improve.

The following photos are from the municipal meetings in different municipalities.



5. Sustainability

This MCI project has taken an integrated approach, working with different stakeholders and sectors to ensure a sustainable path for the current and future development of local economic competitiveness. As an innovative project, the MCI Kosovo's goal is to first and foremost provide insights into the challenges that businesses face while dealing with different business aspects in their municipalities.

In order for businesses and municipalities to maintain and foster communication and interaction among themselves, we aim to incorporate some of the key points which are relevant to the sustainability of MCI's mission and goals.

MCI project team has established contacts with several institutions to seek their commitment for the continuation of the project's deliverables and findings. The primary goal was to keep the MCI active to improve the current business environment at a local level and design future public policies based on evidence.

After careful consideration, the MCI project approached the Kosovo Agency of Statistics (KAS) as the most appropriate institution for cooperation. KAS is a professional institution that collects, processes, and publishes official statistical data. KAS is an agency that operates as part of the Prime Minister's Office. After some extensive discussions with KAS, Riinvest has drafted a Memorandum of Cooperation (MoC) with them. The text of the MoC is attached as a separate document to this report. USAID's Contracting Officer has provided written permission to release data produced on the contract to KAS and allow the data to be published on the KAS website.

Also, the MCI project has visualized the data and shared the link with municipalities, Civil Society organizations, and the Ministry of Local Governance for greater outreach. The data are visualized using Tableau Software which allows for interactive data visualization. The link will be active even after the end of the contract. The visualized data can be reached in the following link:

<https://kosovodata.com/municipal-competitiveness-index-mci/>

6. Appendix

No.	REPORT TITLE	YEAR	Language	Comments
WORK PLANS				
1.	Year 1 work plan	2018	English	Submitted to USAID
2.	Year 2 work plan	2019	English	Submitted to USAID
3.	Year 3 work plan	2020	English	Submitted to USAID
DATA QUALITY REPORTS				
4.	Year 1 data quality report	2018	English	Submitted to USAID
5.	Year 2 data quality report	2019	English	Submitted to USAID
6.	Year 3 data quality report	2020	English	Submitted to USAID
ANNUAL REPORTS				
7.	Year 1 annual report on municipal meetings	2018	English	Submitted to USAID
8.	Year 2 annual report on municipal meetings	2019	English	Submitted to USAID
9.	Year 3 annual report on municipal meetings	2020	English	Submitted to USAID
MCI REPORTS				
10.	MCI report 2018	2018	English; Albanian; Serbian	Submitted to USAID Download link: https://pdf.usaid.gov/pdf_docs/PA00X4HN.pdf https://www.riinvestinstitute.org/uploads/files/2020/September/14/10_-_MCI_Index_2020_-_ENG_-_02_11600096523.pdf
11.	MCI report 2019	2019	English; Albanian; Serbian	Submitted to USAID Download link: https://pdf.usaid.gov/pdf_docs/PA00X4HN.pdf https://www.riinvestinstitute.org/uploads/files/2019/May/07/MCI_Index_2019_eng1557239257.pdf

No.	REPORT TITLE	YEAR	Language	Comments
12.	MCI report 2020	2020	English; Albanian; Serbian	Submitted to USAID Download link: https://pdf.usaid.gov/pdf_docs/PA00X4HP.pdf https://www.riinvestinstitute.org/uploads/files/2018/May/11/MCI_Index_-_ENG1526043806.pdf
FINAL REPORT				
13.	Final report	2020	English	Submitted to USAID