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PARTNERSHIPS FOR DEVELOPMENT

FINAL REPORT



Kosovo's Ranking in the World Bank Doing Business Report

November 29, 2018

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PARTNERSHIPS FOR DEVELOPMENT

FINAL REPORT

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CONTENTS

EXECUTIVE SUMMARY	1
KEY HIGHLIGHTS	5
PROJECT INTRODUCTION	8
Component 1: Business Environment Improvement	9
Component 2: Improved Implementation Of Construction Reforms	9
Component 3: Enhanced Macro-Economic Stability And Public Financial Management (Pfm) At The Central And Local Levels	10
PARTNERSHIPS FOR DEVELOPMENT RESULTS FRAMEWORK	11
PROJECT ACTIVITY SUMMARY	13
Component 1: Business Environment Improvement	15
CI-1: Improved Economic Policy Coordination And World Bank Doing Business Improvement	16
CI-2: Improved Legal Transparency, Policy Development, And Legislative Drafting At The Central And Local Level.....	23
CI-3: Streamlining Legal And Regulatory Requirements And Operations In Key Priority Areas	29
Component 2: Improved Implementation Of Construction Reforms	36
C2-1: Support Implementation Of Streamlined Construction Permitting Process And Facilitate Adoption And Implementation Of En Eurocode Construction Standards	37
C2-2: Support Implementation Of Law On Spatial Planning	45
C2-3: Support Implementation Of Gok Program For Treatment Of Constructions Without Permit	50
Component 3: Enhanced Macroeconomic Stability And Public Financial Management (PFM) At The Central And Local Level	55
C3-1: Improve Government Of Kosovo Capacity To Manage Macro- Fiscal Stability	56
C3-2: Enhance National And Municipal Public Financial Management	61
C3-3: Support For Improved Tax Compliance And Administration.....	68
C3-4: Support For The Brezovica Resort Development Project Inter-Ministerial Steering Committee (Brdp Isc).....	755
Crosscutting Support To Implementation Of The Usaid Government-To-Government Program	77
Coordination With Donors.....	78
Challenges Encountered And Lessons Learned.....	80
Recommendations for Follow-On Activities	81
ANNEX 1: PERFORMANCE-BASED MANAGEMENT SYSTEM RESULTS	83
ANNEX 2: FINANCIAL REPORTS	99
ANNEX 3: COOPERATION WITH NON-GOVERNMENTAL INSTITUTIONS	103
ANNEX 4: INDEX OF REPORTS AND INFORMATION PRODUCTS	106

ACRONYMS

AI	Administrative Instruction
AIS	Agency for Information Society
ASYCUDA	UN Automated System for Customs Data
BEEP	USAID Business Enabling Environment Program
BIA	Budget Impact Assessment
BRDP	Brezovica Resort Development Project
CDCS	USAID Kosovo Country Development Cooperation Strategy 2014-2018
CFO	chief financial officer
CLE	USAID Contract Law Enforcement Program
CoA	Chart of Accounts
COFOG	United Nation Classification of the Functions of Government
DEMI	USAID Decentralized Effective Municipalities Initiative
DEMOS	Decentralization and Municipal Support
DO	Development Objective
DRP	Detailed Regulatory Plans
DSPCH	Department of Spatial Planning, Construction, and Housing
EC	European Commission
ERP	Economic Reform Program
ESTAK	USAID Efficient and Sustainable Tax Administration of Kosovo
EU	European Union
GDP	Gross Domestic Product
GCS-OPM	Government Coordination Secretariat in the Office of the Prime Minister
GFS	Government Finance Statistics (as per the IMF Manual)
GFSI	USAID Growth and Fiscal Stability Initiative
GIZ	German Federal Enterprise for International Cooperation
GNI	Gross National Income
GoK	Government of Kosovo
G2G	USAID Partnerships for Development Local Capacities Activity
GRB	Gender Responsible Budgeting
ICGFM	International Consortium on Governmental Financial Management
ICMM	Independent Commission on Mines and Minerals
IFC	International Finance Corporation
IMF	International Monetary Fund
IRuSP	Implementation and Enforcement of Rural Spatial Planning
ISC	Inter-Ministerial Steering Committee
ISP	Institute of Spatial Planning
IR	Intermediate Result
JRC	Joint Research Centre
JSC	joint-stock company
KBRA	MTI Kosovo Business Registration Agency
KCA	Kosovo Cadastral Agency
KEDS	Kosovo Electrical Distribution Company
KIESA	Kosovo Investment Enterprise Support Agency
KSA	Kosovo Standardization Agency
KWN	Kosovo Women's Network
LLC	limited liability company
LOPM	Legal Office of the Prime Minister
LPFMA	Law on Public Financial Management and Accountability

MAFRD	Ministry of Agriculture, Forestry and Rural Development
MBRC	Municipal Business Registration Center
MED	Ministry of Economic Development
MESP	Ministry of Environment and Spatial Planning
MEI	Ministry of European Integration
MDP	Municipal Development Plan
MLGA	Ministry of Local Government Administration
MOC	Monitoring and Oversight Committee
MPA	Ministry of Public Administration
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
MTI	Ministry of Trade and Industry
MZM	Municipal Zoning Map
NA	National Annexes
NCED	National Council for Economic Development
NDP	National Determined Parameters
NDS	National Development Strategy
OGDB	Official Gazette Database
OPM	Office of the Prime Minister
OPOG	Office of Publication of the Official Gazette
OSCE	Organization for Security and Co-operation in Europe
OSS	One Stop Shop
PBMS	Performance Based Management System
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PTS	Permit Tracking System
PTD	Ministry of Finance Property Tax Department
RFP	Requests for Proposals
SAA	Stabilization and Association Agreement
SBA	Stand-By Arrangement
SIDA	Swedish International Development Cooperation Agency
SPAK	Spatial Planning Application for Kosovo
SPK	Spatial Plan of Kosovo
SQL	Structured Query Language
TAK	Tax Administration of Kosovo
UBT	University of Business and Technology
UN	United Nations
USAID	United States Agency for International Development
USAID PRP	Property Rights Program
USAID JSSP	Justice System Strengthening Program
USG	United States Government
VAT	Value Added Tax
ZMK	Zoning Map of Kosovo
WBDB	World Bank Doing Business

EXECUTIVE SUMMARY



USAID Partnerships for Development (“the project”) supported Kosovo government institutions at the central and local level to create a business-friendly and competitive environment that will attract foreign investments, while maintaining macroeconomic stability. The project had the following objectives: (1) to improve the business environment, (2) to improve implementation of construction reforms, and (3) to enhance the country’s macroeconomic stability and public financial management (PFM) at the central and local level.

This report covers the project’s entire period of performance from January 2014 through August 2018. During this period, the project successfully implemented its scope of work and achieved contract objectives by completing significant reform-driven initiatives in all three of its components. These initiatives and reforms, further elaborated below, have contributed to achieving outstanding results, outlined and measured by the project’s performance-based management system (PBMS).

Despite significant changes in government during its period of performance due to elections, which resulted in Partnerships for Development working with three government cabinets, the project, with USAID’s active support, adapted quickly to changing political circumstances and the priorities of new incoming government cabinets using an adaptive management approach, allowing it to achieve significant results in all three components.



In Component I, the project successfully supported the implementation of policy, legal, and operational reforms, which resulted in Kosovo improving its ranking in the World Bank Doing Business Report (WBDB Report) by 41 places, from 81st in 2014 to 40th in 2018, achieving Top Reformer status in the WBDB Report 2018, and becoming the leading reformer in Europe. With project support, the Kosovo government reactivated the National Council for Economic Development (NCED), an important body for high-level public-private dialogue, which played a crucial role in coordinating government policy agenda and reforms. These significant achievements were a result of the project's support to the Kosovo government to improve policy coordination, including the WBDB reform efforts, and to the WBDB working groups responsible for identifying and implementing reform activities.

Building on previous USAID support, the project worked to further institutionalize Kosovo's Official Gazette Database (OGDB), first working to ensure that secondary legislation adopted by Kosovo government ministries and municipalities were uploaded to the OGDB and later supporting an upgrade of the OGDB to make it faster, more reliable, and more user-friendly, as well as through the development of mobile applications allowing it to be used on mobile devices. As a result of this support, during the project's period of performance, usage of the OGDB website grew fivefold, from 91,604 visits in 2014 to 451,021 visits in 2017.

Moreover, the project supported the development and institutionalization of advanced impact assessment methodologies, such as budget impact assessment (BIA), aimed at ensuring that the budgetary costs of policies and legislation proposed for the government's approval are more adequately identified and to better link policies and legislation with Kosovo government spending priorities. More broadly, the project actively cooperated with the Government Coordination Secretariat in the Office of the Prime Minister (OPM) and main counterpart ministries to further advance the overall framework for policy development and legislative drafting. In this area, the project additionally contributed to the development and pilot implementation of ex-post evaluation of legislation as an important tool for measuring the level of implementation and impact of legislation post-adoption. Working closely with the Ministry of Local Government Administration (MLGA), the project also supported governments at the local (municipal) level to increase their capacity for impact analysis, policy development, and legislative drafting.

In response to priorities set in partnership with the Kosovo government, the project worked extensively to streamline legal and regulatory requirements and operations in several priority areas, most of which directly linked to the implementation of the Stabilization and Association Agreement (SAA) between Kosovo and the European Union (EU) or broader national priorities set in strategic documents adopted by the Kosovo government. In this regard, the project supported improved organization and operations at the Kosovo Business Registration Agency (KBRA) and Municipal Business Registration Centers (MBRCs) by providing customer service training, supporting the institutionalization of a Unified Business Identification Number, and implementing a basic framework for performance measurement in the delivery of business registration services, which shows a gradual but consistent reduction in the time required to register a business throughout Kosovo. Furthermore, the project supported the reduction of business registration fees and removal or consolidation of regulatory enforcement measures applied by KBRA and the Tax Administration of Kosovo (TAK), thereby removing disincentives for business formalization.

To maintain progress made in previous years in business registration, ensure closer approximation of Kosovo's Law on Business Organizations with EU legislation, and increase protection for minority shareholders in corporations, the project supported the drafting of new Law on Business Organizations, which was adopted and entered into force in May 2018.

Finally, the project supported the Ministry of Environment and Spatial Planning (MESP) to lay the foundations for licensing architects and engineers in construction by supporting the registration of these professionals in Kosovo and developing a policy approach and first draft of a Law on Chambers of Architects and Engineers in the Area of Construction, and supported the Ministry of Trade and Industry (MTI) to analyze and propose policy and legislative solutions in tourism and market surveillance.

In Component 2, the project supported MESP and municipalities to further improve the legal framework in construction permitting, with a total of six new sub-legal acts approved, which further streamlines construction permitting procedures, requires the application of cost-recovery principles in determining fees, and enhances transparency toward citizens. Before drafting these sub-legal acts, the project supported MESP to analyze the implementation of the Law on Construction and its associated sub-legal acts and, based on the findings from this analysis, the new sub-legal acts were drafted with the involvement of all relevant stakeholders.

The project also supported five pilot municipalities to design, use, and publish a Permit Tracking System (PTS), which serves as a mechanism for improved internal management of the construction permitting process and municipal transparency toward citizens. The PTS allows citizens to easily monitor the status of their construction permit applications, increases accountability on the part of MESP and municipal officials, and ensures compliance by the administration with legal requirements. An upgraded version of the PTS is being integrated into the Municipal Performance Monitoring System, which is expected to be rolled out to all Kosovo municipalities in the future.

An important achievement for construction permitting reform was the creation of a One-Stop Shop (OSS) service for construction permit applications in Prishtinë/Priština municipality, where persons who want to build in that municipality can go to a single window to obtain their construction permit and utility approvals. Establishing this service has further streamlined the construction permitting process in Prishtinë/Priština municipality and made associated approval processes easier for applicants.

Based on project recommendations, the Kosovo Standardization Agency (KSA) adopted all 10 EN Eurocodes construction standards, in 58 Eurocode parts, covering specific areas of construction. Adoption of the full set of EN Eurocode construction standards is an important step toward safer constructions, as those standards are now available for purchase and use in Kosovo. The project also supported MESP and KSA with the development of a detailed roadmap for the adoption and implementation of these standards, which outlines the steps needed for ensuring their full adoption and implementation.

To support the implementation of the Law on Spatial Planning and create the preconditions for the implementation of a new and more flexible concept of zoning, the project helped MESP draft eight sub-legal acts that regulate the process and requirements for design, implementation, and monitoring of Municipal Development Plans (MDP), Municipal Zoning Maps (MZM), the Zoning Map of Kosovo (ZMK), the Spatial Plan of Kosovo (SPK), Detailed Regulatory Plans (DRPs), and Spatial Plans for Special Zones.

The project supported the production and distribution to all municipalities of a *Guidebook for Participatory Spatial Planning*, which explains specific participatory techniques and outlines the process of organizing spatial planning activities and public consultation to ensure an inclusive process for drafting spatial planning documents. Furthermore, the project helped MESP prepare the Guidelines for Drafting and Approval of MZMs, so that both the public and private sectors are equipped with a lasting product to guide the development of zoning maps in the future.

The project supported MESP to organize resources needed to implement the Law for Treatment of Constructions Without Permit and prepare guidelines that provide a valuable technical and regulatory reference for municipalities, citizens, design professionals, and others involved in the process of treatment of constructions without permit. The project also supported the finalization of the registry of constructions without permit, a database that allowed municipalities and MESP to register all unpermitted constructions. By the end of the registration phase conducted under the Law on Treatment of Constructions Without Permit, the total number of unpermitted constructions registered reached 352,824, marking the successful completion of the first phase of the program.

As a result of the large number of unpermitted constructions identified during the registration process, MESP decided to draft, with the project's support, a new Law on Treatment of Constructions Without Permit that further simplifies the procedures for application and reduces associated costs. The Assembly

approved this new law in July 2018. In anticipation of this approval, the project supported MESP to prepare draft versions of all sub-legal acts required for the new law's implementation. Through a grant activity, the project conducted a functional analysis of central and local-level capacities and resources to implement the new law, including recommendations on how to address potential gaps. This analysis and the respective recommendations will serve as a point of reference to municipalities and relevant ministries when reviewing and consolidating their capacities for implementing the new law and the associated secondary legislation.

In Component 3, the project worked to enhance Kosovo government macro-fiscal stability management capacities and improve fiscal safeguards. It supported the Ministry of Finance to negotiate a 22-month International Monetary Fund (IMF) fiscal consolidation program with a high degree of Kosovo government ownership, and to align annual budgets to meet all of the program's fiscal targets. As a result, the Kosovo government received €172 million of concessional borrowing that substantially boosted budget reserves.

With project support, the Kosovo government enhanced the institutionalization of the legal limit on the budget deficit, adopted and implemented a new legal rule limiting public wage bill growth, and improved the credibility of economic and fiscal projections. The government also adopted innovative fiscal risk monitoring practices and improved debt sustainability analysis capacities. Support was provided to improve the Ministry of Finance's Macroeconomics Unit's input on the annual budget, the Medium-Term Expenditure Framework (MTEF), and the Economic Reform Program (ERP). From 2014 to 2017, with project support, the Kosovo government more than doubled its fiscal reserves, reduced the budget deficit by 45 percent, and improved the accuracy of tax revenue projections.

Through project support, the Kosovo government introduced significant process improvements in public financial management, resulting in improved linkages between policy prioritization and the medium-term budgeting process through a sectoral approach to medium-term budgeting, the institutionalization of the UN Classification of the Functions of Government (COFOG) as a budget classification, improvement of BIA practices, and introduction of Gender-Responsible Budgeting (GRB) principles at MTI and MESP.

The project also supported the Ministry of Finance to improve financial reporting and fiscal transparency by introducing the publication of Government Finance Statistics (GFS) in line with international standards, publishing user-friendly monthly fiscal reports and providing public access to more than 12 years of monthly fiscal data, and improving the application of the Chart of Accounts to enhance data reliability and address external audit recommendations.

Building on previous USAID support, the project supported TAK to enable 100 percent electronic tax filing. The project supported TAK to digitalize six taxpayer services, significantly reducing the burden of compliance and enhancing administrative efficiency. TAK significantly streamlined the tax refund process, eliminating unnecessary process requirements, integrating requests within online tax filing, reducing legal deadlines for processing requests, and adopting a new e-platform that allows more efficient internal processing and enables taxpayers to track the status of their refund requests.

These project-supported reforms and targeted support to Kosovo Customs resulted in an improvement of Kosovo's ranking in the WBDB *Paying Taxes* and *Trading Across Borders* indicators. In addition, from 2014 to 2017, the number of tax declarations filed voluntarily through the online platform increased by 30 percent, while tax revenues increased by 29 percent.

In its first three years, the project also provided technical support to the Brezovica Resort Development Project (BRDP) Inter-Ministerial Steering Committee (ISC) in all phases of the project, as requested by the ISC.

KEY HIGHLIGHTS

Below are listed the key accomplishments under Partnerships for Development, which were achieved in collaboration with project counterparts and with significant contribution from the project:

- ❖ Kosovo improved its ranking in the WBDB Report from 81st (2014) to 40th (2018). In that final WBDB Report published during the project's life, Kosovo was ranked as the fourth Top Reformer worldwide and became the leading reformer in Europe as measured by rank increase. Kosovo was ranked tenth worldwide in *Starting a Business*, with progress in other areas covered by the project, including *Paying Taxes* and *Dealing with Construction Permits*.
- ❖ The Kosovo government successfully reactivated NCED with a broadened membership, including additional private sector representatives.
- ❖ The OGDB was further institutionalized as a hub of legal information in the country, and now contains the majority of secondary legislation adopted by the Kosovo government, line ministries, and municipalities.
- ❖ OPM upgraded the OGDB and developed mobile applications now available on Android and iOS mobile devices. This helped further increase use of the OGDB, which grew fivefold over the course of the project, from 91,604 visits in 2014 to 451,021 visits in 2017.
- ❖ OPM and the Ministry of Finance developed and adopted a more advanced methodology for conducting BIA of new proposed government policies and legislation, and ministry budget and finance staff received training on the new methodology.
- ❖ MTI developed and piloted ex-post evaluation of legislation as a tool for the Kosovo government to evaluate the level of implementation and impact in practice of adopted legislation.
- ❖ Kosovo improved its ranking in the World Bank Global Indicators of Regulatory Governance, receiving a score of 4.6 in 2016 compared to 2.6 in 2015 (the maximum score being 6), which resulted in Kosovo jumping 30 places on that ranking, from 73rd to 43rd.
- ❖ KBRA and MBRCs further strengthened their organization and operations through training and streamlining of business registration requirements.
- ❖ KBRA and TAK eliminated or significantly reduced several fees related to business registration services and regulatory enforcement measures applied during the business startup phase, thereby removing barriers for business formalization.
- ❖ MTI developed a new Law on Business Organizations that further streamlined business registration procedures, approximated Kosovo's legislation with EU business registration and corporate governance legislation, and increased protections for minority shareholders in corporations.
- ❖ MESP took the first steps towards establishing licensing for architects and engineers in construction, and prepared a policy approach and first draft of a Law on Chambers of Architects and Engineers in the Area of Construction.
- ❖ MESP further improved the legal framework in construction permitting with the adoption of six new sub-legal acts, which streamlined permit fees for construction and demolition, administrative fees and infrastructure regulatory charges, inspection supervision, procedures for issuing occupancy certificates, and other measures.

- ❖ At the municipal level, transparency toward citizens and the internal management of the construction-permitting process was improved with the development and launch of the PTS in five pilot municipalities. The Kosovo government also designed a more advanced version of the PTS, which is expected to be rolled out to all municipalities in the coming period.
- ❖ Prishtinë/Priština municipality improved the construction-permitting process with the creation of a OSS service that serves as a single window for construction permit applications and utility approvals.
- ❖ KSA adopted all 10 EN Eurocode Construction Standards, in 58 Eurocode parts, covering specific areas of construction.
- ❖ A roadmap for the adoption and implementation of the EN Eurocode Construction Standards was developed, outlining the steps needed for full adoption and implementation.
- ❖ MESP significantly improved the legal framework governing spatial planning, drafting and adopting eight sub-legal acts that regulate the process and requirements for the development, implementation, and monitoring of MDP, MZM, ZMK, SPK, DRP, and Spatial Plans for Special Zones.
- ❖ A guidebook explaining specific participatory techniques and outlining the process of organizing inclusive spatial planning activities with citizens for drafting spatial planning documents was produced and shared with all municipalities.
- ❖ MESP drafted and finalized the Guidelines for Drafting and Approval of MZMs, providing both the public and private sector with a lasting product to guide zoning map development into the future.
- ❖ The registry of constructions without permit, which allowed municipalities to register all unpermitted construction during the registration phase, was finalized. Municipalities and MESP registered a total of 352,824 unpermitted constructions in the registry, marking the successful completion of the first phase of the program for treatment of constructions without permit.
- ❖ In response to the large number of unpermitted constructions identified during the registration phase, MESP drafted and the Assembly of Kosovo approved a new Law on Treatment of Constructions without Permit.
- ❖ Five new Administrative Instructions (AI) derived from the new Law on Treatment of Constructions without Permit were drafted and submitted to MESP for final review and approval after the entry into force of the new law.
- ❖ The project conducted a functional analysis of central- and local-level capacities and resources to implement the legalization program, per the requirements of the new legal framework, and provided recommendations for municipalities and other involved bodies on addressing potential gaps.
- ❖ The Kosovo government improved its fiscal safeguards by receiving €172 million in concessional financing, following the achievement of all fiscal targets under a 22-month IMF program.
- ❖ The Ministry of Finance designed and institutionalized fiscal rules that limit the budget deficit and public wage bill changes in line with Kosovo's economic capacities.
- ❖ Through MTEF, the Ministry of Finance improved its fiscal risk-monitoring capacities through better analysis of contingent off-budget liabilities and construction of alternative scenarios in the ERP.
- ❖ The link between policy priorities and medium-term budgeting improved, with integration of the policy prioritization process in the MTEF through the development and prioritization of standardized budget sectors based on the National Development Strategy (NDS).
- ❖ MTI and MESP introduced GRB into their budget planning.

- ❖ The Ministry of Finance compiled and published, for the first time, annual and quarterly GFS in line with latest IMF standards and institutionalized the UN COFOG as a standard budgeting classification.
- ❖ The Ministry of Finance published 12 years of monthly fiscal data online and started monthly reporting on government financial operations in a user-friendly electronic format.
- ❖ Most external audit recommendations on erroneous budgeting classification of financial transactions were addressed by the Ministry of Finance, and a new *Guidebook for Economic Classification* was developed to prevent their recurrence.
- ❖ TAK enabled 100 percent e-filing, digitalized remaining tax declarations and other taxpayer services, and streamlined internal procedures;
- ❖ TAK streamlined the tax refund procedures, leading to a more than 30 percent reduction in refund timing and increase of more than 35 percent in refunded amounts.

PROJECT INTRODUCTION



On January 31, 2014, the United States Agency for International Development awarded Partnerships for Development to Chemonics International Inc. and its subcontractors, Crimson Capital Corp. and Policy and Management Consulting Group.

Partnerships for Development was a four-year and seven-month activity designed to (1) improve the business environment, (2) improve implementation of construction reforms, and (3) enhance macroeconomic stability and public financial management at the central and local levels of the Kosovo government. The project's overall goal was to enhance the enabling environment for private sector growth and expand employment opportunities in Kosovo.

Specific activities supported by the project built on previous USAID work in Kosovo under the USAID Business Enabling Environment Program (BEEP), USAID Growth and Fiscal Stability Initiative (GFSI), USAID Efficient and Sustainable Tax Administration of Kosovo (ESTAK), and USAID Decentralized Effective Municipalities Initiative (DEMI). Such support resulted in continued WBDB improvement and the achievement of Kosovo government development priorities.



COMPONENT 1: BUSINESS ENVIRONMENT IMPROVEMENT

Component 1 included both crosscutting national activities and specific business environment reforms. The crosscutting activities focused on improving policy coordination and public-private dialogue at the national level, and on improving the business environment using well-recognized tools, such as the WBDB Report.

Component 1 also included activities aimed at improving legal transparency, policy development, and legislative drafting at the central and local level, through full publication of legal acts and improving the quality of analysis and impact assessment during the development of laws and regulations.

In harmony with the project's partnership approach with the Kosovo government, the project responded to the government's requests for support in several key legal and regulatory areas needed to address priorities arising from the SAA between Kosovo and the EU and other key priorities of the Kosovo government.

Finally, Component 1 also provided legal support to Components 2 and 3 over the course of activities.

COMPONENT 2: IMPROVED IMPLEMENTATION OF CONSTRUCTION REFORMS

Component 2 supported MESP, municipalities, and other partners on construction permitting and spatial planning reforms and on addressing unpermitted construction.

Building on prior USAID assistance in construction, the project focused its efforts to help the Kosovo government further streamline the construction permitting process, apply the cost-recovery principle as the basis for determining construction permit fees, and enhance transparency toward citizens. This was achieved by modifying secondary legislation in construction and introducing specific operational reforms, such as introducing the PTS as a tool to help municipalities and citizens track and monitor processing of construction permits and the operationalization of an OSS service for construction permit applications in Prishtinë/Priština.

Component 2 also included activities to support MESP and municipalities in implementing new approaches to spatial planning, as outlined in the Law on Spatial Planning adopted in 2013, by introducing the more flexible concept of zoning. This was achieved by improving and completing the secondary legislation needed to implement the Law on Spatial Planning, building the necessary capacities for implementing the law, and providing clear and simple guidelines for municipalities and other stakeholders to implement such reforms.

Finally, Component 2 supported the Kosovo government with the program for the treatment of construction without permit, which is expected to unlock economic potential in this area, improve safety, and increase the property tax base. Specific activities in this area included supporting the drafting of secondary legislation and registration of unpermitted construction in the registry of constructions without permit. Following completion of the registration phase, and at MESP's request, the project supported the process of drafting a new Law on Treatment of Constructions without Permit and the associated secondary legislation.

COMPONENT 3: ENHANCED MACRO-ECONOMIC STABILITY AND PUBLIC FINANCIAL MANAGEMENT (PFM) AT THE CENTRAL AND LOCAL LEVELS

Component 3 included support to the Ministry of Finance, TAK, and other partners involved in PFM activities and reforms. The project provided support in advancing and sustaining macroeconomic stability by improving the implementation of macroeconomic policy and wider budget-related PFM reforms.

The main areas of assistance included improvement of fiscal discipline and fiscal risk monitoring, enhancement of a rules-based fiscal management framework that contributes to a predictable economic environment, enhanced credibility and quality of fiscal projections, improved strategic policy-led budget management, enhanced budget transparency, and accurate financial reporting.

Component 3 also supported improved tax compliance and administration, and integrated PFM reform improvements in the broad context of Kosovo government's business reforms. The key areas of assistance included streamlining tax procedures through online solutions and improved use of performance metrics to foster voluntary compliance and remove barriers to formality.

During its first three years, the project also offered support to the BRDP ISC in its efforts to attract an experienced developer and operator.



PARTNERSHIPS FOR DEVELOPMENT RESULTS FRAMEWORK

The United States Agency for International Development | Country Development Cooperation Strategy (CDCS) for Kosovo for 2014-2018 formulates an ambitious agenda for the country. The United States Government (USG) seeks a strong and effective partnership with the Kosovo government that builds on their close relationship to address regional and global challenges. USG support focuses on:

- (1) building the capacity of Kosovo governing institutions,
- (2) strengthening the Kosovo economy, and
- (3) improving the education and skills of Kosovo citizens.



The CDCS is based on the implementation of three development objectives (DOs):

- ❖ **Development Objective 1:** Improved Rule of Law and Governance that Meet Citizens' Needs
- ❖ **Development Objective 2:** Increased Investment and Private Sector Employment
- ❖ **Development Objective 3:** Enhanced Human Capital

Partnerships for Development contributes to DO2: *Increased Investment and Private Sector Employment*. Three indicators are provided to capture this DO:

- (1) Growth in foreign direct investment,
- (2) Private sector as a share of gross domestic product (GDP), and
- (3) Ratio of public-to-private sector employment

As these indicators are a function of many variables within the Kosovo economy as well as market forces, direct causal attribution of these numbers to project activities is not possible. However, the project will indicate where project indicators and activities are reasonably expected to affect these indicators indirectly. Also, relevant pass-through data is included in the PBMS as *Supplemental Indicators* to provide the official information annually to USAID from Kosovo government sources.

Partnerships for Development activities also contribute to IR2.1: *Improved Economic Governance and Business Environment*, Sub-IR2.1.1: *Improved Fiscal Framework and Public Financial Management* and Sub-IR2.1.2: *Key Economic Reforms Implemented at the Central and Local Levels*.

IR2.1: Improved Economic Governance:

- (1) Progress on the World Bank Doing Business Index,
- (2) Formal sector employment as a percentage of total employment, and
- (3) Number of business registered that submit tax declarations;

Sub-IR2.1.1: Improved Fiscal Framework and Public Financial Management:

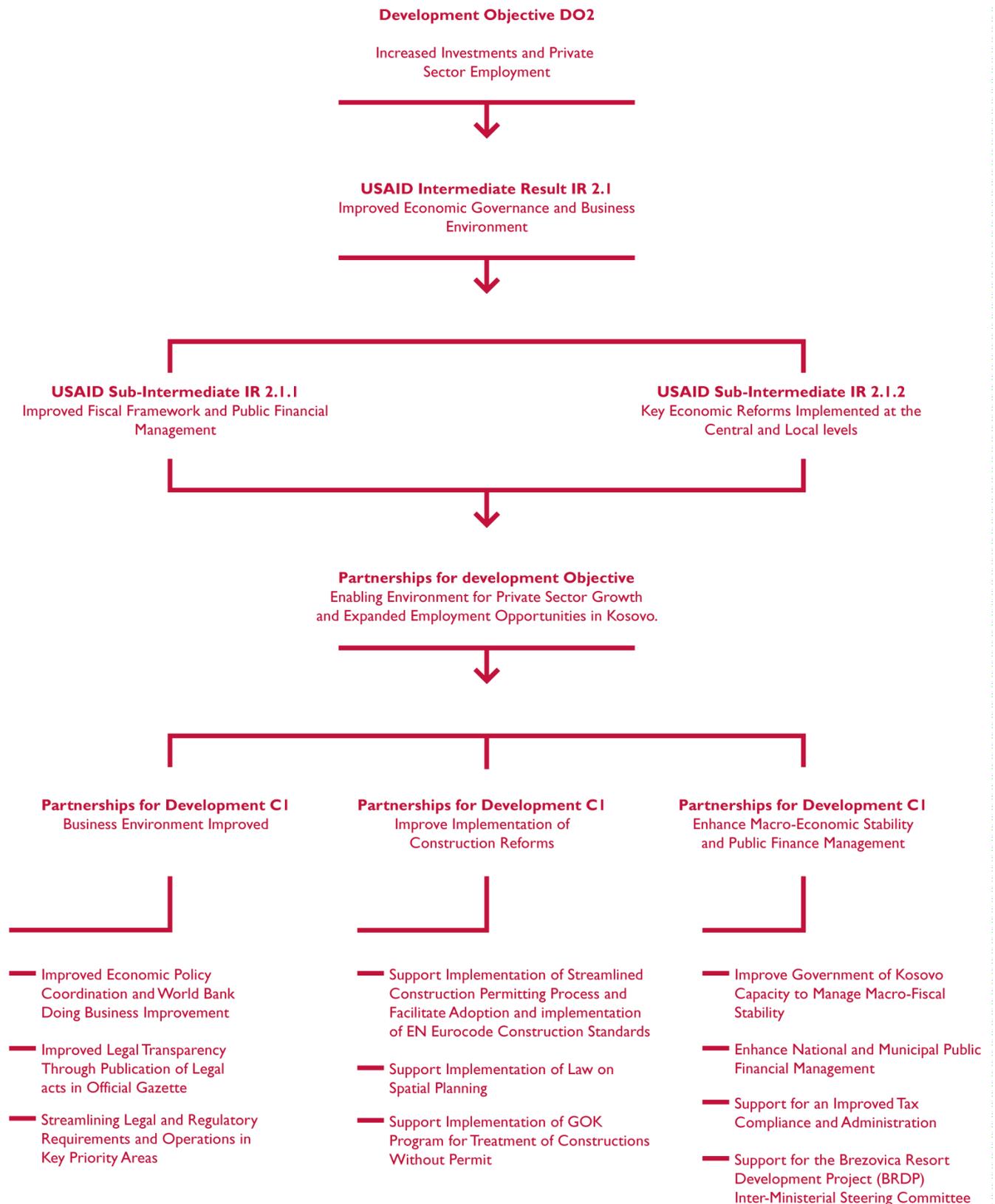
- (1) Government revenue (tax and non-tax), excluding foreign grants, as a percentage of GDP, and
- (2) Person-hours of training completed in fiscal policy and fiscal administration as a result of USG assistance

Sub-IR2.1.2: Key Economic Reforms Implemented at the Central and Local Levels:

- (1) Number of municipal regulations and administrative procedures that have been simplified as a result of USG assistance,
- (2) Key policy, legislation, and structural reforms implemented at the central level, and
- (3) Person-hours of training completed in business enabling environment supported by USG assistance

Each of Partnerships for Development's three components encompasses these dynamic activities, which are reflected within the Results Frameworks.

DEVELOPMENT OBJECTIVE 2: INCREASED INVESTMENT AND PRIVATE SECTOR EMPLOYMENT



PROJECT ACTIVITY SUMMARY



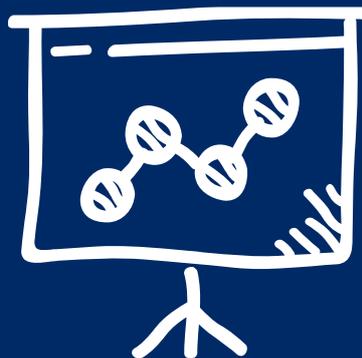
This section provides a detailed description of specific reforms and activities supported by the project. In line with guidance from USAID, the project maintained an adaptive approach aimed at responding to Kosovo government needs and priorities while achieving the project's goals and objectives.

During its period of performance, the project supported numerous activities and reforms as outlined in its annual work plans. By implementing these plans, the project successfully implemented its scope of work and made a significant contribution to Kosovo's reform agenda.

The project also performed well against its PBMS targets, exceeding six of its eight indicators, achieving a life-of-project target on one indicator, and not reaching the target on the remaining indicator. This success in achieving the PBMS targets is a result of the dedication of everyone involved in the project's implementation and adaptive approach agreed on with USAID.

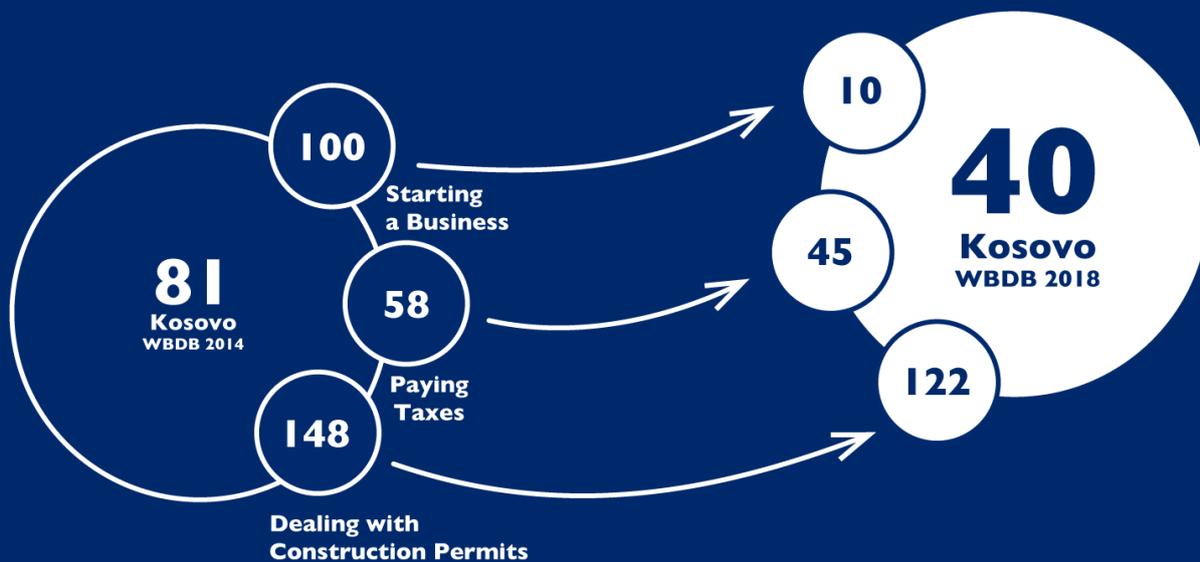
This section begins with a summary of the main results from the PBMS and is further organized into three components, with separate objectives under each component, containing a detailed description of the activities and achievements within each objective. To ensure that project activities are presented in an easy-to-read format, in some instances, the objectives were slightly modified (compared to the annual work plans) to more comprehensively capture the entire range of activities implemented during the years.

This section also contains a description of activities implemented under the Partnerships for Development Local Capacities Activity, known as G2G program, a description of coordination with donors in all three components, and a description of challenges encountered during project implementation.



SUMMARY OF RESULTS FROM PERFORMANCE BASED MANAGEMENT SYSTEM

Reference number	Description of Project Indicator	Unit of measure	Baseline	Life-of Project Target	Life-of-Project Result
PR 1	Average percentage improvement in underlying variables in Doing Business indicators	Percentage improvement			
	a) Starting a Business		0.0%	20.0%	72.2%
	b) Dealing with Construction Permits		0.0%	15.0%	12.0%
	c) Paying Taxes		0.0%	10.0%	25.0%
	Average		0.0%	15.0%	36.4%
PR 2	Improvements in policies, legal acts, administrative procedures and operations for the drafting and publication of legal acts	Number of improvements	0	37	38
PR 3	Improvements in policies, legal acts, administrative procedures and operations that impact economic activity through permitting and licensing or inspections	Number of improvements	0	41	45
PR 4	Implementation of Law on Construction				
	a) Percentage of permits in pilot partners issued within deadlines for permit issuance	Percentage compliance	0.0%	95.0%	99.0%
	b) Percentage of permits in pilot partners with correctly calculated construction permit fees	Percentage compliance	0.0%	90.0%	100.0%
PR 5	Increased percentage of total annually collected versus assessed current year property tax	Percentage goal	44.8%	52.0%	45.0%
PR 6	Improvements in procedures, legal acts, Instructions, and operations of TAK to improve data quality, metrics, and compliance	Number of improvements	0	14	17
PR 7	PFM Practices improved: Improvements in policies, public consultations and disclosure practices, legal acts, procedures and operations to increase budget accountability, transparency, and effectiveness	Number of improvements	6 (Y3)	8	9
PR 8	Improved Kosovo government macro-fiscal stability management practices: Actual fiscal deficit as a % of the budgeted fiscal deficit		79.0%	max 95.0%	51.0%



Kosovo's Ranking in the World Bank Doing Business Report

COMPONENT I: BUSINESS ENVIRONMENT IMPROVEMENT

The work and support under this component has been organized into three broad objectives:

- ❖ Improve economic policy coordination and World Bank Doing Business improvement;
- ❖ Improve legal transparency, policy development, and legislative drafting at the central and local level;
- ❖ Streamline legal and regulatory requirements and operations in key priority areas.

Under Objective 1, the project supported the Kosovo government with the reactivation of NCED as an important body for high-level public-private dialogue on economic policy issues. Furthermore, the project supported the Kosovo government with designing, launching, and implementing a reform initiative centered on the WBDB Report, resulting in significant overall improvement in Kosovo's ranking in the report and improvement in the underlying variables in most indicators.

Under Objective 2, the project supported efforts to improve legal transparency, policy development, and legal drafting at the central and local levels of government. This was achieved by further supporting the institutionalization of the OGDB as an important tool for legal transparency. The project also supported efforts by the Kosovo government to improve impact analysis of policies and legislation and worked with MLGA to strengthen capacities at the local level for legislative drafting.

Under Objective 3, the project supported key Kosovo government priorities outlined in national strategies and the SAA by helping to further streamline the business registration process through elimination of unnecessary steps, reduction in fees and the time required for business registration, drafting of a new Law on Business Organizations, and supporting the Kosovo government with the development of policies and/or legislation in the areas of tourism, licensing of architects and engineers, market surveillance, and other important areas.



Prime Minister of Kosovo Isa Mustafa and Minister of Trade and Industry Hykmete Bajrami presenting the results of the WBDB Report 2017

CI-1: IMPROVED ECONOMIC POLICY COORDINATION AND WORLD BANK DOING BUSINESS IMPROVEMENT

Recognizing the need for improved policy coordination between the Kosovo government and private sector, the project supported MTI following the ministry's authorization by the Prime Minister of Kosovo to reactivate the **National Council for Economic Development (NCED)**.

The Kosovo government subsequently issued a decision to reactivate the council, and the project further supported MTI to draft new rules of procedure for it. The project's comments and suggestions while these rules were being drafted were mainly focused on (1) clarifying NCED's duties and functions; (2) expanding the number of private sector representatives on the council; and (3) requiring NCED to make regular reports to the government and public on reforms achieved.

In its first meeting in 2015 after its reactivation, both the European Investors Council and German Chamber of Commerce participated, consistent with project recommendations to expand private sector participation. Both organizations were later formally accepted as members of NCED.

Building on past USAID support, the project continued using the **World Bank Doing Business Report** as an internationally-recognized platform for business environment reform, took additional steps to advance the WBDB methodology as a reform tool, and used it to catalyze broader and deeper reform initiatives throughout the country.

The project's support to WBDB reform efforts focused on two main areas of intervention. First, the project supported the creation and strengthening of the WBDB reform structures, such as the MTI Doing Business Task Force (Task Force) and WBDB working groups at the ministry level. The project supported the Task Force with coordination efforts, supported the WBDB Working Groups with methodological advice, and equipped them with the analytical tools needed to identify potential reform activities. Second, the project supported the WBDB Working Groups with implementation of specific reform activities in most areas captured by the WBDB Report.

This section will primarily focus on the results of the reform process and first pillar of support: the creation and strengthening of the WBDB reform structures. Activities under the second area of intervention are reported in other parts of this report under the respective project components.

TABLE I: Summary comparison of Kosovo ranking in the WBDB Report 2014-2018

Indicator	WBDB Report 2014 (revised)	WBDB Report 2018	Change
Kosovo	81	40	+ 41
Starting a Business	100	10	+ 90
Dealing with Construction Permits	148	122	+ 26
Getting Electricity	105	106	- 1
Registering Property	35	34	+ 1
Getting Credit	19	12	+ 7
Protecting Minority Investors	61	89	- 28
Paying Taxes	58	45	+ 13
Trading Across Borders	117	48	+ 69
Enforcing Contracts	143	49	+ 94
Resolving Insolvency	166	49	+ 117

In Year 1, Kosovo continued to improve its ranking in the WBDB Report. The WBDB Report 2015, published on October 29, 2014, showed an improvement of 17 places, with Kosovo moving to an overall rank of 64th (revised) from its previous rank of 81st (revised) in the WBDB Report 2014. Marked improvements were recorded in *Starting a Business* and *Dealing with Construction Permits* indicators.

In Year 2, the project intensified its support to MTI by further developing capacities for coordinating and implementing reforms captured by the WBDB Report. The Project supported key MTI offices, including the Minister's cabinet, the Kosovo Investment Enterprise Support Agency (KIESA), and KBRA to prepare updated Kosovo government information on recent reforms for submission to the WBDB team in Washington, D.C. The support included several sessions with MTI officials to explain the process and methodology applicable for WBDB reporting.

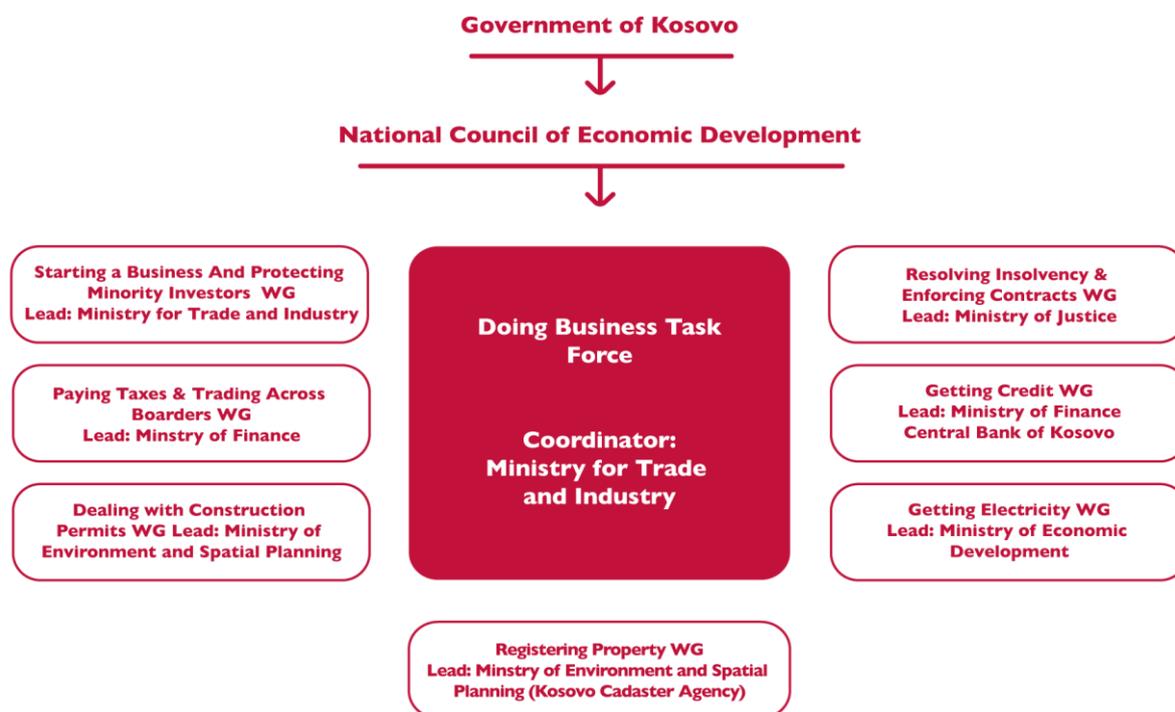
However, it was anticipated that the information collected from relevant institutions and reform updates sent to the World Bank would not result in significant positive changes in Kosovo's scores for the WBDB Report 2016. This was partly due to delays in the formation of the government in the second part of 2014. The project suggested that the Kosovo government could offset this by incorporating specific positive reforms in proposed legislation or addressing future WBDB reforms comprehensively and decisively in a future initiative. According to the WBDB Report 2016, Kosovo's rank remained unchanged at 64th (revised). After the report was published, the project worked with MTI to conduct a detailed analysis of the results.

This analysis resulted in the development of a **Memorandum on Doing Business Reforms** submitted to the Minister of MTI that called for launching a comprehensive and coordinated WBDB reform initiative. The memorandum was presented at a NCED meeting in November 2015, at which NCED authorized the launch of this initiative and proposed that the Kosovo government adopt a decision formalizing the proposals contained in the Memorandum.

The Kosovo government decision launching the initiative, adopted on December 30, 2015 (http://www.kryeministri-ks.net/repository/docs/Vendimet_nga_mbledhja_67_e_Qeverise.pdf), called for

the establishment of a Task Force to be led by MTI and several WBDB Working Groups, led by five Kosovo government ministries, responsible for identifying and coordinating the implementation of targeted activities within each of the WBDB indicators. NCED would provide the political support and backing for the reform efforts. Figure 1 below presents the new structure established to coordinate reform efforts, as captured by the WBDB Report.

Figure 1: Structures responsible for coordinating Kosovo’s reform efforts centered on WBDB Report.



In Year 3, the project significantly intensified efforts to support the WBDB reform initiative and structures established by the Kosovo government. The project assisted NCED and MTI’s Task Force with overall coordination of reforms and provided specific support to the individual working groups covering the 10 WBDB indicators.

The process for implementing the reforms was also supported by the World Bank itself through a mission led by a World Bank expert, who, together with project advisors, visited each of the ministries and institutions responsible for spearheading the reforms in individual indicators.

Initially, the project supported the full operationalization of the Task Force and establishment of all 10 working groups within five Kosovo government ministries: MTI, the Ministry of Finance, Ministry of Economic Development (MED), MESP, and Ministry of Justice.

Following the operationalization of the Task Force and WBDB Working Groups, to increase understanding of the WBDB methodology and approach, the project developed and distributed a set of 10 analytical summaries, one for each indicator, that contained useful information on the methodology used by the World Bank and a set of tools designed to assist the WBDB working groups during the identification and implementation of reform activities. The 10 analytical summaries were subsequently published in a separate section of the MTI website, created with project support, to facilitate easier use by the WBDB Working Groups (<https://mti.rks-gov.net/page.aspx?id=2,82>). The project also worked extensively with the Task Force on developing an action plan, an exercise repeated during later WBDB reform cycles.

Following consolidation of the WBDB reform structures and using the analytical summaries, the project, through its three components and in close cooperation with the Task Force and other projects, including most notably the USAID Contract Law Enforcement (CLE) Project, which covered the *Enforcing Contracts* and *Resolving Insolvency* indicators, worked with the WBDB Working Groups to identify and implement reform activities in the various indicators (as reported in detail in various sections of this report).

During these activities, **NCED** held a meeting on July 19, 2016, chaired by the prime minister and minister of trade and industry. The minister of trade and industry briefed the members of NCED on the current progress of the Kosovo government's WBDB reform initiative and submission of the final package of materials to the WBDB Team for consideration in the WBDB Report 2017. The minister reiterated the importance of continued coordination and cooperation between the Task Force and responsible ministries.

To support improved direct communication between the Task Force and WBDB team in Washington, D.C., the project worked with the World Bank office in Kosovo to organize and hold several videoconferences between the WBDB working groups responsible for each indicator in Kosovo with the respective WBDB indicator teams, where the Kosovo representatives had the opportunity to present the progress made to date and request methodological clarifications.

Recognizing the importance of establishing meaningful public-private dialogue for promoting the WBDB reform initiative and further involve the private sector in this process, the project supported the Task Force to organize and hold a conference with current and potential WBDB respondents from the private and the public sector. At the conference, held on May 16, 2016, the Kosovo government informed current and potential respondents of the WBDB Report on the progress made by the government since the launch of the WBDB reform initiative in December 2015 and next steps across all 10 indicators of the WBDB Report.

The **WBDB Report 2017** released on October 25, 2016, recognized several improvements resulting from support the project provided in Year 3. Kosovo improved its overall ranking from **64th (revised) in 2016 to 60th in 2017**. Furthermore, the WBDB Report 2017 recognized Kosovo's efforts in establishing the necessary bodies tasked with coordinating state institutions in driving WBDB reforms.

Significant improvements were marked in three indicators. In **Starting a Business**, Kosovo improved from **27th to 13th**. In **Paying Taxes**, Kosovo improved from **77th to 43rd**, and in **Trading Across Borders**, Kosovo improved from **59th to 51st**.

The WBDB Report 2017 also highlighted areas for future improvement for Kosovo, including reducing the time and procedures needed for taxpayers to receive VAT refunds, an area that the project addressed with TAK in Years 4 and 5.

After publication of the WBDB Report 2017, in an effort to widen the base of support for the reform initiative and maintain momentum, the project coordinated with MTI to ensure adequate promotion of reforms (<http://mti.rks-gov.net/page.aspx?id=1,7,19>). The results of the WBDB Report 2017 were presented in a press conference by the Prime Minister Isa Mustafa and Minister of Trade and Industry Hykmete Bajrami, where they also informed the public on future steps. The minister reiterated that a new cycle of WBDB reforms would begin in November 2016 and that the Kosovo government is expected to actively call on businesses to participate in this process, because improvement of the business environment can be achieved only with full partnership between public and private sector (<http://kryeministri-ks.net/raporti-i-bankes-boterore-konfirmon-progresin-e-kosoves-ne-ambientin-e-te-berit-biznes/>).

In recognition of improvements made to the business enabling environment during the last three years, at the beginning of Year 4, Minister of Trade and Industry Hykmete Bajrami received an award on behalf of the Kosovo government recognizing it as the **best government in southeastern Europe for supporting entrepreneurship** at the World Business Angels Forum held in Istanbul, Turkey, on

February 13-14, 2017. The award, which is based on the WBDB Report 2017, cited Kosovo as the most successful reformer in southeastern Europe in terms of helping startups (<http://mti.rks-gov.net/page.aspx?id=2,7,380>).

Immediately after publication of the WBDB Report 2017, the project started supporting the Task Force to launch a new cycle of reforms. As part of this new cycle, the project supported a joint session between the Task Force with the WBDB Working Groups on November 21, 2016, where a new action plan, developed with project support, was presented. The approach developed and tested in Year 3 was successfully replicated.

At the Task Force's request, the project mobilized all needed resources to assist the Task Force and WBDB working groups with completing the reporting documents for the 2018 WBDB Report. Further support was provided to individual institutions to implement specific actions and reforms. Working closely with the World Bank office in Kosovo, the project also supported the Task Force to organize a new round of videoconferences between the WBDB indicator teams and WBDB working groups operating within the ministries.

Based on a list of reforms completed during the reporting period developed by the Task Force with project support, the WBDB Team in Washington, D.C., responded with a detailed analysis of each individual indicator. Although the WBDB team noted progress on several indicators, the indicators with the largest potential for recognition in the WBDB Report 2018 were noted to be *Starting a Business*, *Getting Credit*, and *Resolving Insolvency*.

The WBDB Report 2018 published on October 31, 2017, confirmed the significant progress made in improving the business environment, with Kosovo increasing its ranking to 40th in the world, constituting a ranking improvement of 20 places from the previous year's overall ranking of 60th. Furthermore, Kosovo was ranked as the **fourth Top Reformer worldwide** and declared to be Europe's leading reformer (<http://www.doingbusiness.org/data/exploreeconomies/kosovo>).

More specifically, Kosovo made progress in six out of 10 indicators, with significant reforms recognized in *Starting a Business*, *Getting Credit*, and *Resolving Insolvency*. Following publication of the report, the project supported communications and outreach activities, including the development of presentations and web and printed materials, as well as the organization of a press conference on the results of the WBDB Report 2018 by the Prime Minister of Kosovo, Minister of MTI, Head of World Bank office in Kosovo, and the Mission Director of USAID in Kosovo (see right).

“This good work, firstly, is good work of the Doing Business Task Force within the Ministry of Trade and Industry, but at the same time, for such a result, we received the ongoing assistance and support through the expertise of World Bank and USAID.”

Prime Minister Ramush Haradinaj, Press Conference on WBDB Report 2018, October 31, 2017



Prime Minister of Kosovo Ramush Haradinaj, with representatives from MTI, the World Bank and USAID, presents the results of WBDB Report 2018

Following publication of the WBDB Report 2018, the project met with the new minister of trade and industry and the Task Force to discuss next steps for reforms centered on the WBDB Report. The project and MTI agreed on next steps which, in light of the change of government, included reviewing the composition of the Task Force and reaching out to the ministries responsible for the various WBDB indicators to request a review of the composition of WBDB working groups that they lead.

Subsequently, MTI amended the decision establishing the Task Force and coordinated with the other responsible ministries to request they do the same and reactivate the WBDB working groups. The project also updated the 10 analytical summaries, first developed in Year 3, to take into account methodological changes made by the World Bank, and these summaries were distributed to the working groups and published on MTI's website.

In its final year, the project continued supporting improved coordination between the Task Force and working groups. The head of the Task Force met with the heads of the WBDB working groups to brief them on the current status of WBDB reforms and the April 30, 2018, deadline for providing information for the WBDB Report 2019. While the project continued supporting most WBDB working groups with implementation of reform activities, efforts on Component I were focused on advancing the adoption of the new Law on Business Organizations, the cornerstone of reform efforts for the WBDB Report 2019 cycle, before the April 30 deadline. However, due to political factors outside the project's control, the Assembly of Kosovo did not adopt the Law on Business Organizations until May 2018.

Most of the WBDB working groups completed and submitted the required information for the WBDB Report 2019, and the project supported the Task Force to review and summarize the inputs received. These inputs were included in the official reform updates that the Task Force submitted to the WBDB Team in Washington, D.C., and cover a total of six indicators.

The project also supported the Task Force to coordinate with the WBDB Team in Washington, D.C., to organize a new round of videoconferences in which the ministry-level WBDB Working Groups presented activities for the WBDB Report 2019 cycle and discussed any pending issues as well as future reforms. The videoconferences were held in June 2018.

Due to delays in the adoption of the new Law on Business Organizations, which was expected to particularly target the *Protecting Minority Investors* indicator, MTI's expectations for the WBDB Report 2019 are modest.

The **EC Progress Report 2018** released in Year 5 (<https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-kosovo-report.pdf>) recognized the progress Kosovo made since the previous year in a wide range of areas, including those supported by the project over its lifetime such as economic, fiscal, and governance-related activities. The report notes that the Kosovo government has made significant progress in improving the business environment, as reflected by in the WBDB Report 2018. The main areas of progress noted in improving the business environment were as follows:

- ❖ The functionalization of the online system for filing and paying VAT and social security contributions, and facilitating tax payments for businesses;
- ❖ Reduction of the time it takes to export and cost of regulatory compliance to export as a result of an improved automated customs data management system, streamlining of customs clearance processes, and implementation of the Albania-Kosovo transit corridor;
- ❖ Improvements to the process for starting a business driven by a web-based business registration system and simplified process for registering employees; and
- ❖ Improvements in access to credit and resolving insolvency, with the adoption of clear priority rules in bankruptcy procedures for secured creditors and introduction of a legal framework for corporate insolvency.

The EC Progress Report 2018 also called on Kosovo institutions to take measures for adopting the new Law on Business Organizations, which will further simplify business registration procedures and introduce changes to corporate governance which strengthen the rights of minority shareholders.



Official Gazette of Kosovo mobile application

CI-2: IMPROVED LEGAL TRANSPARENCY, POLICY DEVELOPMENT, AND LEGISLATIVE DRAFTING AT THE CENTRAL AND LOCAL LEVEL

Access to accurate information on the current legal requirements applicable to citizens and market participants at any given time is a precondition for a law-based society. Such access ensures that legal and regulatory requirements are applied transparently and uniformly, free of any discrimination or unnecessary burden. Further, access to accurate information on the current legal and regulatory regime applied at the central and local level has the added advantage of facilitating and informing the development of new policies that promote economic growth and fighting corruption that may arise through arbitrary actions and undisclosed or conflicting legal requirements.

Building on support USAID provided previously through BEEP, the project supported efforts to ensure that the **Official Gazette Online Database** is further institutionalized as a hub of legal information in Kosovo. To help accomplish this objective, the project initially focused on ensuring that one of the key categories of legal acts not yet fully incorporated in the OGDB, sub-legal acts (AIs and regulations), were published and available in the OGDB.

Starting in Year 1, the project supported the Office for the Publication of the Official Gazette (OPOG) and Legal Office of the Prime Minister (LOPM) to organize several hands-on workshops with legal officers from the Kosovo government, where they uploaded sub-legal acts which had been adopted by their ministries over the years.

With the successful conclusion of the first workshops with ministry legal officers, the project worked with the MLGA and OPOG to develop a joint approach for the publication of legal acts of municipalities in the OGDB. Implementation started in Year 2, when a team composed of MLGA, OPOG, and project staff conducted a series of visits to municipalities to inventory all legal acts currently in force at the municipal level, map current practices for preparation, adoption, and publication, and identify contact points within the municipalities for the publication of municipal legal acts. In total, the team visited 36 municipalities, where they were received by senior municipal officials and the responsible officials from the municipalities. During these visits, the team presented the work done with the OGDB to date on the publication of legal acts and emphasized the importance of converting the OGDB into a hub of legal information containing all legal acts adopted by public institutions throughout Kosovo, including municipalities.

Following completion of the municipal visits, the project, in cooperation with MLGA and OPOG, organized a total of three workshops with three groups of municipalities to upload their legal acts to the OGDB.



Whereas the focus in the project's first years was to promote behavioral change and ensure that technical staff at the institutional level actively publish legal acts in the OGDB, in late Years 3 and 4, the project's focus shifted toward ensuring that the **OGDB system is sustainable in the long term**.

To ensure long-term sustainability of the OGDB system amid the growing number of legal acts being published and assist with other needs identified by the OPOG, in the second half of Year 3, the project engaged a subcontractor to **upgrade the OGDB** to increase its overall speed, data security, and user-friendliness, and to develop native mobile applications to enable easier use of the database on mobile devices. The subcontractor was also engaged to provide training to OPOG and Agency for Information Society (AIS) staff on OGDB maintenance.

The OGDB upgrade was completed in Year 4. In addition to improvements made to the sustainability, security, and efficiency of the database itself, the upgraded OGDB includes several improvements over the previous version, including:

- ❖ Simplified and more user-friendly layout, and faster and more accurate methods for searching legal acts;
- ❖ The creation of separate registries (lists) for most types of legal acts posted in the OGDB;
- ❖ More accurate and efficient categorization of legal acts, and new tools for monitoring the level of usage of the Official Gazette website;
- ❖ Reactivation of the subscription option;
- ❖ Increased data protection and data security features; and
- ❖ An application for mobile devices running on Android and iOS operating systems.
Android: (<https://play.google.com/store/apps/details?id=net.rksgov.gzk>); and
iOS: (<https://itunes.apple.com/us/app/gazeta-zyrtare-rks/id1250207772?mt=8>)

After completing the OGDB upgrade, the project transferred the source code for the OGDB and mobile application to OPOG and AIS, along with all manuals developed as part of this activity. As agreed with the OPOG and MLGA, the project then organized three workshops with legal officers from the OPM, 19 ministries, and 29 municipalities to train them on the upgraded system.

In addition, during Year 4, project representatives attended the **USAID Global Innovation Week** held in Washington, D.C. This attendance was part of a visit by the project to receive an award for winning the **Tech4Dev Competition**, launched by the implementing partner of Partnerships for Development, Chemonics International. The Tech4Dev competition was an internal Chemonics competition on the use of technology in development projects. Projects implemented by Chemonics throughout the world competed in two categories: 1) successful experiences, and 2) new ideas. In total, 28 experiences and 10 new ideas from 16 countries were submitted. Partnerships for Development participated in this competition to showcase the work with the OGDB and mobile applications and was one of two winning teams in the successful experiences category.

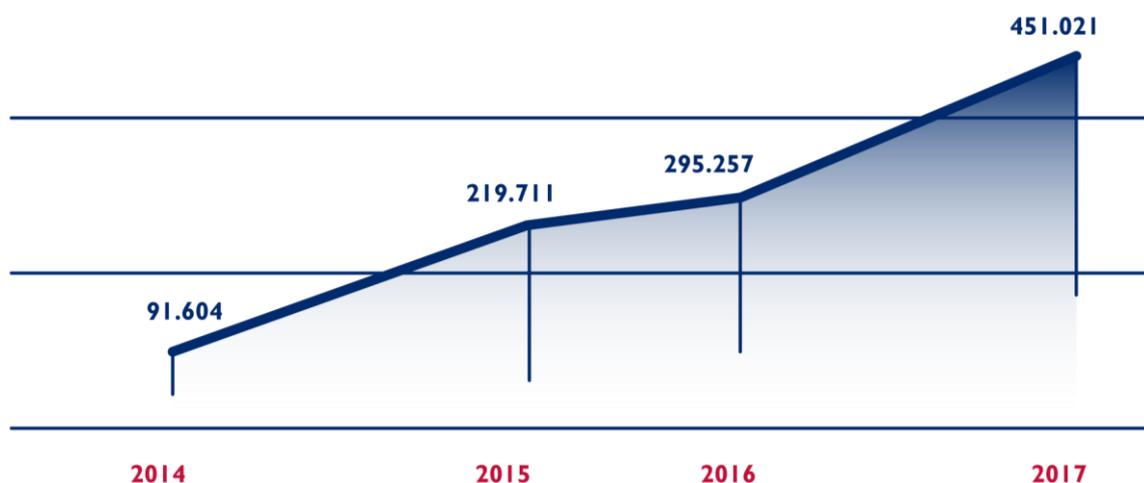
Based on discussions with OPOG and the General Secretary of OPM, the Project engaged another subcontractor to implement an **informational and outreach campaign for the OGDB and mobile application**. The campaign's objective was to further promote the use of the OGDB as a single and unified database containing most categories of legal acts adopted by the institutions of the Republic of Kosovo. In addition to informing the wider public on the purpose and usability of the OGDB and mobile application, the campaign targeted legal professionals, law students, businesses, business associations, chambers of commerce, civil servants, and journalists.

The campaign was launched at an event held on November 30, 2017, and featured the development of promotional materials for the OGDB and mobile application, including printed materials, which were distributed to universities, chambers of lawyers, notaries, business associations, chambers of commerce, and civil servants, as well as the development and broadcasting of two television and radio ads on several national radio and television stations in December 2017.

As of July 2018, 1,922 AIs, both in force and repealed, had been published in the OGDB, along with another 1,422 regulations at the central and local level. An additional 66 charters of municipalities were also published.

The daily and automatic statistics generation function added to the OGDB during the upgrade allowed the project to closely monitor the level of usage. According to the most recent data, shown below in Figure 2, the number of visits to the OGDB has grown fivefold over the course of the project, from 91,604 visits in 2014 to 451,021 visits in 2017. It continues to grow in 2018 (<https://gzk.rks-gov.net/analyticreporting.aspx?index=14>).

Figure 2: Number of visits of the OGDB 2014-17



The project also worked with the Ministry of Public Administration (MPA) to revise the **AI on Websites of Public Institutions**. In addition to harmonizing the standard content of web pages of public institutions, the AI imposes several requirements on public institutions to increase transparency and improve the public's access to information, including:

- ❖ Requiring each public institution to publish its draft legislation for public notice and comments;
- ❖ Requiring that each web page contain hyperlinks to the OGDB;
- ❖ Reaffirming and clarifying the responsibilities of public institutions' communications offices for updating the information on their web pages; and
- ❖ Requiring that all relevant information on permits and licenses issued by the institution be posted and available on its official web page.

The AI was signed by the minister of public administration on May 28, 2015 (<http://gzk.rks-gov.net/ActDetail.aspx?ActID=11007>).

At the request of LOPM, the project supported the drafting of a **new AI on Budget Impact Assessment** for new government initiatives and a **Manual on Budget Impact Assessment**. The project finalized the AI and accompanying manual to reflect the agreement reached between the LOPM and the Ministry of Finance, and the Kosovo government adopted both documents in May 2015 (<http://gzk.rks-gov.net/ActDetail.aspx?ActID=10867> and [http://www.kryeministri-ks.net/repository/docs/Doracaku_per_Vleresimin_e_Ndikimit_Buxhetor_te_Nismave_te_Reja_Qeveritar... \(1\).pdf](http://www.kryeministri-ks.net/repository/docs/Doracaku_per_Vleresimin_e_Ndikimit_Buxhetor_te_Nismave_te_Reja_Qeveritar... (1).pdf)). Under the new AI as adopted, all initiating bodies are required to conduct a BIA for their initiatives. The Ministry of Finance is also required to issue an independent opinion in connection with concept documents, draft laws, AIs approved by the Kosovo government, and action plans to implement strategies.

Conducting a detailed BIA is essential for informed policymaking and fiscal stability, as this exercise highlights the fiscal costs and benefits of proposed government initiatives, to facilitate realistic decision making, avoiding policies that cannot be funded and pressure on the budget, and as a foundational analysis that can be used in the future for public discussion by providing specific assumption and calculations to which external parties could respond.

The project continued to support the practical implementation of the new BIA requirements and methodology by actively promoting and, in some cases, providing hands-on support to various ministries, including the Ministry of Finance, through Component 3, and to MTI and MESP during the development of various policies and legislation supported by Components 1 and 2.

The Project also coordinated with the World Bank team responsible for the **Global Indicators of Regulatory Governance**, which charts the experience of citizens and firms worldwide in learning about new business regulations and engaging with the government in developing those regulations. The project facilitated closer coordination between the World Bank and Kosovo government institutions, in particular, the Government Coordination Secretariat at OPM and MTI.

The project's efforts to functionalize and improve the OGDB, and its work supporting the Kosovo government's efforts to increase transparency and improve impact assessment in the policy development and legislative drafting process, were recognized by the World Bank as part of its Global Indicators of Regulatory Governance (<http://rulemaking.worldbank.org/en/data/explorecountries/kosovo>). As a result of these and other Kosovo government efforts (as noted in the box on the page below), Kosovo received a score of 4.6 in 2016, compared to 2.6 in 2015 (the maximum score being 6). The World Bank Global Indicators of Regulatory Governance, among other factors, measure the ability of people to access all laws and regulations currently in force, in one consolidated place. The OGDB does exactly that, providing every

person with free access to laws currently in force, as well as secondary legal acts of ministries and municipalities across Kosovo, in one single source.

Likewise, the project's support to the OPM and Ministry of Finance to improve the process of BIA and public consultations with citizens during the development of laws and regulations directly contributed to the improvement of Kosovo's position in the Global Indicators of Regulatory Governance.

In Year 1, at the LOPM's request, the project reviewed and commented on the Guidelines on **Ex-Post Evaluation of Legislation**

(http://www.kryeministri-ks.net/repository/docs/2_Guidelines_on_Ex-post_evaluation.pdf) that LOPM developed with support from the Organization for Security and Co-operation in Europe (OSCE). These guidelines enable the public administration to monitor how a legal act has been implemented, if the legislation's anticipated goals were met, if the legislation is cost effective, and potential reasons for the resulting difficulties/unintended effects. The guidelines are expected to improve policymaking and enable the sponsor institutions and Kosovo government to decide whether legislation should be amended, repealed, or replaced, as well as to evaluate implementation versus policy goals.

In Year 4, the opportunity presented itself following a request by MTI to support **an Ex-Post Evaluation of the Law on Internal Trade and Law on External Trade** to determine the level of implementation of these laws to date, challenges encountered during implementation, and potential solutions.

This exercise was particularly important as part of wider efforts to further approximate Kosovo's legislation with EU legislation in line with the requirements of the SAA signed between Kosovo and the EU. Furthermore, this activity supports the Kosovo government's overall objective to promote the use of ex-post evaluation of legislation by Kosovo government institutions, as stated in the Guidelines on Ex-Post Evaluation of Legislation approved by the government in Year 1.

During the evaluation process, the project and representatives of MTI met with public and private sector stakeholders, including Kosovo Customs, the Kosovo Chamber of Commerce, the Kosovo Producers' Club, inspectorates, and courts. The main findings from the ex-post evaluation were presented at a one-day workshop organized jointly with MTI. Subsequently, the comprehensive Ex-Post Evaluation Report was completed and submitted to MTI.

Following submission of the Ex-Post Evaluation of the Law on Internal Trade and the Law on External Trade to MTI in 2017, the project received a request from the Government Coordination Secretariat in the OPM (GCS-OPM), which is responsible for intergovernmental policy coordination, to share the report with them as a model for similar exercises by the Kosovo government in the future.

Following approval of the **MLGA Regulation on the Procedure for Drafting and Publishing Municipal Acts** (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=15184>), which outlines the basic standards municipalities must follow when drafting and publishing legal acts at the local level (including preliminary and public consultations, and BIAs), the project agreed with the MLGA General Secretary to support the Ministry in developing a training module for municipal officials on the new Regulation, and to deliver jointly

“In regard to the [Global Regulatory Governance] Indicators, which deal with foreseeability, with the legal framework, with the ability of citizens to face and to adapt to economic conditions, and to also oppose and to seek modification of these conditions, I believe that it is a highly important success not only on the Government's part, not only for just one ministry, but a success that we have attained jointly with you, because without your support and your requests this would not have been achieved.”

Prime Minister Isa Mustafa at 6th Meeting of NCED, July 19, 2016

with MLGA a series of pilot training courses for municipal officials involved in the legal drafting process (including legal officers, budget and finance officers, gender equality officers, and public information officers).

Based on discussions and agreement with MLGA, the project, through a grant, completed several activities, including the development of a **Training Module for Legislative Drafting and Publication** at the local level and a series of pilot training courses with municipal officials from all of Kosovo's municipalities.

The pilot training courses were held during March and April 2018 in seven regional centers, including Mitrovicë/Mitrovica, Gjakova/Đakovica, Prishtinë/Priština, Pejë/Peć, Prizren, Ferizaj/Uroševac, and Gjiilan/Gnjilane. A total of 151 officers were trained at these workshops, including 15 MLGA officers who participated in the initial workshop and 136 municipal officers who participated in the regional center pilot training.



MLGA officers attending training-of-trainers course on legislative drafting and publication at the local level

Outcomes and recommendations from the pilot training courses were discussed in a joint session with the General Secretary and other representatives from MLGA. The final version of the training module and a report with recommendations for future actions was completed and submitted to MLGA for future use.



CI-3: STREAMLINING LEGAL AND REGULATORY REQUIREMENTS AND OPERATIONS IN KEY PRIORITY AREAS

In Year 1, the project participated in drafting several AIs under **the Law on Permits and Licenses System**, previously drafted with USAID support. The AIs, including the AI on the Registry of Licenses and Permits, were drafted primarily with support from the International Finance Corporation (IFC), although the project actively participated and submitted comments to LOPM. The Kosovo government adopted the AI on the Registry of Licenses and Permits in Year 2, and following its adoption, the Registry of Licenses and Permits was finalized and launched online.

In addition, the project completed an initial inventory of government bodies that exercise inspection functions, with information on the legal basis for each inspectorate's authority, relevant secondary legislation, and number of employees in each inspectorate. This work revealed that, as of May 2014, a total of 39 national bodies have inspections authority, in addition to the municipalities' multi-profile inspections departments.

With the completion of most secondary legislation needed for the implementation of the Law on Permits and Licenses, the project focused its efforts to respond to key priority areas identified by the Kosovo government in which streamlining of legal and regulatory requirements or operations (including permitting, licensing, or registration requirements) was needed due to national priorities or obligations arising from the SAA between Kosovo and the EU. These key priority areas included business registration legislation and procedures, tourism policy and legislation, market surveillance and market inspections, and licensing of architects and engineers.

In addition to these key priority areas, the project also responded to several ad hoc requests for support from the government, such as in the area of mining licensing.

Under this objective, the project supported the KBRA to streamline business registration procedures and improve its own internal organization and operations.

After the formation of a new government in the last months of Year I, the project worked with the KBRA to draft amendments to the AI on Fees for Services Charged by KBRA, with the goal of reducing or eliminating the cost for businesses to register, deregister, or update information in the business registry. The amendments were drafted jointly with KBRA and MTI's Legal Department, and the minister of trade and industry signed the new AI on Fees for Services Charged by KBRA (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=10981>), which, among other things, reduces or eliminates fees for businesses to register, deregister, and update their registry information. The improvements also remove disincentives for business organizations to update information in the registry, thereby helping to increase the information's accuracy and reliability.

Among the main fees eliminated or reduced were:

- ❖ The fee for filing changes to the charter or memorandum for limited liability companies (LLC), joint stock companies (JSC), limited partnerships, foreign business organizations, and agricultural cooperatives was reduced from €20 to €10.
- ❖ The fee for registering changes to information on the registered office or agent for all types of business was eliminated.
- ❖ The fees for registering, reserving, renewing and transferring a trade name for LLCs, JSCs, limited partnerships, foreign business organizations, and agricultural cooperatives were eliminated.
- ❖ The fee for closing any type of business was eliminated.

At KBRA's request, the project also supported the drafting of a tripartite memorandum of understanding between MTI, the Ministry of Finance, and MPA, aimed at establishing a joint working group and joint approach for the creation of a **Unified Business Identification Number**, which consolidates the current business registration number issued by KBRA with the fiscal number, and possibly, the VAT number issued by TAK.

The memorandum of understanding was signed by the ministers of trade and industry, finance, and public administration in the beginning of 2016, and the KBRA subsequently began issuing Business Registration Certificates containing a single number that serves as both a business registration number and fiscal number. Although the unification of the business registration number and fiscal number has had a positive impact in streamlining procedures for starting a business, the project encouraged MTI to continue working toward integrating more numbers, such as the VAT number and others used by state administration bodies, into a single number issued at the time of registration.

As part of the WBDB reform initiative, the project supported KBRA to develop and publish a series of **Reports on Basic Performance Indicators for Business Registration in Kosovo**. The development of these reports takes the next step to operationalizing the analysis and management systems of government organizations linked to improved efficiency, transparency, and accountability (<https://arbk.rks-gov.net/page.aspx?id=2,41>).

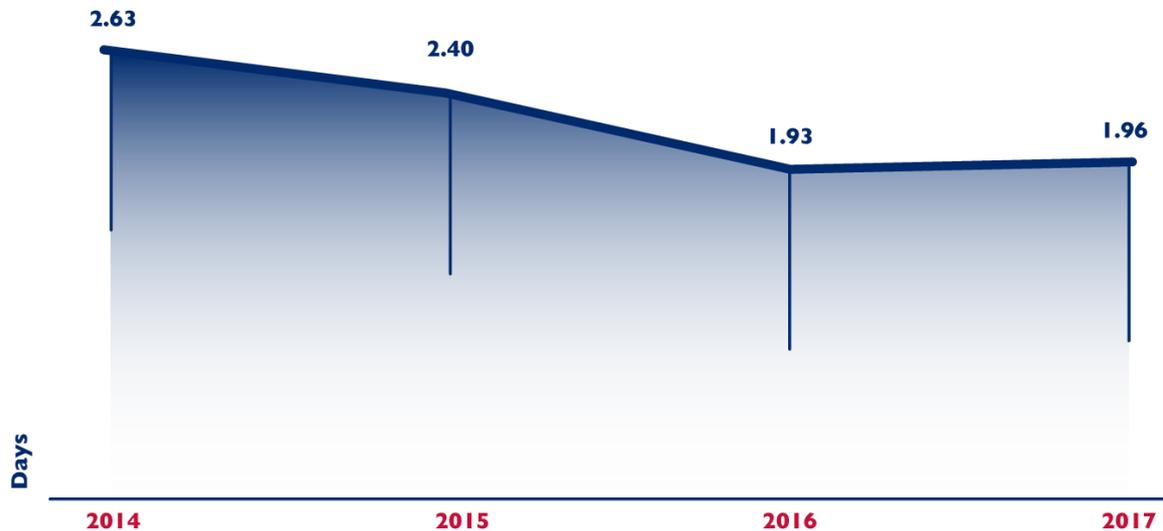
The reports, which are published on a quarterly and annual basis, include an overview of:

- ❖ The average time needed to register a business organization in Kosovo by municipal business registration centers;
- ❖ The number of businesses registered and deregistered by legal form and by municipality;
- ❖ Total number of branches of foreign companies registered in Kosovo by country of origin;
- ❖ The number of foreign owners, partners, or shareholders included in business organizations in Kosovo, by legal form; and

- ❖ Percentage of women-owned individual businesses and percentage of women owners in other legal forms.

As shown in Figure 3 below, the annual report for 2017 showed an overall average improvement in the speed of delivery of services by KBRA and MBRC during the past four years.

Figure 3: Average Days to Register a Business Organization 2014-2017



To ensure effective transfer of knowledge for the development of these reports in the future, the project and KBRA held several workshops, at which KBRA officers and project advisors worked closely together to develop the reports. The workshops focused on the practical aspects of preparing the report, collecting and analyzing the necessary data, and presenting the data in a consistent and easy to understand format. A series of workshops jointly organized by KBRA and the project discussed the progress made on the WBDB *Starting a Business* indicator and new performance measurement system for business registration, as well as the new Law on Business Organizations.

As part of the WBDB reform initiative, the project also supported a joint initiative of MTI/KBRA and Ministry of Finance/TAK to eliminate several legal and operational barriers to starting a business, as captured by the *Starting a Business* indicator of the WBDB Report. As a result, on May 30, 2016, the Ministry of Finance adopted the AI 03/2016 (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=12507>), which:

- ❖ Eliminated the legal basis for TAK “educational visits” to new businesses, thereby reducing direct contact with taxpayers as recommended by the Project and the IMF;
- ❖ Eliminated the requirement for TAK to conduct a verification inspection prior to the issuance of a VAT certificate; and
- ❖ Consolidated the process for registration of employees with TAK, eliminating it as a separate procedure, and requiring that this procedure be conducted online as part of the regular monthly tax filing.

At the KBRA’s request, and as a result of the project’s own research on the business registration system in Kosovo, the project conceptualized and awarded two grants to two local organizations for the following activities:

- I. Providing training in customer service and related topics to personnel engaged in business registration in Kosovo; and

2. Conducting a functional analysis of the operations and organization of the business registration system in Kosovo.

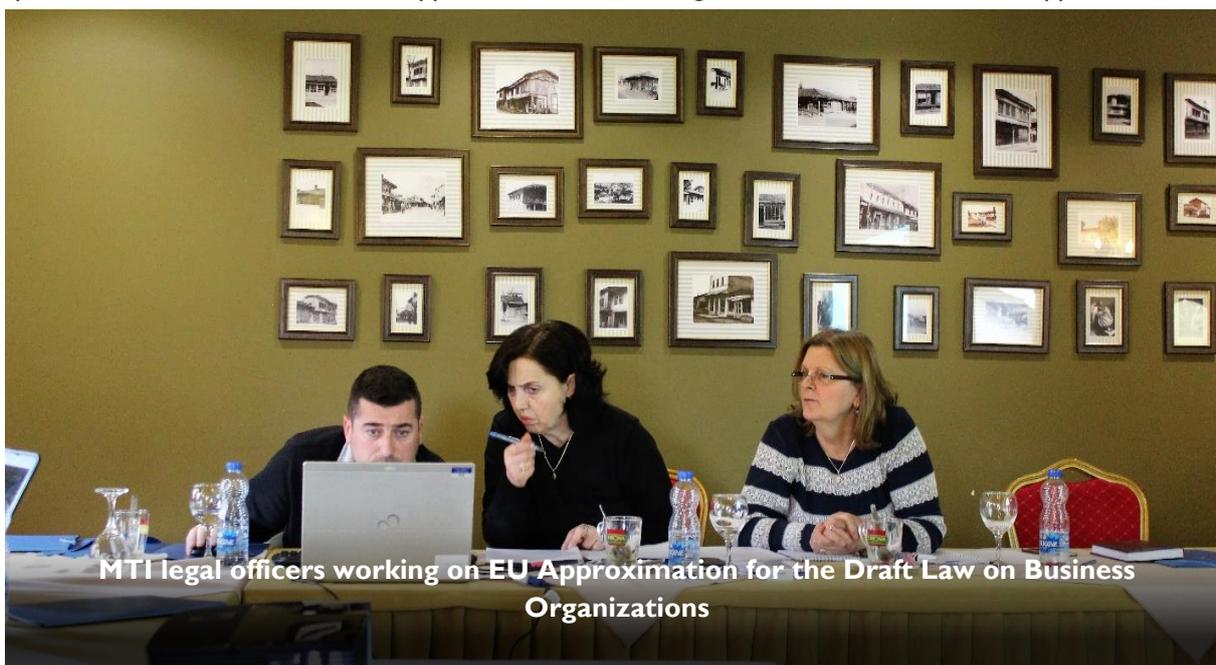
RTC, the grantee for customer service training, developed and carried out its training program on schedule. The training program provided two days of highly interactive training on customer service-related topics. A total of 53 staff members from 26 municipal business registration offices and the KBRA's central office received the training. The KBRA and project collaborated on a presentation on the role of business registration in a market economy, which was given at each training session. DNC, the grantee that conducted the functional analysis, provided its final report with recommendations in February 2015.

To meet the requirements of the SAA between Kosovo and the EU, maintain advancements made in past years in the business registration process, and improve the protection of minority investors in corporations, MTI and KBRA requested the project's support in drafting a new Law on Business Organizations. In Year 3, the project supported a working group composed of MTI, TAK, and other representatives to draft the first version of the **new Draft Law on Business Organizations**.

The drafting of the new law was guided by several key principles, including the further simplification of provisions related to business registration, ensuring the inclusion of additional protections for minority shareholders and related party transactions, and ensuring the approximation of the new draft law to the respective EU legislation, as required by the SAA between Kosovo and the EU.

Due to the importance of the Law on Business Organizations for implementation of the SAA, the project recommended that the first draft of the new law undergo a special review by an EU company law expert to determine the level of approximation with existing EU legislation in business registration and company law, and to identify and propose any needed changes. For this purpose, the project engaged a European business registration and company law legal expert to conduct this review, which resulted in the preparation and submission to MTI of a comprehensive analysis showing the relation of each provision of the new Law on Business Organizations to existing EU legislation.

The new Law on Business Organizations, including the changes proposed by the European business registration and company law legal expert, was then reviewed for approximation with EU legislation at the Ministry of European Integration (MEI). The opinion issued by the MEI confirmed MTI's argument from the tables of conformity that the Draft Law is partially in line with EU legislation. Although most of the provisions of the Draft Law were approximated with EU legislation, MTI decided to not approximate the



Draft Law with several EU Directives at that time due to limited implementation capacities within the Kosovo government.

The new Law on Business Organizations was then reviewed and approved by the Kosovo government in its meeting held on March 14, 2017, and submitted to the Assembly for review and final adoption. However, due to political developments in which the Assembly of Kosovo voted in favor of a motion for a vote of no confidence in the Government, early parliamentary elections were declared for June 2017. In accordance with the Constitution and Rules of Procedure of the Assembly of Kosovo, following the dissolution of the Assembly, the Draft Law on Business Organizations, along with all other laws pending approval by the Assembly of Kosovo, were returned to the government.

In preparation for resubmission of the Law after the formation of a new government, the project supported MTI to prepare a consolidated version of the new law incorporating all amendments made by the Assembly of Kosovo before its dissolution.

Following the formation of a new government in September 2017, MTI revisited the new law, and the new government reapproved it on October 20, 2017, and sent it to the Assembly of Kosovo for adoption.

During the review by the Assembly of Kosovo, the project provided support to MTI and the Assembly in reviewing practices for the establishment of a gender quota for non-executive board members in JSCs. This review was requested by MTI and the Assembly of Kosovo following a proposed amendment from one of the Members of the Assembly proposing the establishment of a 40 percent quota for the participation of women in boards of directors of JSCs, which would be further increased to 50 percent two years after the Law on Business Organizations enters into force.

The project presented its findings in a memo submitted to MTI and the Committee for Economic Development, Infrastructure, Trade, Industry, and Regional Development (Functional Committee), which included a comparative analysis of similar requirements in EU countries. According to the analysis, the proposed amendment, which establishes a quota for all JSCs regardless of size or ownership of shares, is not applied in such a generalized form in European countries, where similar requirements usually apply to publicly listed JSCs, broad-based ownership JSCs with more than 250 shareholders, or state-owned JSCs. The Functional Committee subsequently decided not to support the proposed amendment. However, despite strong opposition from MTI and business associations, this amendment was approved by the Assembly of Kosovo in its plenary session, and the new law was forwarded to the President of Kosovo for promulgation.

The president of Kosovo decided not to promulgate the new Law and sent it back to the Assembly of Kosovo, requesting that the Assembly reconsider the provisions establishing the gender quota. The president's reasoning focused on a possible violation of the constitutional provisions stating that Kosovo is a free market economy and noted that the establishment of gender quotas by law for private sector entities is not common practice and may have a negative impact on Kosovo's business environment.

Following the return of the new Law to the Assembly of Kosovo, in accordance with Article 61 of the Rules of Procedure of the Assembly of Kosovo, the Functional Committee supported the president's recommendation to delete the provision of the Law setting the gender quota. The Functional Committee's report with recommendations was then submitted for final approval by the Assembly in a plenary session, where it failed to receive the required 61 affirmative votes to be approved. As a result, the gender quota remained, and the new Law was published in the Official Gazette of Kosovo and entered into force on May 24, 2018 (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=16426>).

At the request of MTI's Department of Industry, the project reviewed an initial draft of a concept document developed by the Department with the aim of amending the existing Law on Tourism to introduce several

changes related to certification of tour guides, classification and categorization of tourism accommodation facilities, insuring tourism packages, and several other issues. After analyzing the proposals contained in the concept document, the project engaged a tourism policy expert to review the concept document and policy, legal, and regulatory framework in the area of tourism more broadly, and to submit recommendations to MTI.

The tourism policy expert reviewed the concept document and Kosovo government's overall tourism policy and summarized the findings in a report on tourism policies. The report analyzed the government's current approach in the area of tourism and specifically addressed the policy objectives outlined in the draft concept document.

Following submission of the report, the project, USAID EMPOWER, and USAID representatives briefed the minister of trade and industry on the report's content and reiterated their opinion that MTI should review most of the policy issues outlined in the draft concept document again to determine compatibility with MTI's priorities and objectives for the tourism sector.

The minister clarified that MTI's main objective was to ensure the functionalization of a public-private consultative body that would be the main body responsible for public-private dialogue and informing policies in the area of tourism. On this point, the project informed the minister that, based on its review conducted to date, the National Tourism Council that exists under the current law and includes representatives from the private sector could be further strengthened to function as a mechanism for public-private dialogue in this area.

The project also supported the MTI Legal Department and MTI Market Inspectorate in preparing an analysis on the practices of EU member states regarding **market surveillance** structures. The analysis found that the overwhelming majority of EU member states conduct market surveillance through government bodies at the central level, rather than at the regional or local level. This analysis will help MTI decide whether the municipal market inspectorates should be brought under the authority of the MTI Market Inspectorate, as current law requires, or be formally transferred to municipal authority.

The project recommended, among other things, that (1) the Market Inspectorate's scope of authority be limited to market surveillance, (2) the Market Inspectorate serve as the central coordinating body (inquiry point) for market surveillance, and (3) market surveillance be conducted at the central level only.

At MESP's request, the project supported the development of the legal and regulatory framework for **licensing of architects and engineers in the area of construction**. Initially, the project recommended that MESP launch a registration process for all architects and engineers involved in construction in Kosovo. To make this possible, the project supported MESP to issue a new AI amending the existing AI on the Professional Examination and Licensing of Architects and Engineers in the Field of Construction (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=12012>). Following adoption of this AI, MESP launched the registration process and, according to official data, as of December 2017, the total number of registered architects and engineers was 1,068, including 456 architects, 439 construction engineers, 61 mechanical engineers, and 112 electro-technical engineers (<http://www.mmph-rks.org/sq/Regjistri-per-Arkitekt-dhe-Inxhinier>).

The project also supported MESP to draft the Concept Document on Regulation of the Profession of Architects and Engineers in the Area of Construction, as a precursor to the drafting and adoption of the Law on Chambers of Architects and Engineers in the Area of Construction. In drafting the concept document, the project used best practices developed by the GCS-OPM to ensure that the drafting process itself was used as a learning opportunity for MESP officials. The concept document drafted with project

support was approved at a Kosovo government meeting held on June 22, 2016 (<http://kryeministri-ks.net/qeveria-e-kosoves-mbajti-mbledhjen-e-96-te/>).

Following approval of the concept document, the project assisted MESP in developing the Draft Law on Chambers of Architects and Engineers. A first draft was submitted to MESP and is still under review.

At the request of the economic advisor of the speaker of the Assembly of Kosovo, the project developed two research memoranda for the Office of the President of the Assembly that propose an initial roadmap for **streamlining the process of issuing mining licenses**. The first memorandum analyzes the conflicts between the Law on Mining and Minerals, the Law on Agricultural Land, and the Law on Forestry, with respect to the permissible periods of validity and size of land area for the purposes of mining operations, and provides recommendations on how to resolve these conflicts through legal amendments harmonizing the two laws. The second memorandum describes possible alternative ways to organize a single point of contact at the Independent Commission on Mines and Minerals (ICMM) as a way to simplify and streamline the process of obtaining a mining license.

The project discussed these ideas in a joint session held at the Assembly of Kosovo with representatives from the Presidency of the Assembly, ICMM, and MED. After internal discussions, the project was informed that ICMM had reviewed the project's first memo on the conflicts between the Law on Mining and Minerals and Law on Agricultural Land and decided to institutionalize the approach proposed in the memo, according to which the Law on Mining and Minerals takes precedence before any other law.



MESP Minister and General Secretary with USAID Mission Director James Hope at legalization event

COMPONENT 2: IMPROVED IMPLEMENTATION OF CONSTRUCTION REFORMS

The work and support under this component has been organized into three broad objectives:

- ❖ Support implementation of streamlined construction permitting process and provide a roadmap for the adoption and implementation of EN Eurocode construction standards;
- ❖ Support implementation of the law on spatial planning;
- ❖ Support implementation of the program for treatment of constructions without permit.

Under Objective 1, the project supported MESP and municipalities to improve the secondary legislation on construction permitting. In addition, the project supported the introduction of a PTS to help municipalities and citizens track and monitor the process of construction permits, introduced the OSS service in Prishtinë/Priština municipality, and laid the groundwork for the adoption and implementation of EN Eurocode construction standards.

Under Objective 2, the project supported MESP and municipalities to complete the secondary legislation needed for implementing the Law on Spatial Planning, built capacities for implementing the new concept of zoning, and worked with MESP to adopt a simple mechanism for monitoring municipal progress in implementing spatial planning reforms.

Under Objective 3, the project supported MESP and municipalities with the first phase of implementing the Law on Treatment of Constructions Without Permit, which included the registration of 352,824 unpermitted constructions. Following the Kosovo government's decision to amend the Law on Treatment of Constructions Without Permit before subsequent phases, the project supported the drafting of a new law and secondary legislation.



Project accompanies municipal construction inspectors during site visit

C2-1: SUPPORT IMPLEMENTATION OF STREAMLINED CONSTRUCTION PERMITTING PROCESS AND FACILITATE ADOPTION AND IMPLEMENTATION OF EN EUROCODE CONSTRUCTION STANDARDS

During the first months of its implementation, the project supported MESP to finalize and approve the **AI on Setting Procedures for Submission and Review of Applications for Terms of Construction and Construction Permits for Category III Projects**. This AI, required by the Law on Construction, established permitting procedures for projects classified as high-risk or involving national interest (Category III). The list of Category III constructions is an annex to the Law on Construction and includes many infrastructure projects and large foreign investments. Project support to this AI included comments which, among other things, proposed full harmonization with the AI on Construction Permit Administrative Fees and Infrastructure Regulatory Charges, references to European and Kosovo law, and suggestions on improving coordination between different public authorities involved in the permitting process for Category III constructions (<https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=10218>).

With project support, MESP also drafted and approved a new **AI on Construction Permit, Demolition Permit, and Administrative Fees and Infrastructure Regulatory Charges**. This AI, which replaced an earlier version (MESP AI no. 22/2012), established procedures for calculating and setting fees for construction permits, demolition permits, and infrastructure regulatory charges. The new AI allows applicants to pay the construction permit fee in installments and introduces lower fees for demolition permits. The approval and effective implementation of this AI will potentially further improve the WBDB *Dealing with Construction Permits* indicator (<https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=16479>).

In Years 4 and 5, the project supported MESP to revise and replace three other AIs in the area of construction permitting to address several issues identified during the analysis of the WBDB indicator on *Dealing with Construction Permits*. This was done in the context of the new doing business reform cycle (DB 2018) and included changes to the following pieces of legislation:

- ❖ **AI for Inspection Supervision and Procedures for Issuing the Occupancy Certificate** — the revised AI, adopted in May 2017, replaced AI no. 18/2013. The new AI further simplifies inspection procedures, introduces a risk-based approach for inspections, and ties required inspections to the risk level of the permitted building. The new AI also provides more clarity on

the role and responsibility of the site supervisor on the process of overseeing the work in the construction site (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=14820>).

- ❖ **AI on Setting Procedures for Submission and Review of Applications for Terms of Constructions, Construction Permits, and Demolition Permits for Category I and II of Constructions** — this AI, adopted in May 2017, replaced AI no. 10/2013. The new AI further simplifies procedures and technical requirements for obtaining terms of construction, construction permits, and demolition permits, introduces a risk-based approach to permitting requirements, and requires less time for preparation of documents by professionals and review by municipal officials (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=14823>).
- ❖ **AI on Construction Categorization** — this new AI, adopted in May 2017, replaced AI no. 09/2013. This new AI further defines construction categories, classifying more types of low-risk constructions, such as houses of up to 450 square meters and low-risk warehouses up to 1,500 square meters, under Category I (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=14819>).

During the drafting process of the three AIs listed above, municipalities were involved mainly through the respective municipal collegia as part of the Association of Kosovo Municipalities. After the adoption and entry into force of these AIs, two workshops were organized where the changes and improvements to the existing legal framework were presented to representatives from urban planning and inspection directorates from 20 municipalities, representatives from MLGA and MPA, the private sector, and members of relevant professions.

At the local level, the project, working closely with MESP, reviewed **the Regulation on Construction Permit Fees of Prishtinë/Priština Municipality** and provided comments, including noting the need for this regulation to be in full harmony with the current legal framework with respect to construction permit fees, which was taken into account by the municipality before the regulation's adoption (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=15292>).

To further advance the construction reforms based on the Law on Construction and associated secondary legislation, the project worked with MESP to select five pilot municipalities (Fushë Kosovë/Kosovo Polje, Gračanica/Graçanicë, Hani i Elezit/Elez Han, Pejë/Peć, and Prishtinë/Priština) on which to focus their support. This support included the design and launch of a **construction permitting tracking mechanism (PTS)** and further strengthening of the construction inspections system.

The design and use of the PTS by five pilot municipalities, initially through a Google Sheets platform, aimed to ensure greater transparency for citizens on the status of their construction permit application and hold municipal administrations more accountable for the management of the construction permitting process. Among other things, the PTS tracks the time it takes to issue construction permits and whether the methodology for calculating the construction permit fee is correctly applied. In addition to introducing the PTS, these five municipalities published relevant information extracted from the PTS on their websites.

Prishtinë/Priština, as the first municipality to start using the PTS, posted a spreadsheet on a big-screen television in the municipal building and its website to showcase the results (<https://kk.rks-gov.net/prishtine/lejet-2017-urbanizem/>). The project and MESP then worked with the other four pilot municipalities to replicate the PTS launched in Prishtinë/Priština. This was achieved in a workshop supported by the project, at which Prishtinë/Priština municipality presented before the other four municipalities, demonstrated how the system functions, and explained how the PTS helps them better manage permit applications while promoting good governance and transparency. As a result of the workshop, and with project mentoring, all five pilot municipalities established and posted the PTS.

Although there was no data before the introduction of the PTS to measure the issuance time of construction permits or accuracy of fee calculation, after the launch of the PTS, constant improvement was noted in all five pilot municipalities:

- ❖ On average, **100 percent of all construction permits were issued on time** from all pilot municipalities (excluding Prishtinë/Priština, given data-processing challenges due to complexities in calculating times associated with additional documents requested and delays caused by permit applicants); and
- ❖ On average, **99 percent of all construction permit fees were calculated correctly.**

Following the success in using the PTS in these five municipalities, the project worked with MESP and MLGA to roll the PTS out to all municipalities. It was agreed that the best option to roll out the PTS to all municipalities was to integrate it as a separate module within the Municipal Performance Monitoring System MLGA is developing, with support from the DEMOS project funded by the Swiss Development Agency.

As part of the development of the Municipal Performance Monitoring System, DEMOS agreed to fund the development of an advanced PTS module. The new PTS module is expected to have a unique domain name, with a single location for all citizens to retrieve information about their permits, regardless of where the permit application was submitted. It will also provide notices to municipal management to allow them to better manage the construction permitting process. Using lessons learned from the launch of the existing PTS, the project and MESP worked with MLGA and DEMOS to design the new PTS module. Although all the technical preparations have been made and the PTS module was developed, it remains on hold and has not been made accessible, because MLGA is developing new websites for Kosovo municipalities. As soon as new municipal websites are launched, the Municipal Performance Monitoring System will be functionalized, including the PTS module.

Activities aimed at supporting the five pilot municipalities to strengthen their construction permitting systems continued with a focus on promoting **phased technical inspections**, as an important element for ensuring that the work on a given construction project is inspected by phases for conformity with the permitted technical design and specification (as discussed to the right). Such phased inspections simplify the procedures for obtaining a certificate of occupancy. Among the five pilot municipalities, Fushë Kosovë/Kosovo Polje had been conducting phased inspections, using qualified engineers and the required inspection card, and helping other pilot municipalities

“We are happy if the municipality conducts phased inspections because with these inspections, we will be sure at the end to be able to get an occupancy certificate that will enable us to register the building in the Cadaster. And this is what is important to the people who will be buying our apartments.”

Mr. Besnik Murati, from the construction company “Prime Group”, August 17, 2015

learn from their experience. The project conducted a **technical workshop for construction inspectors** designed to help inspectors gain the understanding and confidence to begin conducting phased technical inspections. The workshop included field inspections of four different construction sites at varying levels of completion, checking the construction, comparing technical documentation with what was actually being built, and reviewing test results to confirm appropriate construction materials and methods. During the site visits, the inspectors talked with developers, who were happy to see the inspectors receiving training to do phased inspections.

An important achievement for construction permitting reform was **the creation of an OSS service** for construction permit applications in Prishtinë/Priština municipality, where applicants can go to a single

window for their construction permit and utility approvals. In Year 3, the project supported MESP to conclude a memorandum of understanding between Prishtinë/Priština municipality, the Regional Water Company, and the Kosovo Electrical and Distribution Company (KEDS) to create the OSS, streamlining the permitting process and making construction approvals easier for applicants.



Signing ceremony of MoU on the establishment of a One-Stop Shop for Constructions Permits in Prishtinë/Priština municipality

Later, in Years 4 and 5, the Project supported MESP and Prishtinë/Priština municipality to improve and expand services being provided by the OSS. As a result of this support, in Year 4, the OSS included the issuance of fire protection consents and environmental consents, required as part of the construction permitting process.

Before the operationalization of the OSS, applicants had to personally visit the municipality of Prishtinë/Priština, the Regional Water Company, and KEDS to obtain the approvals necessary for construction. This process was time consuming, and multiple steps were noted by the World Bank in the WBDB *Dealing with Construction Permits* indicator. Now, as a result of this service, applicants interact only with the municipality of Prishtinë/Priština, which communicates with the utility providers on the applicant's behalf.

In Year 5, representatives from MESP and the municipality agreed to work together to further promote the OSS service by preparing and publishing regular operational performance reports, which will better inform citizens on the availability and usage of this service. In addition, such performance-based reporting serves to further improve the internal management of the OSS service. A draft of this report has been prepared with project mentoring and, in coming months, will be finalized and published.

Through a grant activity, the project supported the preparation of a **Guidebook for Technical Documentation Presentation Package for applications for terms of construction and construction permits**. This guidebook is a desk reference for professionals that contains methodology and design templates for unified technical documentation presentation, based on International Organization for Standardization (ISO), European Committee for Standardization (CEN), and other international standards. Design standards and the corresponding codes of practice and documentation were compiled with input from professionals in the design and construction industry, academia, municipalities, and MESP. These templates will assist architects and engineers to more quickly, easily, and uniformly prepare technical documentation. The technical documents package will also help municipal authorities check applications for construction permits faster and easier.

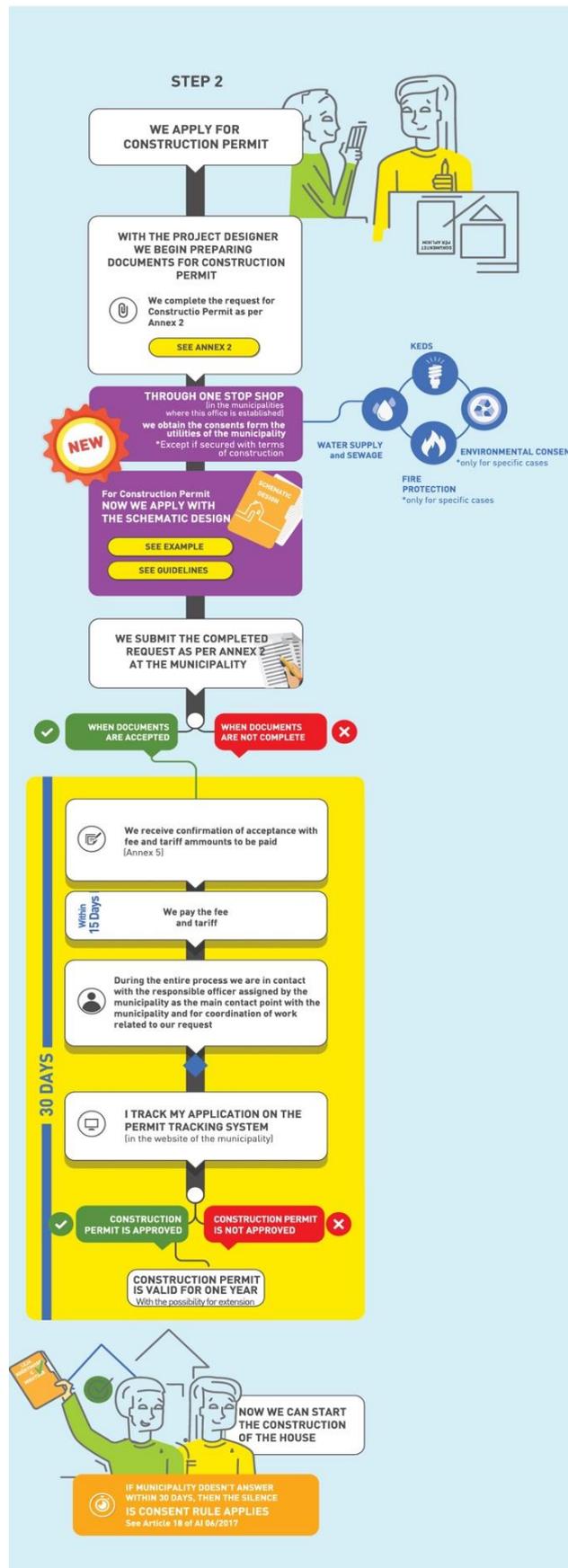
During the drafting process, to gain support and private sector technical input for the guidebook, project grantee Essentia held four workshops with relevant professionals. This outreach included urbanism department officials from a number of municipalities, the Architects' Association, professors from Public University "Hasan Prishtina," and architects and engineers ([https://dphnb.rks-gov.net/Fazat/Udhezuesi Shqip/Udhëzuesi_Shqip_Final_Interactive.pdf](https://dphnb.rks-gov.net/Fazat/Udhezuesi/Shqip/Udhëzuesi_Shqip_Final_Interactive.pdf)).

In light of changes to the construction permitting process, as a result of the new AIs and other operational changes that have accumulated over time, the project supported MESP and municipalities to **prepare and publish infographics illustrating the construction permitting procedures for category I, II, and III constructions (see box)**. For each of the three construction categories, the respective infographic presents three main steps applicants will have to follow when applying and building a construction:

- ❖ Step 1 — application for terms of construction;
- ❖ Step 2 — application for construction permit; and
- ❖ Step 3 — construction work; inspection and application for the certificate of occupancy.

In addition, the project developed an interactive web application with hyperlinks to all related documents and forms to be filled by the applicant and/or municipality. The application has been published on the MESP website (https://mmph.rks-gov.net/sq/Publiki_me/Si-te-pajisem-me-leje-ndertimore-2318), with future plans to place it on municipal websites as well. This visual presentation of the construction permitting process will help citizens better understand permitting procedures and provides all necessary information for the permitting process on a single platform.

Although the improved legal framework, OSS, infographics, and other reforms have had a streamlining effect, and will continue to do so in the medium to long term, the construction



Construction permitting infographic for category I constructions

permitting process in Kosovo should gradually move toward **introducing the concept of e-permitting for construction permits**. In this context, the project encouraged MESP to cooperate with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), which is interested in exploring the possibility of an e-permitting system. In Year 2, MESP, with project support, participated in a series of workshops/visits organized by GIZ to promote e-permitting for construction permits in the region, including a visit to Skopje and Belgrade to discuss the new e-permitting programs. GIZ retained a consulting company to evaluate the legal framework and professional skills in Kosovo to determine what changes, if any, are needed to support an e-permitting system. The project provided input for this analysis.

In Year 3, a project representative accompanied the MESP minister and his team to the 2nd International Conference on “E-Permitting for a Competitive Region,” held in Tirana on May 5-6, 2016. The project also supported MESP in its preparations for attending the first meeting of the Regional Cooperation Council Working Group on Spatial Planning, Building Permitting, and Infrastructure in Belgrade, Serbia, on October 24, 2016. This working group was composed of representatives from Albania, Serbia, Montenegro, Bosnia and Herzegovina, and Kosovo, and was a continuation of the regional cooperation on e-permitting initiated by the GIZ Open Regional Funds for South-East Europe.

Though it may still take more time for Kosovo to introduce e-permitting, it is important that MESP and other institutions continue to participate in such events to learn more about regional initiatives and apply best practices in Kosovo.

In line with a MESP priority to have a **Unified Construction Code** that will lay out the technical framework for ensuring safer buildings and more uniform construction activities, the project supported development of a preliminary memorandum on development and adoption of a construction code. The memorandum proposed that Kosovo first move gradually toward adoption of the EN Eurocodes and other European standards and norms, as well as development of national annexes and technical regulations based on the EU directives, which will allow Kosovo to more closely align with EU standards, coordinate technical language, and finally have all parts of a Unified Construction Code, with the technical requirements for the Kosovo context. The EN Eurocodes cover all aspects of structural construction, including design rules, material properties, execution of structures and special works, specifications for construction products, and quality control.

Based on the approach proposed by the project, the Kosovo Standardization Agency (KSA) further strengthened its communication and partnership with the Albanian General Directorate of Standardization (AGDS). In Year 3, this partnership resulted in AGDS providing KSA with the remaining EN Eurocode construction standards in the Albanian language, which enabled KSA to adopt all 10 EN Eurocode construction standards (EN 1990-1999), in 58 Eurocode parts, covering specific areas of construction.

After the KSA adopted all 10 EN Eurocode standards, the project supported MESP and KSA in developing a detailed **Roadmap for the Adoption and Implementation of the EN Eurocode Construction Standards**, which proposes that, for the EN Eurocode Standards to become mandatory and functional in Kosovo, the government needs to develop the required nationally determined parameters (NDPs) and national annexes (NAs). The roadmap lists several specific tasks and activities, separated into short, medium, and long-term actions for consideration by respective authorities.

The roadmap reiterates that the process of adopting, implementing, and promoting the EN Eurocode construction standards with the required NDPs and NAs is a complex undertaking that requires strong commitment by all parties in the public and private sector, including the allocation of adequate human and financial resources. Furthermore, successful implementation of the proposed roadmap depends on several assumptions, including the following:

- ❖ Refinement of the organizational structure of Technical Committee 19 (KT 19), to match the CEN/TC 250 structure;
- ❖ Involvement of the professional community in the process; and
- ❖ Full membership of KSA in the European Committee for Standardization.

In addition, close cooperation with all stakeholders, including with external/foreign institutions, such as regional institutes, associations, and beyond — for example, the EU Joint Research Centre (JRC) — is strongly recommended.

When the Roadmap was completed, the project and MESP presented it to the members of the Eurocode Technical Committee and professionals consulted during the drafting process. MESP and KSA expressed their commitment to work together toward implementing the activities outlined in the roadmap. The functionalization of the EN Eurocodes and other European standards and norms and development of the NAs and technical regulations based on EU directives is vital, as this will allow Kosovo to align more closely with EU standards toward safer building structures.

In line with the roadmap's recommendations to strengthen cooperation with external/foreign institutions, a Kosovo delegation composed of MESP officials, the head of the KSA technical working group for adoption of the EN Eurocodes and a project representative visited the JRC in Italy, which is responsible for the promotion of EN Eurocodes outside the EU (<https://ec.europa.eu/jrc/en> and <https://ec.europa.eu/jrc/en/research-topic/standards-construction-eurocodes>). On this visit, the Kosovo delegation met with the head of the Safety and Security of Buildings Unit, and scientific and technical officers at the Institute for Protection and Security of the Citizen and the European Laboratory for Structural Assessment. From presentations and the lab visit, Kosovo officials learned about the benefits of Eurocode implementation as a new, modern, and harmonized code for Europe that will enable a single market for products and engineering services and strengthen the global competitive advantage of the European construction industry. JRC expressed its readiness to support MESP toward EN Eurocode adoption and implementation, and to facilitate coordination of MESP activities with regional countries.



The project also supported MESP to identify an additional 50 ISO design and construction standards and 30 ISO technical drawing standards, both of which MESP submitted to KSA for adoption. These ISO standards will supplement the EN Eurocode standards for technical vocabulary and calculating gross and net floor area, which is used in determining construction permit fees. Adoption and integration of these standards will help make construction permit fees more uniform across the country.

During the implementation of the construction permitting reform activities described above, the project made additional efforts to closely link the activities with the WBDB Reform Initiative also supported by the project. In this regard, the project supported MESP, KSA and Prishtinë/Priština municipality with the identification and implementation of reform activities for two WBDB indicators, *Dealing with Construction Permits* and *Registering Property*. As reported above, several of these activities were successfully implemented. In addition, the project also supported the MESP-led WBDB working groups for these two indicators to effectively coordinate with the Task Force at MTI.



Hands-on experience with new zoning concepts

C2-2: SUPPORT IMPLEMENTATION OF LAW ON SPATIAL PLANNING

To complete the spatial planning secondary legislation, during the first months of its implementation, the project supported MESP to draft, review, and approve the **AI on Sections and Basic Requirements for Design, Implementation, and Monitoring of Municipal Development Plans** and **AI on Basic Elements and Requirements for Design, Implementation, and Monitoring of Municipal Zoning Maps**.

In close consultation and cooperation with the EU-funded Implementation and Enforcement of Rural Spatial Planning (IRuSP) Project, the project supported the MESP working group responsible for drafting these AIs with significant drafting and technical aspects. In addition, the project helped the MESP Division of Spatial Planning conduct internal outreach to build consensus within the ministry and integrate comments received.

Furthermore, the project supported MESP with the process of public consultations, including the integration of comments received from the MLGA, the Ministry of Agriculture, Forestry, and Rural Development (MAFRD), the Institute of Spatial Planning (ISP), the EU IRuSP project, and other stakeholders.

Additionally, because MZMs are the heart of spatial planning reforms (see box at right), MESP and the project hosted a three-day workshop for municipalities, which included practical small-group exercises over the course of two days on the subject of zoning, and a final session for participants to discuss the draft AI itself and provide questions and comments. The workshop was attended by spatial planners and lawyers from 22 municipalities, with participants actively engaged in deepening their understanding of zoning concept in general, and draft AIs in particular.

“Kosovo is currently transitioning to a spatial planning system that is based on zoning, which I believe will lead to overall improvement of the planning process. This draft AI increases the level of flexibility for municipalities in conducting spatial planning and allows municipalities, architects and spatial planners to keep up with the ever-increasing dynamism of development and also allows architects and planners to create better and sustainable buildings.”

Kushtrim Kicaj, Urbanism Director of Suharekë/Suva Reka municipality, December 16, 2015

After this intensive mentoring, technical support, and outreach, the minister of environment and spatial planning approved and signed both AIs:

- ❖ AI on Sections and Basic Requirements for Design, Implementation, and Monitoring of Municipal Development Plans (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=11671>); and
- ❖ AI on Basic Elements and Requirements for Design, Implementation, and Monitoring of Municipal Zoning Maps (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=11684>).

The approved AI on municipal development plans replaced the AI on Municipal Spatial Development Plan, with changes focused on setting specific and measurable goals for each sector, rather than placing heavy emphasis on a profile analysis with little attention to actual planning, implementation, and monitoring. In addition, the new AI explains in detail all the steps and procedures a municipality must follow for drafting, implementing, and monitoring the MDP.

The new AI on MZM sets out all steps and defines the basic procedures, elements, and requirements for the drafting, implementation, and monitoring of MZMs. It also sets the zoning principles for achieving municipal spatial planning goals and objectives, as defined in the MDP. These two AIs complete the set of criteria that municipalities need to fulfill to govern the organization and functioning of all local-level spatial planning activities.

In Years 2 and 3, after conducting thorough research of national-level spatial planning strategies and gathering feedback from ISP, the project helped MESP draft and approve the AI on Sections and Basic Requirements for Drafting, Implementation, and Monitoring of the SPK. This AI, a joint product of the Department of Spatial Planning, Construction, and Housing (DSPCH) and ISP, was approved in December 2016. This legal document sets the requirements for drafting, implementation, and monitoring the SPK, the highest level of spatial planning document, which all lower-level spatial plans in the country must comply with (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=13125>).

The minister of environment and spatial planning also approved and signed the **AI on Elements and Basic Requirements for Drafting, Implementation, and Monitoring of Zoning Map of Kosovo**, which took effect in December 2016. Although the initial draft of this AI was prepared with support from the EU IRuSP Project, the project supported the DSPCH in holding the necessary consultations with all stakeholders before the document was finalized and made significant additions to harmonize the AI with the rest of the legal framework (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=13195>).

The project also supported the drafting and approval of the **AI on Spatial Planning Technical Norms**, which sets the basic technical criteria that must be applied when drafting spatial planning documents. The initial draft of this AI was prepared by UN Habitat, and the project provided significant support to MESP by conducting needed research and submitting comments on the draft.

The project's comments aimed to establish norms that provide a healthy and safe environment, recommended revision of sections related to land-use classification, and highlighted the need to comply with the EU "INSPIRE" Directive and zone categories to harmonize with the zoning map concept and AI on MZM. After considering the project's comments, MESP finalized this AI, which was approved and signed by the minister of environment and spatial planning in June 2017. This AI and its annexes set technical norms for spatial planning for the very first time for the Kosovo context, which is important for the development of appropriate standards of living and adequate access to public services (<https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=14822>).

The project supported the drafting of the **AI on Elements and Basic Requirements for the Design, Implementation, and Monitoring of the Detailed Regulatory Plans (DRPs)**, which was approved in March 2018. In the past, municipalities spent considerable time and resources to prepare detailed plans for just a few urban areas within the municipality, and rural areas were left without set development conditions. One of the major reforms under the new Law on Spatial Planning is to move away from DRPs in favor of municipality-wide zoning maps, which allow local governments to plan for their entire territories and provide more transparent and flexible development conditions to allow market forces — rather than government spatial planners — to drive development. However, there may be cases when DRPs need to be drafted, and this AI sets the criteria for when a DRP must be drafted and the steps necessary for drafting such a document (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=16141>).

The project helped MESP to finalize the draft **AI on Classification, Duties, Responsibilities, and Content of the Elements and Basic Requirements for Drafting, Implementing, and Monitoring of Spatial Plans for Special Zones**. The project's support was focused on helping MESP address issues linked with classification of special zones, content of elements and sections of the plans, requirements for the design of the Spatial Plans for Special Zones (SPSZ), and duties and responsibilities within MESP related to drafting, implementation, and monitoring these zones. The project supported MESP, DSPCH, and ISP to harmonize this AI with the AI on the ZMK. This draft AI has passed all legally required steps and now awaits formal approval.

MESP, with project support, also finalized the **AI on the Spatial Planning Database**. This draft AI, primarily drafted by the EU IRuSP Project, determines the procedures for the development, configuration, administration, and maintenance of the Consolidated Database for Spatial Planning and operation of Spatial Planning Application for Kosovo (SPAK). The project reviewed the draft and submitted comments for MESP's consideration, highlighting the need to align the draft AI with existing legislation and emphasizing the importance of zone presentation within the ZMK and MZM layers within SPAK. MESP is still considering this draft AI.

While support was being provided to MESP to complete the spatial planning legal framework, the project helped MESP and municipalities with various reform-driven activities to ensure that both levels of government are prepared to implement the new spatial planning legal framework. Such activities included building capacity for implementing the zoning concept, preparing guidelines for public participation in spatial planning, and preparing guidelines for the drafting and approval of MZM.

Capacity building for the zoning concept at both levels of government of Kosovo was identified as necessary, and for this purpose, in Year 1, the project engaged a zoning expert, Dr. Anthony Favro, to introduce the basics of zoning to both levels of government. Initially, the project, with Dr. Favro's support, offered training to around 30 MESP officials from DSPCH and the Institute for Planning by providing an overview of zoning and discussing zoning practice in the United States and Europe.

The next training was organized with municipalities, where MESP, with the project's support, held a roundtable with 75 participants from 19 municipalities, describing how the Law on Spatial Planning introduces the concept of a municipal-wide zoning map which shall cover every part of the municipality — both urban and rural. During the discussion, the project's zoning expert highlighted the importance of using zoning for sustainable economic development and how zoning makes land use more predictable, streamlines construction permitting, allows municipal planners to address the needs of all citizens, and more efficiently protects natural resources. In addition, Martin van Dijken from the EU IRuSP Project gave a presentation on how zoning can be used to protect and develop rural land.

In Years 1 and 2, the project, through a grant activity, prepared a **Guidebook for Participatory Spatial Planning in Kosovo**. This guidebook was prepared with selected municipalities participating actively in the process. The guidebook explains specific participatory techniques and outlines the process of organizing spatial planning activities and public consultation, for the purposes of benefiting from an inclusive spatial planning document drafting process. MESP distributed the guidebook to all municipalities and posted the document on its website (<http://mmph-rks.org/en-us/Spatial-Planning-Division/GUIDEBOOK-FOR-PARTICIPATORY-SPATIAL-PLANNING-IN-KOSOVO-1415>).

While drafting this guidebook, project grantee Cultural Heritage without Borders (CHwB) was engaged to help five pilot municipalities (Gjakova/Đakovica, Malishevë/Mališevo, Pejë/Peć, Prishtinë/Priština, and Vushtrri/Vučitrn) involve the public in the development of different types of spatial planning documents. Throughout the course of the grant, CHwB helped the pilot municipalities engage 921 citizens in 30 public meetings and conduct a door-to-door survey of 1,303 people.

Following the zoning training and support to selected municipalities to carry out various public participatory spatial planning activities, in Years 3 and 4, the project helped MESP to draft and finalize the **Guidelines for Drafting and Approval of Municipal Zoning Maps**, so both the public and private sectors are equipped with a lasting product to guide zoning map development in the future. The guidelines, the first of their kind in Kosovo, provide step-by-step guidance and tangible examples starting from the initiation of the drafting of an MZM, the drafting process itself, the approval process, and its implementation once it is

approved. The document contains drawings and illustrations, examples of how to assign zones and draft development conditions, and sample text municipalities can use when drafting their own MZMs (https://mmph.rks-gov.net/repository/docs/USD-Publikimi-ENG-FINAL-WEB_349766_222346.pdf).

Following the completion of the Guidelines for Drafting and Approval of Municipal Zoning Maps, the project supported MESP to organize a launch event with municipalities to present and distribute the guidelines. The event was held on February 7, 2018, with the participation of 33 municipalities and 112 municipal staff from the departments responsible for municipal spatial planning and land management. The participants exchanged their experiences in spatial planning and discussed issues related to the process of initiating and drafting MZMs. In addition to the Guidelines on Drafting and Approval of MZMs, the Guidebook on Participatory Spatial Planning in Kosovo was also presented and distributed due to its importance for promoting meaningful public participation during the development of spatial planning documents.

To further support municipalities during the drafting of MZMs, the project supported MESP to prepare a **Model Program for Drafting and Management of the Spatial Planning Process for MZMs**. Before drafting an MZM, the Law on Spatial Planning requires municipalities to draft a program that specifies all steps, activities, methodology, public consultation level, responsibilities, and other details. This model program, which will help municipalities comply with legal requirements, was finalized and submitted to MESP for distribution to the municipalities.

To support DSPCH with monitoring and mentoring municipalities during the development of spatial planning documents, the project supported the drafting of **Status Tracking Tables** that DSPCH can use when tracking progress by municipalities in drafting spatial planning documents. The project also supported DSPCH to develop a set of checklists to review compliance of municipal spatial planning documents with central spatial planning documents, including the SPK, the Spatial Planning Technical Norms, and other spatial planning standards.

The Project also worked with local universities to promote spatial planning reforms. Architecture students from the **University of Pristina** were trained on the concept of zoning by the project's spatial planning experts. The lecture covered the approach, types, instruments, and techniques of zoning. Furthermore, approximately 60 students in the **University for Business and Technology's (UBT) Summer Academy** were trained on the overall spatial planning system in Kosovo, the concept of zoning, and specific zoning techniques and methodologies, such as overlay zones and zoning bonuses.

Furthermore, MESP, with support from the project, commemorated **World Urbanism Day** on Sunday, November 8, 2015, by involving young people in spatial planning. Several hundred school children from 21 primary schools from Prishtinë/Priština, Fushë Kosovë/Kosovo Polje, and Obiliq/Obilić participated in the "My Home — My City" drawing contest to present their visions for their future neighborhoods. The event encouraged children to express their visions for a better, safer, and more beautiful environment. Of the drawings submitted, 42 were selected for an exhibition in the main hall of the Rilindja building, where the MESP Minister hosted students, parents, professionals, and ministry representatives for a ceremony to award the top winners.



MESP Minister Ferid Agani visits primary schools during World Urbanism Day

Project-supported activities to complete the spatial planning legal framework, build the necessary capacities associated with that framework, and provide the necessary guidelines for public involvement in spatial planning and drafting and approving of MZMs have led to concrete results. Several municipalities have drafted and approved their MDPs in line with the new legal framework, with a significant number of municipalities in the process of drafting both MDPs and MZMs, and the principles and techniques set out in the *Guidebook for Participatory Spatial Planning in Kosovo* are being used for all spatial planning document drafting processes.

In addition to supporting and promoting municipal-level planning, the project encouraged and supported central-level institutions to begin **drafting the Zoning Map of Kosovo (ZMK)**. As a first step, ISP, with support from the project, organized a roundtable to bring together the central-level institutions instrumental in contributing the data necessary for drafting the ZMK. Representatives of 15 different institutes and departments gathered to be informed about the need and importance of having the ZMK, and to begin understanding their roles and responsibilities. Later, toward the end of the project, the ISP drafted the decision to initiate the drafting of the ZMK, which was signed by the minister of environment and spatial planning.

For the process of drafting the ZMK to be in harmony with regional and cross-border spatial planning developments, the project supported the ISP to analyze the spatial planning systems in neighboring countries. This analysis, which the project submitted to the ISP, will help the institute in conducting a comparative analysis and understanding these countries' spatial planning systems to find the most applicable means of cooperation, especially as relating to harmonization and managing cross-border areas. The activities and policies for managing these areas will be integrated within the ZMK.



Xhemajl Selman Lala becomes one of the first Kosovo citizens to register an unpermitted construction project on Legalization Day

C2-3: SUPPORT IMPLEMENTATION OF GOK PROGRAM FOR TREATMENT OF CONSTRUCTIONS WITHOUT PERMIT

One of the first activities the project supported was to help **MESP identify the resources needed to implement the Law for Treatment of Constructions Without Permit**. The project worked with MESP to create a workflow diagram and identify institutional responsibilities for the various phases of the legalization process. To coordinate activities within the ministry with municipalities and other involved institutions, MESP appointed an intra-ministerial working group for legalization and, at MESP's request, the project prepared a detailed organizational chart to structure this working group within the ministry. The working group then assigned specific personnel to be responsible for each task, which promoted a more effective handling of the legalization program and helped ensure that MESP could meet its responsibilities under the law. In establishing the working group and assigning tasks, MESP used personnel from multiple departments, including DSPCH, ISP, the communications office, IT, procurement, and Kosovo Cadastral Agency (KCA). This working group played a crucial coordinating role in the first phase of the legalization process.

After the creation of the working group, the project helped MESP prepare **Guidelines on the Treatment of Constructions Without Permit** to explain the process of treating constructions without permit and answer frequently asked questions. Once the new AI on health and safety (explained in more detailed below) was approved, the project helped MESP update the guidelines to include new requirements from this AI, more detailed directions for municipalities to improve decision making on legalization applications, and steps for the MESP Legal Department to follow in handling legalization appeals. The guidelines were printed by MESP and provide a valuable technical and regulatory reference for municipalities, citizens, design professionals, and others involved in the legalization process.

Simultaneously, the project assisted MESP in preparing and finalizing the secondary legislation needed for the implementation of the law, so that MESP and municipalities could proceed further upon completion of the registration process. The following three AI's were drafted and approved:

- ❖ **The AI on Basic Health and Safety Requirements for Treatment of Construction Without Permit.** This AI sets the basic safety standards, focusing primarily on structural stability, fire safety, and proper utility connections for completed or substantially completed construction projects without permits, and against which such constructions will be evaluated. (In Year 3, the

project helped MESP amend this AI to help municipalities and applicants with simplified documentation requirements for legalization through a reinterpretation of the existing law (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=12278>).

- ❖ **The AI for Documentation on Support of the Application on Legalization of Completed Construction of the Third Category.** This AI provides a list of the documents needed to support an application for legalization of construction categorized as high-risk or involving national interest (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=10243>).
- ❖ **The AI on Appeals Procedures for Decisions on Treatment of Constructions Without Permit.** This AI determines procedures for all phases of legalization which applicants must follow during submission of appeals, as well as procedures to be followed by competent bodies when reviewing and deciding on such appeals (<http://gzk.rks-gov.net/ActDetail.aspx?ActID=10834>).

With significant design and organizational support from the project, MESP and the EU IRuSP Project **finalized the registry**, which allowed municipalities to register unpermitted construction projects during the initial registration phase of the legalization process and manage the data, an important aspect due to the anticipated large number of illegal construction projects. The project supported MESP to update a step-by-step instruction manual originally prepared by the EU IRuSP Project explaining how to use the software which, following the development of the registry software, was used to train a large number of municipal and MESP officials on how to use the registry.

In preparation for the registration phase of unpermitted construction, the project supported MESP and municipalities on several other activities to ensure the registration process would proceed smoothly:

- ❖ With project and OSCE support, MESP held a **series of workshops on the legalization program**, with the participation of representatives from MESP departments, municipalities, various associations, and the private sector, to inform them on the content and requirements of the Law for Treatment of Constructions Without Permit and new AIs listed above. The workshops focused on the process of registering unpermitted construction, including by introducing participants to the registry software application that municipalities used to compile the lists of unpermitted constructions. The number of participants was significant, including officials from the urbanism, construction, inspectorate, geodesy, cadastral, and legal departments, who expressed their appreciation for the timely discussion and information on the reform. All municipalities received CDs with a package of information on the legalization reform that contained legislation, leaflets on legalization, and the legalization guidelines.
- ❖ MESP, with the project's support, prepared a concept paper for a **public outreach campaign** on legalization, especially focusing on existing low-cost communication networks, such as social media and NGOs, to spread the legalization message. As part of this campaign, MESP and the project drafted a message about the benefits of legalization and updated a flyer to describe details of the program. This material was sent to all government officials in central and local level positions throughout Kosovo.
- ❖ With the project's support, MESP communicated with all municipalities to organize "**Legalization Day**" to further promote the reform. "Legalization Day" was held on January 12, 2015, with the participation of the minister of environment and spatial planning, municipal mayors, and many officials from both levels of government. On the same day, similar promotion activities were held in several municipalities, and the event attracted significant media attention in Kosovo.

Following completion of the legal infrastructure, operationalization of the registry, and preparations described above, municipalities began the process of registering unpermitted construction. The number of units registered in the database increased considerably every month, but the trend increased significantly following the public outreach campaign and "Legalization Day". By January 31, 2015, the end of Year I, the total number of unpermitted construction registered in the database reached more than 80,000 across all

municipalities, and by the last day for registration on June 11, 2015, **352,824 construction projects without permit had been registered by municipalities and MESP.**

To commemorate this milestone, MESP and the project supported an **event to recognize efforts made to date and encourage continued partnership** between MESP, municipalities, and other stakeholders in the next phase of the legalization process. Minister of Environment and Spatial Planning Ferid Agani officiated the event, thanking USAID for its continued support, as well as the project for supporting MESP and the municipalities throughout the process (see box). USAID Mission Director for Kosovo James Hope emphasized the productive relationship and partnership between USAID, the Kosovo

government, and MESP, and pointed out that this is the first step of many in ensuring safe housing for all citizens, and that the teamwork and cooperation shown between government entities, international donors, and members of the community over the past year in completing this monumental task made USAID honored to continue supporting Kosovo in this endeavor. Alina Romanowski, U.S. Government Assistance Coordinator for Europe and Eurasia, also praised the partnership that achieved this success and emphasized the importance of the legalization process to a stable and prosperous Kosovo.

Following the end of the registration phase, MESP began **discussions about the need to amend/draft a new law on treatment of constructions without permit.** The large number of unpermitted construction projects identified through the process of registration pointed toward a need to further streamline the legalization process and reduce costs for citizens to legalize their unpermitted constructions.

Based on these discussions, MESP decided to draft a **new Law for Treatment of Construction Without Permit** to give citizens more time to receive and treat applications for legalization and make it easier for them to legalize their constructions. This early discussion and MESP's announcement that it was going to draft a new law had a dampening effect on the number of applications submitted. The period for submitting legalization applications ended on March 16, 2016, and by this date citizens submitted only 8,366 applications, of which only a small number have been processed/legalized.

MESP, with project support, immediately started with the process of drafting a new Law for Treatment of Construction Without Permit. As a first step, project support focused on helping MESP draft the concept document to support the new law. After following all necessary procedures — including conducting the BIA, posting the draft concept document for public comments, and addressing the comments — the government approved the concept document to revise the Law on Treatment of Constructions without Permit in a meeting on March 23, 2016.

After the concept document was approved, the project supported the MESP working group in drafting the new law. This working group was composed of representatives from various MESP departments, as well as the KCA, Association of Kosovo Municipalities, two municipalities (Prishtinë/Priština and Vushtrri/Vučitrn), and MAFRD.

During the process of drafting the new law, a series of focus-group discussions was organized with officials from municipal and central level government and representatives of the architect association and contractor association, Chamber of Notaries, University of Pristina, UBT, developers, and construction companies to discuss the legalization process so far and lessons learned, and to obtain input for the new draft law. OSCE supported the effort by organizing and funding three regional discussions with municipal

“The legalization process, and the final compilation of the national registry of constructions without permit, is regarded as a national project and the main achievement of the Ministry of Environment and Spatial in 2015.”

Minister of Environment and Spatial Planning Ferid Agani, January 12, 2015

officials. As a result of this extensive public outreach, MESP received significant inputs and comments from various organizations and individuals, which the project helped MESP review and incorporate into the draft law.

By the end of Year 3, MESP sent the new Draft Law on Treatment of Constructions Without Permit to the Legal Office of the Office of Prime Minister for review. Following comments received from OPM, MESP revised this draft law and sent the new version to OPM for the government's approval. However, due to the collapse of the government and dissolution of the Assembly of Kosovo in May 2017, the approval process was put on hold. Following the conclusion of early elections and establishment of a new government, MESP submitted the new draft law to the government on November 7, 2017, for approval. **The government approved the Draft Law for Treatment of Construction Without Permit** on its meeting held on November 10, 2017, and sent it to the Assembly of Kosovo for review and adoption.

During the preliminary review of the draft law, members of the Assembly Committee on Agriculture, Forestry, Rural Development, Environment, and Spatial Planning commended the process of drafting the law, with specific references made to the cooperative approach of MESP and inclusion of Kosovo municipalities and other stakeholders in the drafting process. The committee further noted that the draft law is more advanced than the previous law, and unanimously approved it on December 13, 2017, with the Assembly of Kosovo subsequently approving it on its first reading on January 25, 2018. Following the Assembly's approval, the committee established a working group to review the draft law. The working group met with stakeholders and received comments from various institutions, which were reflected in the draft law. The revised version was put to a vote, and the Assembly approved it on its second reading in the plenary session held on its July 23, 2018 (<http://www.kuvendikosoves.org/?cid=1,128,9855>).

The new approved law will benefit the second phase of legalization by reducing costs to citizens legalizing their unpermitted constructions; simplifying the required documentation for applications; reducing the time required to go through the process; and clearly defining the duties and responsibilities of all involved bodies, including for the process of appeal.

In anticipation of the approval of the new Law for Treatment of Constructions Without Permit, the project supported MESP to prepare draft versions of all AIs required with the new law. This was done to expedite the establishment of the new legal framework so that MESP and municipalities could begin implementing the legalization program soon after the approval of the law. Through an inclusive drafting process, the following draft AIs have been prepared:

- ❖ **AI on Basic Health and Safety Requirements, Procedures, and Documentation for Category I and II Constructions Without Permit.** This AI determines the basic health and safety requirements, procedures, and documentation for the treatment of Category I and II unpermitted construction projects;
- ❖ **AI on Basic Health and Safety Requirements, Procedures and Documentation for Category III Constructions Without Permit.** This AI determines the basic health and safety requirements, procedures, and documentation for the treatment of Category III unpermitted construction projects;
- ❖ **AI on Procedures and Requirements for Demolition of Constructions Without Permit.** This AI determines the procedures and requirements for the demolition of uncompleted, unpermitted construction of Categories I, II and III, completed and substantially completed unpermitted construction, as well as unauthorized interferences in permitted constructions;
- ❖ **AI on Procedures for Appeals for Treatment of Constructions without Permit.** This AI determines the procedures and criteria for submitting, reviewing, and adjudicating appeals of decisions by competent bodies for dealing with unauthorized constructions; and

- ❖ **AI on the Content and Requirements for the Legalization Database.** This AI determines the procedures and criteria for registering unpermitted constructions, as well as the rights and responsibilities of institutions for management of the database.

Now that these draft AIs have been finalized, the next step is for MESP to establish formal working groups as required by the Kosovo legal framework for drafting such legislation, go through the public consultation process, make any final changes, and receive approval from the minister of environment and spatial planning and/or the government.

Parallel with the drafting of the new law and associated AIs, the project, through a grant activity, conducted a **functional analysis of central and local-level capacities and resources to implement the program for treatment of constructions without permit** in accordance with the requirements of the new Draft Law on Treatment of Constructions without Permit. For this purpose, the project grantee selected two municipalities (Prishtinë/Priština and Gračanica/Gračanicë) and MESP to assess their institutional, financial, and human capacities to implement the new legal framework. In addition to the relevant managerial and professional staff from MESP and two municipalities, other stakeholders from relevant public institutions, civil society, and professionals were involved in the analysis. This activity was concluded with a final report that evaluated in detail the current institutional and human capacity of the two municipalities and MESP to implement the new law and provided recommendations for an effective implementation of the legalization program. The report recommends that:

- ❖ MESP establish a new division that would be solely responsible for the legalization process and dedicate the necessary staff for effectively coordinating the process for the treatment of constructions without permit;
- ❖ MESP and municipalities coordinate the launch of an awareness campaign to ensure that citizens are well informed of the new law's requirements and the benefits of legalization;
- ❖ Municipalities streamline the procedures for handling applications for treatment of construction without permit in accordance with the requirements of the new law and associated secondary legislation; and
- ❖ MESP and municipalities coordinate with the Ministry of Finance to ensure that sufficient budget allocations are made for additional human resources and other purposes.

The final report will also serve as a point of reference to other municipalities and relevant ministries when reviewing and consolidating their capacities for implementing the new law and associated secondary legislation.



Discussions between the Ministry of Finance and IMF on Kosovo's reform performance under the IMF program

COMPONENT 3: ENHANCED MACROECONOMIC STABILITY AND PUBLIC FINANCIAL MANAGEMENT (PFM) AT THE CENTRAL AND LOCAL LEVEL

The work and support under this component has been organized into four broad objectives:

- ❖ Improve Kosovo government capacity to manage macro-fiscal stability;
- ❖ Enhance national and municipal public financial management;
- ❖ Improve tax compliance and administration;
- ❖ Support the Brezovica Resort Development Project Inter-Ministerial Steering Committee.

Under Objective 1, the project supported the Ministry of Finance to negotiate and implement a 22-month fiscal consolidation program with the IMF. Through the Ministry of Finance's Macroeconomics Unit and other ministry departments, the project supported the **institutionalization of the legal limit on the budget deficit**, implementation of a new legal rule on public wage bill growth, and budget projection improvements.

Under Objective 2, the project supported improved linkages between the policy formulation and budgeting processes, the institutionalization of functional classification in budget planning, and the introduction of GRB principles at MTI and MESP. The project also supported Ministry of Finance to improve fiscal data reporting.

Under Objective 3, the project supported TAK to digitalize three tax declarations, enabling 100 percent e-filing, and to digitalize the process of providing six types of filing related services to taxpayers. With project support, TAK significantly streamlined the tax refund process. Support was also provided to improve the TAK taxpayer registry and use performance metrics in fostering tax compliance.

Under Objective 4, technical support was provided to the BRDP ISC to support its efforts to attract an experienced operator and developer.



Second IMF review mission meetings, September 2016

C3-1: IMPROVE GOVERNMENT OF KOSOVO CAPACITY TO MANAGE MACRO- FISCAL STABILITY

As a country with no control over its monetary policy, Kosovo depends on prudent fiscal policymaking to respond to possible external and domestic economic shocks. Therefore, fiscal policy is an important tool for managing macro-fiscal stability, which is a precondition for accelerated private sector development. With significant contribution from USAID, the Kosovo government had previously established sound legal and institutional foundations for fiscal policymaking. In 2013, the government successfully implemented an IMF program that resulted in the adoption of a legal limit on its budget deficits.

However, following the announcement of early elections in 2014, the Kosovo government increased public wages and adopted expensive social spending initiatives. Budget revenue projections were inflated to accommodate mounting pressures for higher public spending whilst striving to maintain compliance with the new legal limit on the budget deficit. A six-month political gridlock after the 2014 elections precluded corrections to the budget. By the end of 2014, the budget deficit exceeded the legal limit, fiscal reserves fell to record lows, and economic growth stagnated.

Against this background, the project supported the Ministry of Finance in implementing significant reform-driven initiatives to restore budget safeguards and improve the Kosovo government's macro-fiscal stability management capacities.

As a first step, in Year 1, the project supported the ministry in developing capacity for the **institutionalization of the legal limit on the annual budget deficit**, commonly known as the fiscal deficit rule. This new rule, which limited the level of the deficit to 2 percent of gross domestic product (GDP), was applied for the first time in the 2014 budget. The project provided technical advice to the Ministry of Finance Treasury and Macroeconomic Unit to continuously assess compliance with the limit from daily and monthly Treasury data. For this purpose, with project support, the Treasury added a new statement on Kosovo government financial reports that provided tailored calculations for assessing compliance with the requirements of the legal limit. These calculations concluded that in 2014, the Kosovo government breached the fiscal deficit limit in the first year of its implementation.

Legally Binding Fiscal Rules in Kosovo



Total stock of debt cannot surpass 40% of GDP



Mid-year budget revisions cannot increase the annual budget deficit



Annual budget deficits cannot exceed 2% of GDP



The legal deficit limit does not apply for IFI financed public capital investment



Total public wage bill growth in a given year cannot surpass the latest available nominal GDP growth

After the formation of a new government in December 2014, at the request of the new political leadership of the Ministry of Finance, the project supported relevant finance ministry departments to prepare a briefing note explaining the practical application of the deficit rule. The note listed possible corrective measures the government could take to maintain compliance with the legal deficit limit in the future and raised the awareness of new political leadership on the importance of having realistic budget assumptions as a precondition for implementing legally binding rules. As a follow up, at the request of the minister of finance, the project agreed to support the ministry in requesting a new IMF program that would serve as an overarching reform agenda to restore fiscal sustainability and strengthen macro-fiscal stability.

In Year 2, the project provided the Ministry of Finance with technical and coordination support to negotiate a new fiscal consolidation program (known as a Stand-by Arrangement [SBA]) with the IMF. More specifically, the project supported the Ministry of Finance's negotiation team to conduct numerical analysis on defining achievable quarterly and annual fiscal targets and formulate structural reform commitments on which the program would be evaluated. Throughout the negotiations, the project provided facilitation between the Kosovo government and IMF, which was instrumental in designing a reform program with a high degree of Kosovo government ownership. On July 29, 2015, the IMF board approved a 22-month SBA program, giving the Kosovo government access to €184 million of concessional borrowing, conditional upon reform performance (<http://www.imf.org/en/News/Articles/2015/09/14/01/49/pr15362>).

With project support, the Kosovo government first implemented a set of preconditions for launching the IMF program, including a **downward revision of projected tax revenue by €78 million** in the 2015 mid-year budget review. Following revision of the budget, the project supported the Ministry of Finance to **design a legal rule that limits public wage growth** to the rate of economic growth in the country. The project also supported the ministry to draft an amendment to the existing deficit rule, exempting strategic capital projects financed through concessional borrowing from international financial institutions (commonly referred to as the “**Investment Clause**”) from the legal limit. Both measures were successfully institutionalized with the amendment of the Law on Public Financial Management and Accountability (LPFMA) in December 2015 (<https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=11333>). As a result, the LPFMA now contains numerous legally binding rules that serve as tools to maintain fiscal discipline.

Throughout Years 3 and 4, the project supported the Ministry of Finance to **successfully complete three reviews of the IMF program** and meet all fiscal targets for the program's fourth and final review. All but one of the structural reforms were implemented: although the Assembly of Kosovo adopted legislative amendments to curb spending for war veterans, political resistance and the organization of early elections in 2017 left these amendments unimplemented, pending a reclassification of beneficiaries. The program expired on August 4, 2017, before a new government was formed. Nevertheless, due to significant progress in fiscal consolidation, **the Kosovo government benefited from €172 million of concessional borrowing, substantially boosting fiscal reserves**, and improving fiscal outcomes.

Specific project activities to support implementation of the IMF program included the following:

- ❖ Providing technical advice to Ministry of Finance staff for aligning the parameters of the 2016 (including its mid-year revision) and 2017 budgets with the requirements of the program's targets and benchmarks;
- ❖ Designing a monthly program compliance report;
- ❖ Establishing the Kosovo Government Inter-Ministerial Program Monitoring Committee and developing structured agendas for its meetings;
- ❖ Reviewing and providing recommendations to the Ministry of Finance Treasury on disseminating fiscal data to the IMF in line with the program's requirements;
- ❖ Design and implementation of specific structural measures (such as the "wage rule" and "investment clause"); and
- ❖ Validating the implementation of structural reform measures.

After the expiration of the program and formation of a new government in September 2017, the new political leadership of the Ministry of Finance requested project support to establish a close policy coordination mechanism between the ministry and IMF. A continuous positive IMF assessment over Kosovo government fiscal policy initiatives is a precondition for the disbursement of the EU Sector Budget Support, worth around €25 million. In this context, the project first supported Ministry of Finance discussions with the IMF on budget policy as part of an IMF Mission Visit to Kosovo on October 9-15, 2017. Following the conclusion of this visit, the project reviewed budget proposals and provided technical recommendations that contributed to the **revision of the 2017 budget and adoption of the 2018 budget in line with IMF recommendations**.

With the revision of the 2017 budget, the government reduced planned budget spending by €90 million to comply with the legal deficit limit. The government also introduced savings that avoided the possible arrears of more than €70 million, accumulated due to the prolonged political stalemate in 2017, most notably for the highway connecting Kosovo to Macedonia (Route 6).

At the request of the Ministry of Finance's political leadership, throughout Years 1-5, the project also supported the ministry's delegations to the annual IMF and World Bank meetings, which served as opportunities to use discussions with high-level IMF management representatives to coordinate Kosovo's fiscal consolidation efforts and advance Kosovo government requests for IMF technical assistance support. To date, Kosovo remains among the top beneficiaries of this support, and the project provided a significant contribution in better articulating the Kosovo government's assistance needs. The project also supported the ministry to successfully conclude two Article IV consultations — a regular IMF assessment of its members' macroeconomic and financial position — in 2015 and 2017.

However, realistic economic and fiscal projections are a precondition for a rules-based fiscal policymaking process. Through on-the-job training and technical advice, the project supported the **enhancement of**

the Ministry of Finance Macroeconomics Unit's staff capabilities and analytical tools for economic and fiscal projections. Over the life of the project, the Macroeconomics Unit suffered from significant staff turnover due to its lack of competitive salary offerings for highly specialized positions. Nevertheless, through continuous project training and guidance for new staff, the ministry managed to avoid disruptions to the budget planning cycle and improve some of this unit's key performance outcomes. For example, in 2017, tax revenue projections were 99 percent accurate compared with actual collection, and the accuracy of key macroeconomic projections improved, despite frequent revisions from the Statistical Agency of Kosovo.

The project trained new Macroeconomics Unit staff on building a better understanding of national accounts and price indices, and on using macroeconomic projections as a basis for preparing budget revenue projections. Training was delivered through on-the-job mentorship during the update of the MTEF and annual budget projections, and through more than 30 half-day training sessions organized by the project. In addition, the project supported the following Macroeconomics Unit activities:

- ❖ Mapping the existing methodology for projecting macroeconomic and fiscal variables;
- ❖ Identifying gaps in analytical tools for mobilizing wider available donor support;
- ❖ Separating macroeconomic drivers of revenue projections from discrete or political assumptions on tax compliance gains;
- ❖ Making the non-tax revenue projections process more evidence-based;
- ❖ Statistically estimating the impact of the SAA with the EU before its entry into force in April 2016;
- ❖ Fulfilling the EC technical requirements for the macroeconomic section of ERP; and
- ❖ Documenting budget revenue projections by revenue category.

Starting with the 2016 budget, the Ministry of Finance has **documented revenue projections by revenue category**, replacing the former practice of presenting revenues by the institution expected to collect them. This improvement imposes requirements to substantiate revenue projections by economic evidence and makes politically inflated and inconsistent projections easily identifiable for the public. As a result, it also discourages the use of projections as revenue collection targets, which could be pursued excessively even when economic conditions do not permit revenue growth. As part of this activity, presentation and planning of property tax was also corrected, and this revenue is now planned as a tax.

The project supported the Macroeconomics Unit to improve coordination with other Kosovo government bodies and municipalities and build **better evidence for projecting non-tax revenues**. A database was created with historical data on 25 key non-tax revenue sources from both levels of government. With project recommendations, for the first time, the 2018 budget projections of non-tax revenue are based completely on more conservative projections from municipal authorities, marking an important step toward greater cooperation between the local and central level in preparation of the budget.

In the context of improving the MTEF and ERP, which from 2015 is submitted annually to the EC, the project also supported the Macroeconomics Unit to enhance its **fiscal risk monitoring capacities**. Continuous monitoring and assessment of medium-term fiscal risks serve as an early warning mechanism which strengthens macro-fiscal stability management. The project supported the Ministry of Finance to expand the MTEF's fiscal risks analysis section, including the first-time assessment of off-budget risks as an integral part of this section. To complete this activity, the Ministry of Finance worked with MED to analyze risks related to publicly owned enterprises, which triggered considerable media attention and mobilized public interest. As an additional tool for fiscal risk assessment, the project provided technical support for

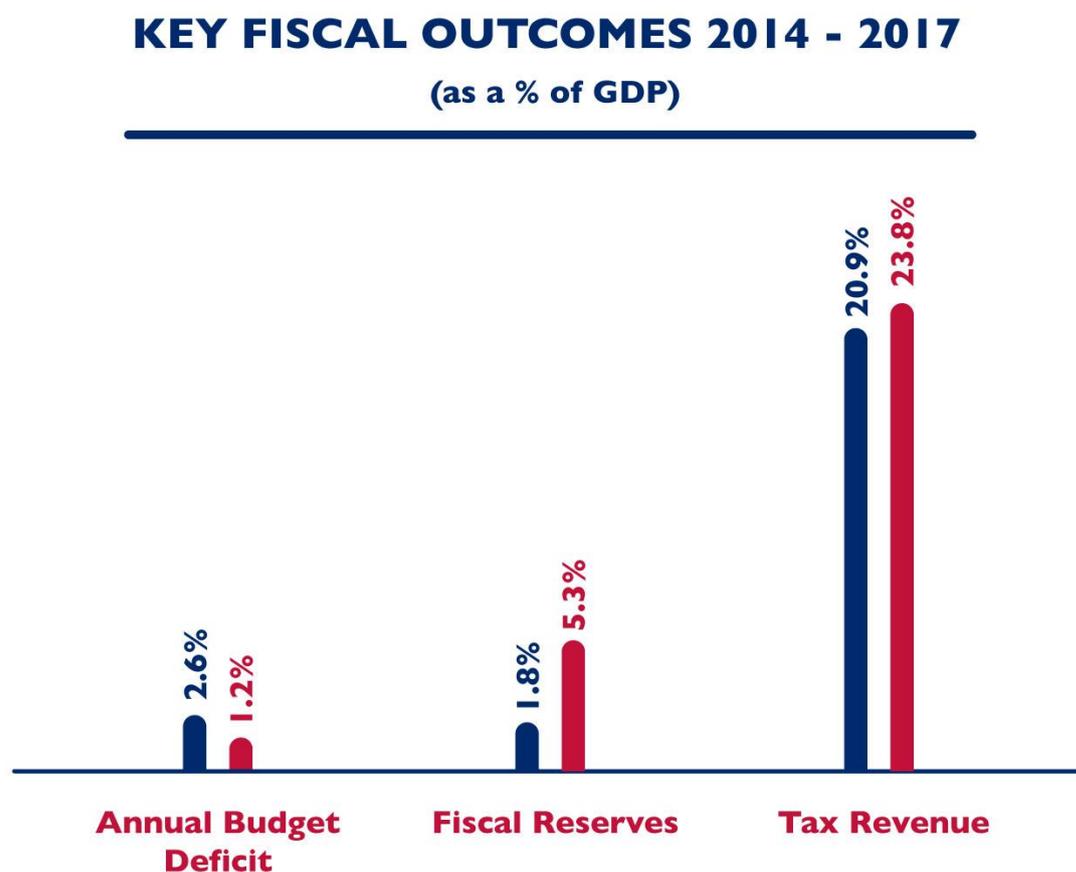
quantifying fiscal risks through the construction of alternative macroeconomic scenarios presented in the ERP.

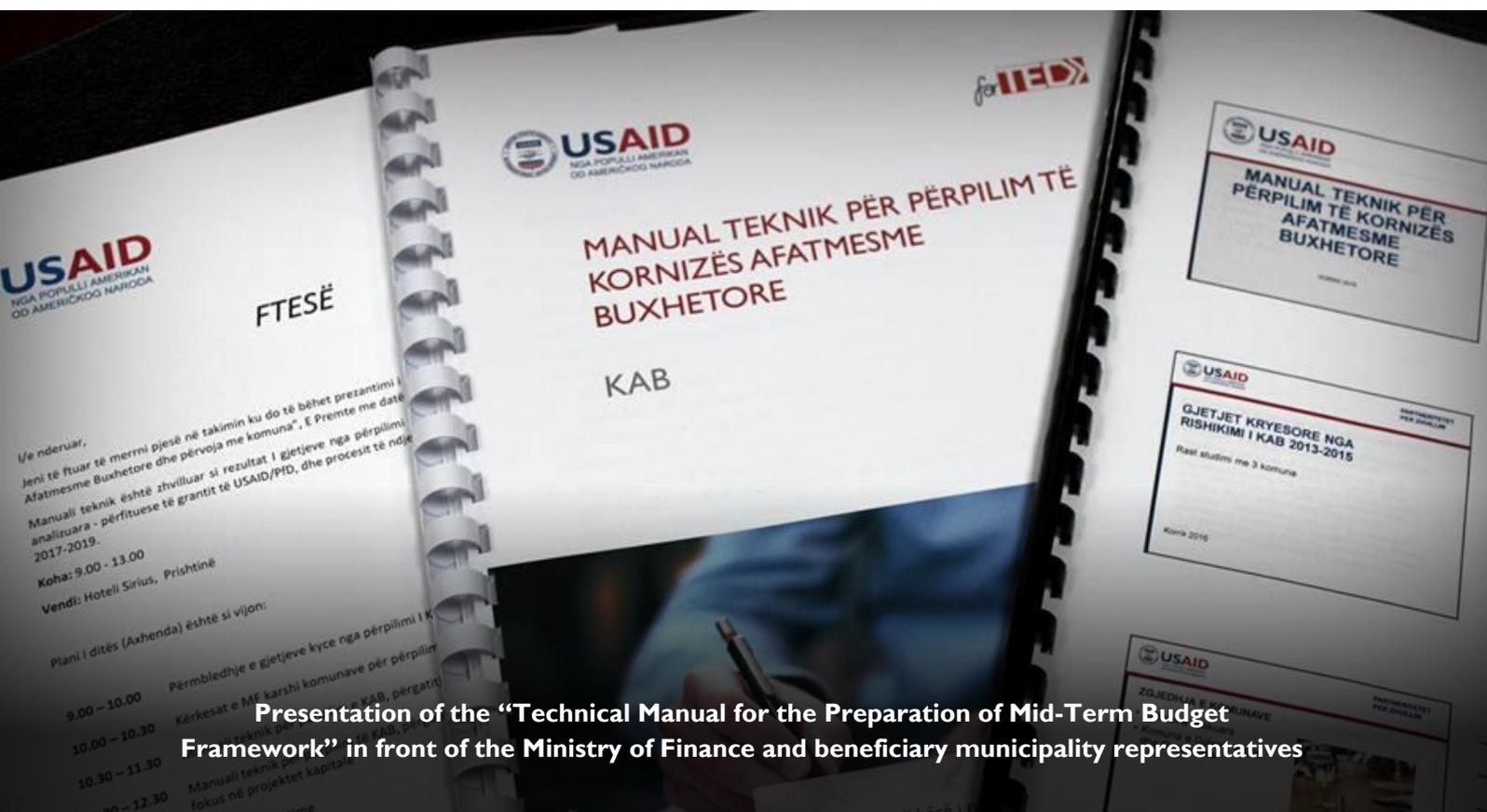
In Years 4 and 5, the project, through a grant activity, supported the Ministry of Finance’s Fiscal Policy Unit to pilot the ministry’s first **ex-post fiscal policy evaluation** exercise. The evaluation was focused on the amendment of the Value-Added Tax (VAT) Law in 2015 and actual impact of SAA implementation through 2017. The project grantee provided training to ministry staff on evaluation methodologies for existing policies, which will help inform the formulation of future policy decisions and update revenue projections by using data on the impact of implemented policy changes.

Finally, in Year 5, the **Ministry of Finance upgraded its debt sustainability analysis tools**. The project provided technical advice for building a standardized model to analyze long-term public debt trends and compiled a comprehensive manual with instructions on updating the model on a regular basis. The project trained the ministry’s Macroeconomics Unit and Treasury Debt Unit staff on the use of the new model. Both units agreed to jointly carry out this exercise in the future.

As a result of the project-supported reforms, by the end of 2017, as compared with 2014, the Kosovo government more than doubled its fiscal reserves, reduced the budget deficit, and improved accuracy of tax revenue projections (see Figure 4 below). Despite the organization of early elections in 2017, the Kosovo government preserved fiscal sustainability and adopted the 2018 budget in line with the applicable legal limits. These improvements were recognized by the 2018 IMF Article IV consultation and 2018 EC Progress Report.

Figure 4: Key Fiscal Outcomes 2014 - 2017





Presentation of the “Technical Manual for the Preparation of Mid-Term Budget Framework” in front of the Ministry of Finance and beneficiary municipality representatives

C3-2: ENHANCE NATIONAL AND MUNICIPAL PUBLIC FINANCIAL MANAGEMENT

In Year 1, the project conducted a comprehensive review of the MTEF process in Kosovo and agreed with Ministry of Finance technical staff and political leadership to provide support on enhancing the relevance of the MTEF as a policy prioritization tool. Through Years 2 and 3, and based on recommendations that resulted from the project’s MTEF process review, the ministry institutionalized the UN Classification of the Functions of Government (COFOG) as a standard budgeting classification. This type of classification provides the necessary information for a more outcome-oriented budgeting process. Previously, functional classification was applied only for financial reporting, and citizens had no way to know which government functions the Kosovo government budget had planned for. Information in this case was limited to budget inputs, such as wages and salaries or goods and services. Use of this new budget classification standard, which informs citizens and policymakers what spending is planned for health, education, and other functions, contributed to increased budget transparency and enabled more accurate comparisons of Kosovo’s budget to those of other countries (see photo on next page).

As part of the activities for introducing functional classification, the project supported the Ministry of Finance’s Budget Department to review international COFOG manuals, introduce automatic assignment of functional codes for recurrent expenditure under all budget sub-programs, and finalize a **guide that provides Kosovo government bodies and municipalities with instructions on the classification of capital projects**, based on the planned activities for every project (e.g., education, defense, and others). This guide was uploaded onto the Kosovo government’s Public Investment Program System in three languages, providing access to all Kosovo government bodies and municipalities.



Line ministries' budget and finance officers experiencing the improved classification of capital projects via direct access to the electronic budget planning systems

To ensure that the staff of central and local-level budget organizations are informed of changes and developments in budgeting classification and systems, and trained to use the system with these upgrades, the project supported the Ministry of Finance to organize training for 144 municipal finance officers and 86 central-level budget officers on usage of the ministry's electronic budget planning systems, including for the implementation of functional classification.

In Year 3, with project support, the Ministry of Finance and OPM Strategic Planning Office (SPO) improved the **integration of the policy prioritization process with the medium-term budget process**. To build the necessary infrastructure for translating policy priorities into clear instructions for the medium-term budget planning process, central institutions with similar government functions were grouped into 12 standardized budget sectors. Lead institutions responsible for implementing priority measures foreseen by the NDS were each assigned a budget sector. Based on the distribution of the NDS reform measures according to budget sector, the ministry and OPM SPO expanded the Kosovo government's Statement of Policy Priorities to include, for the first time, a list of four prioritized budget sectors that instructs the distribution of additional financial resources or budget cuts required in the MTEF process. From 2016, these improvements enabled the ministry to plan the MTEF using a more policy-based sectoral approach (<http://mf.rks-gov.net/desk/inc/media/A955D099-F700-4F06-80D3-BA8B82C9C691.pdf>).

The project also provided support to the ministry and municipal authorities in **enhancing municipal medium-term budgeting capacities**. In Year 1, at the request of the ministry's Budget Department, the project reviewed four municipal Medium-Term Budget Frameworks (MTBF) and provided recommendations on how the ministry should address identified shortfalls. The project later supported the Budget Department to compile a Guiding Model for Municipal MTBF based on best Kosovo practices. The ministry distributed this model to all municipal authorities, and the project contributed to the application of this model through trainings organized for northern municipalities by the USAID Advancing Kosovo Together (AKT) project.

Later in Year 3, the project, through a grant activity, supported the improvement of the municipal MTBF process and municipal revenue planning in three beneficiary municipalities: Pejë/Peć, Gjilan/Gnjilane, and

Gračanica/Graçanicë. Project grantee ForTED provided training with instructions and tools on better aligning expenditure plans with policy objectives and improving the accuracy and transparency of revenue projections.

In Pejë/Peć and Gjiilan/Gnjilane municipalities, the mayors also participated in the workshops and expressed commitment to address the findings and recommendations of the review. The project grantee developed a technical manual to guide municipalities in improving their MTBFs. All three beneficiary municipalities approved enhanced MTBFs in 2016, with improved references between budget projections and municipal development plans and more transparent and evidence-based projections of tax and non-tax own-source revenues. In addition, lessons learned were shared with the Ministry of Finance's Budget Department to improve the ministry's capacities for supporting a more effective budgeting process at the municipal level.

The project completed a review of the previous **Public Expenditure and Financial Accountability (PEFA) exercise at the local government level**, assessing its impact and institutionalization, to examine the feasibility of rolling out PEFA to other municipalities. Twelve municipal PEFA assessments were completed with previous USAID support and used to develop action plans for improving PFM practices and systems in those municipalities. The review's conclusion was that, although municipal experience conducting PEFA assessments has been positive, the exercise has not been institutionalized and is largely perceived as a donor-owned activity. The project recommended an alternative approach: to adopt selected PEFA indicators in municipal annual financial statements, which are subject to external audit. As a first step for implementing this recommendation, the project recommended that the Ministry of Finance pilot the inclusion of selected PEFA indicators in the annual financial statements of a small number of municipalities.

At the central level, the project supported the ministry's PEFA Secretariat to coordinate seven Kosovo government working groups and design reform measures to address weaknesses identified from the PEFA self-assessment in 2013. Reform measures identified through this exercise served as a significant input to the EU-supported Kosovo government PFM Reform Strategy in 2016.

In addition to the support provided for enhancing longer term and more policy-based budgeting practices, in Years 2-4, the project supported the Ministry of Finance to implement the new **AI and Manual on the BIA of New Government Initiatives**. Adequate budget impact assessment practices impose budget discipline and effectiveness, as they provide information allowing the government to adequately plan financial resources and prioritize initiatives that deliver the highest value for money.

With project support, the Ministry of Finance trained 80 budget and legal officers from all central-level Kosovo government bodies. Trainees were introduced to the new legal requirements and guided on the use of a new standardized costing module using actual policy cases from Kosovo. In Year 5, the project supported the Ministry of Finance's Budget Department to develop a registry for the BIA of all new government initiatives and track the compatibility of their costs with the budget development process. This registry would initially serve as an internal management tool for the ministry to monitor whether all initiatives are costed as per the new AI. The ministry plans for the same information to become public in the future, further increasing budget transparency toward citizens.

The project provided on-the-job support to budget and finance officers of MESP and MTI for conducting BIAs for the following policy initiatives:

- ❖ The concept document on the Chambers of Architects and Engineers;
- ❖ The concept document and draft of the new Law on Treatment of Construction without Permits; and
- ❖ The draft Law on Business Organizations.

Through its grantee, the Kosovo Women’s Network (KWN), the project supported MTI and MESP to **introduce GRB principles** into the budget preparation process, as a pilot for scaling up GRB implementation across all Kosovo government institutions.

On March 15, 2016, at an event organized by KWN, the former President of Kosovo, Atifete Jahjaga, and Kosovo government representatives launched the initiative to institutionalize GRB across Kosovo institutions (see picture and box below).



As part of this Kosovo government initiative, project grantee KWN completed the following activities:

- ❖ Trained more than 40 MTI and MESP officials on GRB implementation practices through two separate interactive workshops;
- ❖ Supported the two beneficiary ministries to collect and analyze data to inform their budget planning for 2017 and beyond, creating standard analysis templates;
- ❖ Used gender-disaggregated data to draft two publications — one for each ministry — consisting of evidence-based specific recommendations for GRB implementation: (<http://www.womensnetwork.org/documents/20161108211545508.pdf> and <http://www.womensnetwork.org/documents/20161108210425364.pdf>); and

“Gender Responsive Budgeting doesn't require extra budget — it only requires more effective spending of public money”

Former President of the Republic of Kosovo, Ms. Atifete Jahjaga, March 15, 2016

- ❖ Created a promotional video, broadcast on two national television stations, to inform citizens about GRB and encourage them to use their democratic rights to be involved in the budget processes (<https://www.youtube.com/watch?v=wKOvW0Qzg64>).

At the same time as the support described above, the project partnered with the Ministry of Finance Treasury to enhance the accuracy and comprehensiveness of financial reporting and adequately address national audit recommendations in this area. Through project support, the ministry also improved fiscal transparency by adopting international reporting standards and providing the public with easy access to fiscal data.

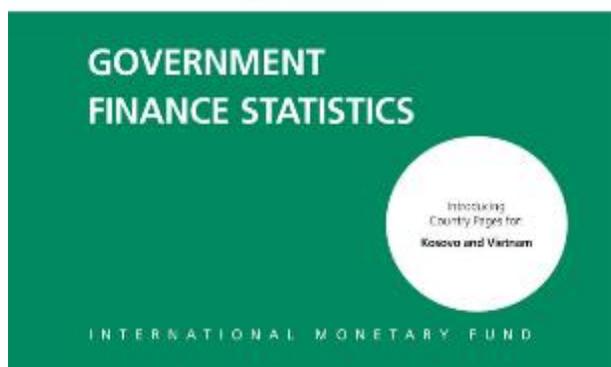
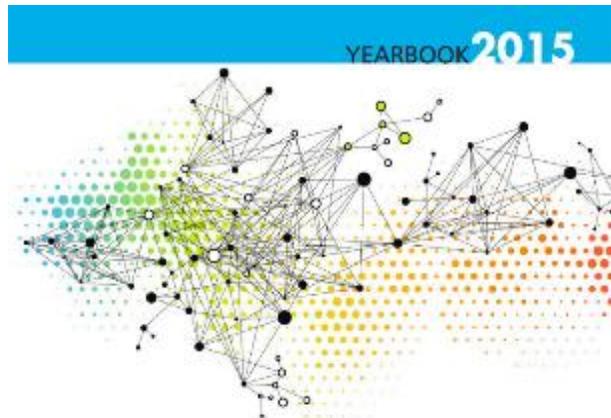
In Years 2 and 3, the project reviewed and made recommendations for the **improvement of the comprehensiveness of Kosovo government quarterly budget execution reports and annual financial statements**. Based on project recommendations, the quarterly report and financial statements to the budget were made more comparable by adequately reflecting the project-supported changes to the budget presentation of revenues by tax categories and adoption of functional budget classification standards. The following new categories of information were also introduced into the report: property tax collection by municipality, information on payments and liabilities from litigation procedures, detailed information on public debt transactions and transfers, and data on subsidies to publicly owned enterprises.

In Year 2, the Ministry of Finance compiled and published for the first time fiscal data based on the **GFS standard** in line with the 2014 IMF Manual on GFS. To implement this activity, the project collaborated with short-term IMF technical advisors and supported the Ministry of Finance Treasury to adopt the latest GFS Manual as a fiscal reporting standard. The project provided further support to advance internal systems for the compilation of GFS. Initially, data for the period of 2012 to 2014 was submitted to the IMF for publication on the GFS worldwide database. With the adoption of this fiscal reporting practice, the ministry has taken a significant step to improve accountability and transparency by providing citizens with more accurate and internationally comparable information on its financial operations.

As a precondition for the publication of GFS, the ministry, together with the Kosovo Central Bank and KSA, published a comprehensive registry of all institutions that make up the public sector in Kosovo. This registry is jointly updated by the three institutions on a regular basis (<https://mf.rks.gov.net/desk/inc/media/0A0B8D4F-A985-4BA5-B807-5E2A5F6D1A6C.docx>).

In Year 3, the ministry received official notification that Kosovo has, for the first time, joined more than 140 countries in publishing its government data as part of the GFS annual yearbook and database. Kosovo was showcased on the cover of the IMF GFS Yearbook for 2015 (see illustration to the right).

Further, the project supported the Ministry of Finance Treasury to automate the GFS compilation process and expand the period of publication of annual GFS from 2012-2014 to 2011-2016. At the same time, with continued support from the project and short-term IMF technical advisors, the ministry began to publish quarterly GFS, and submitted data for publication under the IMF *International Financial Statistics* yearbook and quarterly database (<http://data.imf.org/regular.aspx?key=61545853>).



IMF Annual GFS Yearbook 2015 showcasing Kosovo's inclusion on its front page

In March 2018, at the Center for Financial Excellence in Ljubljana, Slovenia, the IMF Statistics Department presented the results of improvements in government fiscal data publication among southeast European (SEE) countries. According to this IMF assessment, **Kosovo was the country in the SEE region that most significantly improved its fiscal data publication capacities.**

In Year 4, with project support, the **Ministry of Finance published 11 years of monthly fiscal data online** and started reporting monthly on government financial operations in a user-friendly electronic format. All data is consolidated within a single historical data sheet and can be accessed through the ministry's website, under the following link: <http://mf.rks-gov.net/page.aspx?id=2.125>. The Treasury continues to regularly update the report with monthly data.

At the Treasury's request, in Year 4, the project engaged an international expert to conduct a **gap analysis of the Kosovo government chart of accounts** to reform the accounts classification regime used for budgeting, accounting, financial reporting, and statistical purposes. Based on the results of the analysis, the project provided recommendations and, together with the Treasury, developed a roadmap for implementation and proposal for gradually updating the existing chart of accounts in line with international best practices. Improved design and use of the chart of accounts enables greater data reliability, improved transparency, and enhanced evidence-based fiscal policy formulation.

In Years 4 and 5, the project provided support to the Ministry of Finance Treasury and Budget Department to implement **National Audit Office recommendations** for addressing erroneous budgeting classification of financial transactions. With the adoption of the 2018 budget, the ministry corrected a significant number of these errors, including the erroneous classification of some subsidies to publicly owned enterprises and the purchase of raw materials for printing ID documents under capital investment. In accordance with project recommendations, the 2019-2021 MTEF has also included planned corrections worth €20 million, including the correct classification of a primary education free books program as current spending.

To further enhance the ministry's guidance for accurate recording and budgeting of economic transactions, the project supported the Treasury to draft an **Economic Classification Guidebook**. The development of this guidebook is a milestone achievement in the project's multi-year efforts to increase the transparency and accountability of the Kosovo government's fiscal operations. Although the chart of accounts is a list of accounting codes used to group expenses and revenues to streamline Kosovo government financial reporting and analysis, the guidebook standardizes these codes through detailed narrative descriptions. This eliminates opportunities for misinterpretation and provides the National Audit Office with better reference to scrutinize financial transactions. This guidebook facilitates consistent and accurate financial reporting, leading to increased transparency, accountability, and reliability of Kosovo government financial information.

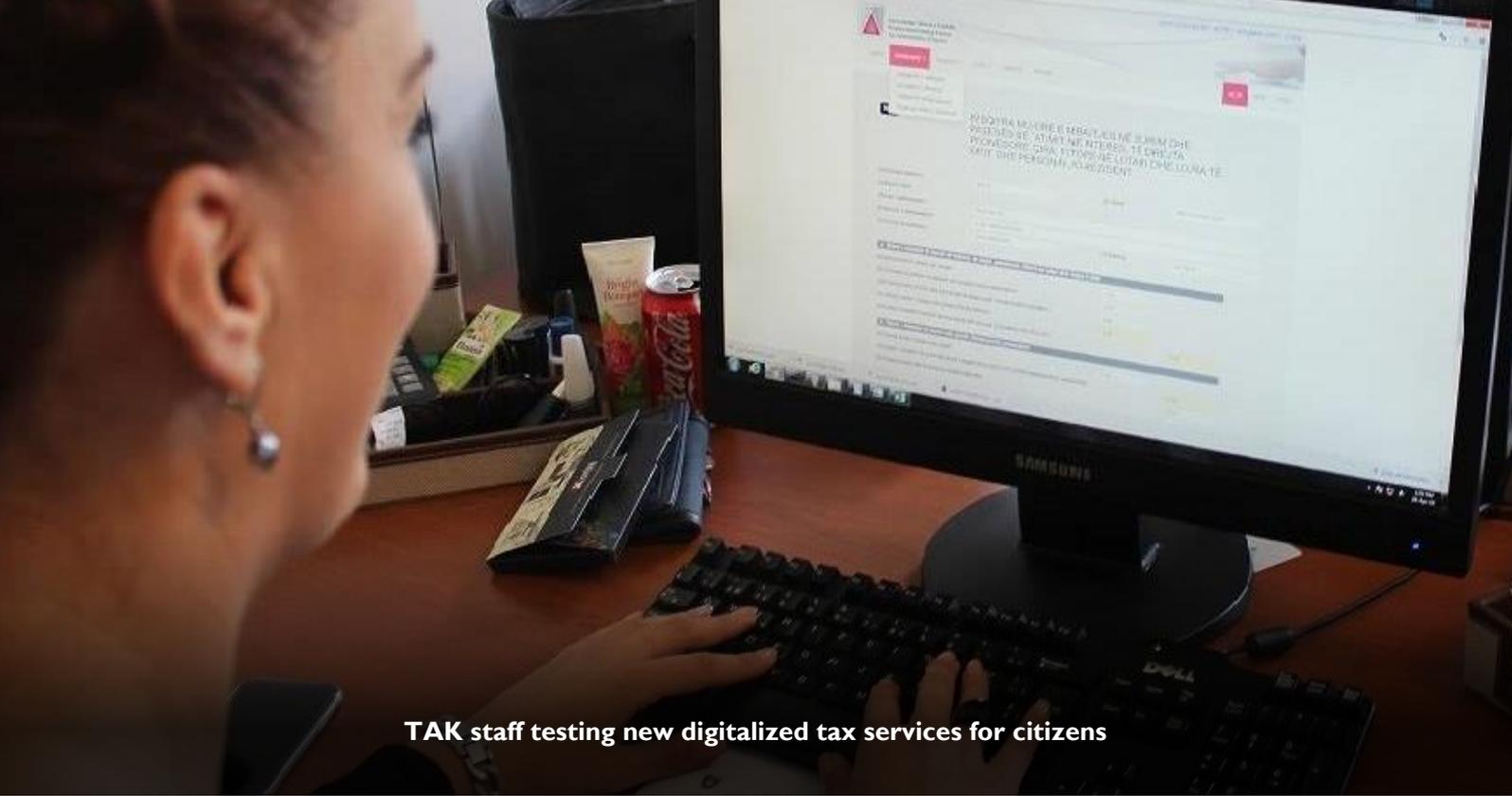
With project support, the Ministry of Finance Treasury and Budget Department organized four workshops with all chief financial officers (CFOs) of Kosovo government ministries, independent agencies, and municipalities on **financial reporting and budget classification** challenges and opportunities (see photo on next page). As part of these workshops, the Treasury provided guidance for improving classification and addressing audit recommendations. The project facilitated structured discussions that led to important input for improving the drafting process of the *Economic Classification Guidebook*.



Project-supported Treasury workshop with municipal CFOs

Based on the chart of accounts review and workshops' conclusions, in Year 5, the project supported the Treasury to **develop a new chart of accounts proposal** that follows international best practice. The ministry committed to advance this proposal through further consultations, including with the National Audit Office. The ministry plans to implement it by the end of 2019.

Overall, through project training and technical support, the ministry introduced significant PFM improvements, enhancing accountability and transparency of budget preparation and financial reporting practices. Support activities focused in two key areas: improving linkages between the policy formulation and budget preparation processes and improving financial reporting and public access to fiscal data. Support was also provided to advance gender-balanced budgeting and improve Kosovo government PFM reform assessment and planning capacities. The 2018 EC Progress Report for Kosovo (<https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-kosovo-report.pdf>) and 2017 Sigma Monitoring Report (<http://www.sigmaweb.org/publications/Monitoring-Report-2017-Kosovo.pdf>) highlighted some of the key project-supported Kosovo government improvements in PFM.



TAK staff testing new digitalized tax services for citizens

C3-3: SUPPORT FOR IMPROVED TAX COMPLIANCE AND ADMINISTRATION

The project partnered with the Ministry of Finance and TAK to foster voluntary compliance through streamlined tax administration practices and procedures. In addition, the project supported TAK to reduce physical contact with taxpayers and improve administrative effectiveness through further digitalization of tax filing, online provision of tax services, simplification of administrative procedures, and elimination of unnecessary compliance requirements.

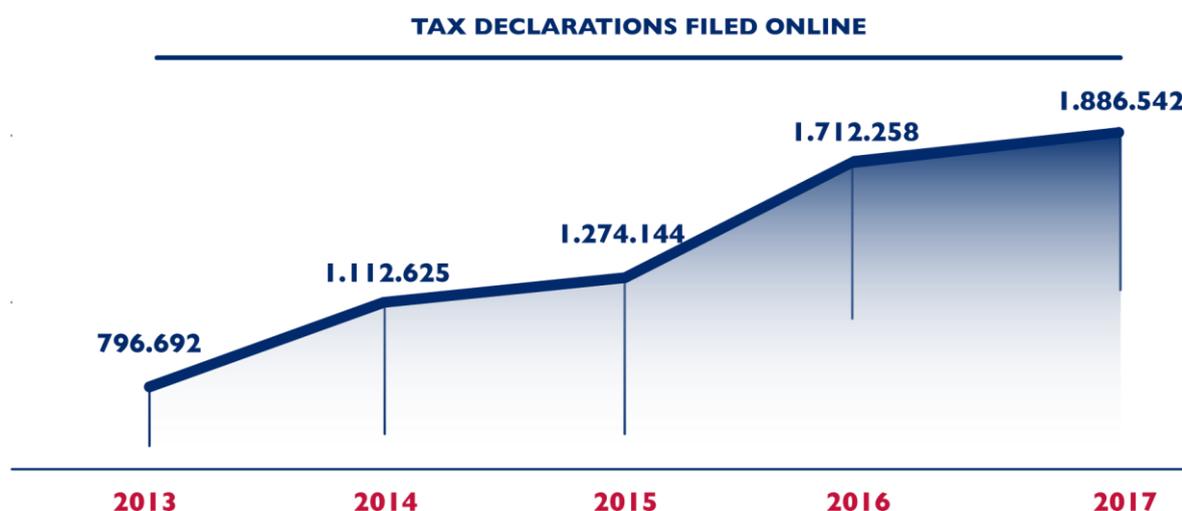
With previous USAID support, around 75 percent of tax declarations were digitalized before 2014. In line with TAK's objective to digitalize all tax declarations, the project supported TAK to upgrade its online filing platform and enable **taxpayers to file all their tax declarations online** (see Figure 5 on next page). The following three remaining taxes were included in the online platform:

- ❖ Tax on rent and intangible property;
- ❖ Withholding tax on interest, royalties, and lottery winnings; and
- ❖ Annual declaration of partnership income.

Following this important automation of tax filing, the WBDB Report 2017 referred to full digitalization of the tax filing system and its rapid use by taxpayers as a significant contributor to Kosovo's improvement on the WBDB *Paying Taxes* indicator.

In Year 2, based on project recommendations, the Assembly incorporated some additional, but significant, changes to **the VAT, Corporate Income Tax, and Personal Income Tax laws**, which reduced the tax burden on taxpayers by eliminating the requirement to obtain a separate VAT certificate for import and export and allowing full deductibility of workforce training costs for employers, which had been previously limited to €1,000 per year. The WBDB Report 2017 cited the elimination of the limit on deductible training costs as the second factor contributing to easier tax payment and Kosovo's improved ranking on the corresponding indicator. Earlier, the WBDB Report 2016 recognized the elimination of business registration license fees as another contributing reform that lowered the burden of tax compliance in Kosovo.

Figure 5: Tax Declarations Filed Online 2013-2017



In addition to tax filing, with project support, TAK digitalized other tax services, further contributing to improved taxpayer services. The project provided recommendations and implementation support that streamlined internal TAK procedures and removed barriers for the online provision of the following six services:

- ❖ Answering queries on tax compliance through the electronic declaration system (<http://www.atk-ks.org/en/sq-en-13/>);
- ❖ Submission of requests to change withholding modalities on personal income taxes (<http://www.atk-ks.org/en/sq-en/>);
- ❖ Issuance of tax status verification certificates for individuals and legal entities to serve as proof that taxpayers have no outstanding tax debts (<http://www.atk-ks.org/en/sq-en-13/>);
- ❖ VAT registration, including issuance of VAT numbers and certificates for new VAT taxpayers (<http://www.atk-ks.org/en/notice-to-taxpayers-tak-with-a-new-electronic-service/>);
- ❖ Submission of tax reimbursement requests only through online filing of tax declaration forms (<http://www.atk-ks.org/en/sq-en-41/>); and
- ❖ Tax refund request status tracker (<http://www.atk-ks.org/en/njoftim-per-tatimpagues-atk-edhe-me-nje-sherbim-te-ri-elektronik-4/>).

The project also supported TAK to draft guidelines for use of the above listed services.

The latter two services were digitalized as part of a wider project-supported TAK activity to **streamline the tax refunding process**. As part of the project's partnership with the Kosovo government to reduce barriers to formality and foster voluntary tax compliance, in mid-2014, the project organized a focus-group study with business representatives and private accounting companies and found that TAK used VAT refund procedures as an enforcement mechanism rather than administrative procedure. At the same time, a GIZ-funded survey of taxpayer satisfaction identified VAT refund procedures as the most significant burden associated with paying taxes. With project support, the Ministry of Finance's WBDB *Paying Taxes* indicator Working Group requested refund procedure improvements as a key reform to reduce the tax compliance burden.

As a result, TAK designed and adopted an internal Regulation on tax refund procedures (see picture below), and in Year 2, the regulation was initially adopted as a managerial-level internal instruction for VAT refunds. In Year 3, it was advanced and expanded into a legally binding mandatory internal regulation for VAT, corporate, and personal tax refund procedures. Main process improvements introduced with the new regulation (<http://www.atk-ks.org/wp-content/uploads/2017/08/ANGL-Rregullore-e-Brendshme-per-Procedurat-e-rimbursimit-te-TVSH-se-TAP-dhe-TAK-Anglisht.pdf>) include the following:

- ❖ The requirement to submit a refund request in person and in hard copy was eliminated;
- ❖ Revision of the tax declaration forms to allow taxpayers to indicate that they want TAK to issue them a refund for positive tax balances;
- ❖ Mandatory risk-based classification of taxpayers that request a refund in three categories: A-low risk, B-medium risk, and C-high risk;
- ❖ A significant reduction of the legal deadline for processing refund requests: from 60 days, to 30 days for high-risk, 20 days for medium-risk, and 7 days for low-risk taxpayers;
- ❖ For low- and medium-risk taxpayers, audits barred as a verification method for refund requests; and
- ❖ Authority to process refund requests delegated to regional TAK offices.



TAK representatives discuss potential metrics and improvements for monitoring the tax refund process

To enable implementation of the new regulation, in Year 3, the project supported TAK and the Ministry of Finance to amend the **AI on the Application of VAT** and remove barriers to streamlining refund procedures. The key improvement introduced with this amendment was elimination of the requirement to resubmit a refund request when TAK officials do not agree with the self-declared VAT refund amount (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=13130>).

In addition to improving the internal regulation, the project supported TAK to design, develop, and institutionalize a new **electronic platform for processing tax refund requests**. The platform embeds the procedures defined with the new regulation on tax refunds and provides for efficient delegation and

managerial monitoring of responsibilities for TAK staff responsible for processing refund requests. Moreover, the new platform enables taxpayers to track each step of the refunding process. The project provided support for the organization of two interdepartmental TAK workshops used to create the business process and web application for the new platform.

The results of the work to streamline procedures for VAT reimbursement, according to internal TAK measurements, show that refund times have dropped by more than 30 percent from 2014. In addition, the refund amounts have increased significantly.

In Year 5, the project also supported TAK to develop a report on **key performance indicators** for the tax refund process, using data generated through the new electronic platform. The report provides a monthly overview of average refund times by TAK region and type of tax and improves the accuracy of data on refund performance. Refund timing is also compared to the amount of refunds processed.

Based on the project's recommendations, the Ministry of Finance also **increased budget projections for tax refunds** to provide a clear political signal of its commitment to addressing shortcomings in the tax refund process. In 2017, TAK refunds — excluding fiscal coupon compensations — increased by 77 percent, from €19 million to €33 million. The 2018 budget also was prepared with expectations of higher tax refunds. The 2019-2021 MTEF projects an increase of 15.9 percent in tax refunds for 2019, double the rate of projected tax revenue growth of 6.7 percent.

All project activities for streamlining the refund process were carried out in line with the Ministry of Finance's WBDB *Paying Taxes* indicator working group reform memorandum. The project provided **support for identifying reforms and tracking their implementation** to three ministry working groups for the WBDB *Paying Taxes*, *Trading Across Borders*, and *Getting Credit* indicators. With project support, these working groups drafted their reform memoranda and updated them two years in a row, providing a significant political impetus for the implementation of reforms. The project also provided technical advice on assessing the impact of planned reforms on the WBDB rankings and supported the working groups to draft reform updates for the WBDB indicator teams in Washington, D.C.

The project-supported evidence-based assessment of the reforms' impact and better institutionalization of these reforms in cooperation with traders and customs agents led to significant ranking improvements following the WBDB Report's recognition of the following Kosovo Customs reform measures:

- ❖ Full operationalization of the UN Automated System for Customs Data (ASYCUDA) and implementation of a paperless customs concept;
- ❖ Implementation of the transit corridor with Albania;
- ❖ Elimination of physical documentary controls for medium-risk consignments, and better implementation of risk-based controls;
- ❖ Implementation of e-payments at customs terminals; and
- ❖ Free selection of all customs terminals in Kosovo. (Prior to this reform, traders had to choose the terminal closest to the point of entry/border crossing of their merchandise.)

After the formation of a new government in September 2017, the project informed the Ministry of Finance's Cabinet on the benefits of using the WBDB methodology as a springboard for synergizing regulatory and tax administration reform. Following project recommendations, WBDB reform targets were included in the government program, and the minister of finance reactivated three WBDB reform working groups. A political advisor to the minister sits as a cabinet coordinator on all three groups to provide the necessary political support for the identified reforms.

Kosovo's experience with synergizing regulatory, tax administration, and fiscal consolidation reforms was showcased at the **International Consortium on Governmental Financial Management (ICGFM) Winter Training Conference** (held in Washington, D.C., at the IMF on December 4-6, 2017, see picture below). The project and Gazmend Mejzini, head of the MTI Doing Business Task Force, presented and participated in a panel discussion on Kosovo's experience using the WBDB methodology to plan tax administration and fiscal reforms, while at the same time using the latter reforms to reinforce regulatory improvements and foster private-sector led economic growth (https://www.icgfm.org/wp-content/uploads/conferenceDocs/2017/Dec/Day2-Sp5_Fiscal-Consolidation-and-Doing-Business-Reform_Final_Chemonics_EN.pdf).



The project presentation at the ICGFM Winter Conference in Washington, D.C.

In addition to administrative process improvements and reforms centered around the WBDB Report and methodology, the project provided support to enhance reliability of taxpayer data, encourage greater use of performance metrics for monitoring compliance, and improve evidence-based decision making. Targeted on-demand support was also provided for legal reforms that improve tax administration effectiveness.

In Year 1, the project completed a comprehensive review of **taxpayer records** in the TAK "SIGTAS" database and provided recommendations on improving their accuracy and reliability. More than 3,400 cases of duplicate tax accounts were identified and resolved. To ensure the long-term sustainability of this improvement, the project supported TAK to draft and implement a new internal instruction on opening and closing tax accounts. Before its adoption, the project supported TAK to pilot new procedures defined by the instruction in selected TAK regions and train all regional TAK staff to ensure the instruction's swift implementation.

To further enhance the credibility of taxpayer data, the project supported TAK to improve information on the legal status of registered taxpayers in compliance with the Law on Business Organization. Also based on project recommendations, TAK and KBRA established an online data exchange process, through which taxpayers who have not carried out any economic activity for more than a fiscal year (inactive taxpayers) are consistently classified in both TAK and KBRA records. The project also supported TAK to improve

the accuracy of the inactive or deregistered taxpayers' registry, available to the public online (<http://apps.atk-ks.org/BizPasiveApp/BizDeReg>).

With project support, TAK drafted and adopted a new internal instruction that provides clear and standardized procedures on the **treatment of taxpayers who do not file on time** or stop filing. The IMF tax administration diagnostic report (known as TADAT) conducted in June 2015 ranked TAK's performance on tracking taxpayers who do not file on time or stop filing as poor. The instruction provides simple steps to flag non-filing and mandates immediate follow-up via e-mail or direct contacts through the call center. Occasional and persistent late filers are also differentiated, and a risk-based procedure for the selection of non-filers subjected to further verification has been institutionalized. Later in Year 3, TAK established a new unit for monitoring non-filers, and the project trained the new unit's staff on monitoring and classification procedures as standardized by the internal instruction.

To reduce physical contact between TAK and taxpayers and enhance voluntary tax compliance, with project support, **TAK improved the operations of its call center**. In Year 2, the project supported TAK to review all call center systems, map their functions, document system shortcomings, and develop performance metrics. Specific technical recommendations for improvement were provided. In addition, an inter-departmental working group provided instructions to TAK staff for promoting use of the call center and created a leaflet informing taxpayers on the services they can obtain there. At the request of the TAK director, the project organized a two-day training course on improving customer service for 18 new TAK staff members.

The project also supported TAK to draft the **AI on Transfer Pricing**. The AI establishes rules and procedures for administering and implementing transfer pricing, which is the price for goods and services sold between related legal entities. Transparent and predictable procedures for transfer pricing fosters voluntary tax compliance. The project assisted TAK working group to introduce international best practices for drafting this AI, namely by providing the Organization for Economic Corporation Development model of transfer prices as a legal development reference (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=14937>).

With project support, TAK adopted **performance metrics for managing the stock and flow of in-year tax arrears**. This is an important achievement as, to date, TAK has only focused on monitoring the total of tax arrears collected, rather than on arrears that hamper current-year compliance. The performance metrics consist of three indicators. Following definition of the metrics, the project supported TAK in defining their baseline values against which progress will be measured.

In Years 1 through 5, the project also supported the Ministry of Finance's Property Tax Department (PTD) to conduct a thorough analysis of property tax collection data to calculate current-year compliance metrics separately from gross tax collections. In addition to gross collection data, introduced with project support in Kosovo government financial statements, the PTD used the new metrics to support municipal efforts to foster increased property tax compliance.

In this context, the project supported the PTD to organize two Kosovo-wide municipal forums on property tax in Years 1 and 3, and to hold additional workshops with municipal representatives in Year 4 (see picture on next page).

The forums served as a valuable platform for municipalities to share their experiences on best practices for encouraging compliance. At the same time, the PTD used the forums to encourage municipalities to increase their performance in property tax collection and compliance by ensuring that property tax data collection becomes more transparent and enhancing sharing of results and experiences among municipalities.



The project's presentation at the 2016 Municipal Property Tax Forum

In Year 1, at PTD's request, the project supported the municipal-level consultation process relating to the amendments being proposed to the current legislation on tax on immovable property. With the involvement of USAID AKT and the SIDA ProTax 2 project, the project supported PTD to host three workshops, with representatives from 33 municipalities, to discuss opinions and receive comments on the proposed amendments to the Law on Taxes on Immovable Property.

In Year 4, the project also supported PTD through comments and suggestions to the Law on Immovable Property Tax. Along with representatives from the U.S. Embassy in Prishtinë/Priština, the USAID Property Rights Program (PRP), and the OSCE Mission in Prishtinë/Priština, the project supported the Ministry of Finance in removing property tax burdens for citizens that had no access to their properties. This provision reduces the burden of compliance with this specific category of property owners and fosters property tax compliance.

C3-4: SUPPORT FOR THE BREZOVICA RESORT DEVELOPMENT PROJECT INTER-MINISTERIAL STEERING COMMITTEE (BRDP ISC)

In January 2013, following extensive support from previous USAID-funded projects, the BRDP ISC announced an international public tender to attract experienced operators and developers. The announcement attracted significant investor interest, with seven consortia/companies expressing interest in the opportunity to design, build, finance, and operate the resort under a 99-year lease agreement. Four consortia/companies were prequalified. In February 2014, the BRDP ISC issued the Request for Proposal (RFP) to the qualified bidders, requesting the submission of bids by May 28, 2014.

Against this background, the project was charged with supporting the BRDP ISC during the procurement process, which was mainly done by engaging a strategic advisor and other subject-matter experts and through support from the existing BRDP Project Implementation Unit (PIU).

At the request of the prequalified bidders, the BRDP ISC extended the deadline for the submission of bids from May 28, 2014, to July 7, 2014, and then to September 9, 2014. During this period, the strategic advisor and PIU provided support to the BRDP ISC and MTI to respond to questions from bidders on the RFP. In response to the RFP, on September 9, 2014, the final date for submission of bids, a single bid was submitted. After receiving the bid, the strategic advisor and two subject-matter experts supported the BRDP ISC Evaluation Committee to review the submitted proposal in detail. On November 17, 2014, the BRDP ISC supported the Evaluation Committee's recommendation to award the contract to the single bidder.

Following the organization of elections and formation of a new government in 2014, the strategic advisor and PIU supported the organization of a first meeting of the BRDP ISC with new government members, at which the successful bidder presented its BRDP development concept and informed the BRDP ISC members on the progress made to finalize the contract. On November 17, 2014, the BRDP ISC decided to award the contract to the bidder, and on December 29, 2014, in compliance with award requirements, the successful bidder incorporated a special-purpose entity in Kosovo. On April 14, 2015, the Kosovo government signed the BRDP contract, a public-private partnership (PPP) agreement, with the consortium (private partner). The contract was expected to enter into force after the fulfillment of all conditions precedent by both parties.

The conditions precedent included requirements for the private partner to demonstrate financial information and draft baseline documentation, such as the definitive master plan, environmental management plan, and emergency response plan. For its part, the Kosovo government was required to complete various assessments, issue necessary permits, and complete the expropriation of properties within the BRDP footprint area.

The strategic advisor, with support from subject-matter experts and the BRDP PIU, drafted a detailed transition management plan that listed all activities and conditions precedent to be met by the Kosovo government/BRDP ISC and private partner. In addition to identifying all the specific activities, a detailed schedule for their implementation was formulated. This transition management plan helped all relevant stakeholders involved in the transaction to better understand their duties and responsibilities toward the fulfillment of conditions precedent.

The strategic advisor and the PIU supported the Kosovo government to fulfill all conditions precedent under the contract. The following activities were carried out to achieve this result:

- ❖ The strategic advisor and the PIU supported the municipality of Štrpce/Shtërpçë to organize consultations on the BRDP with municipal members of the Assembly and Štrpce/Shtërpçë local community. In both sessions, the selected bidder presented the draft master plan of the

BRDP. The strategic advisor and the PIU presented the concept of the ski resort project and process of its implementation.

- ❖ Following the BRDP ISC decision to modify the BRDP footprint, the project subcontracted a private company, Geo&Land, to update the BRDP expropriation elaborate, which is the main part of the expropriation application prepared by BRDP ISC and contains a detailed description of properties which would be expropriated. Following this update, the document was submitted to the Kosovo government for approval.

Based on the project-supported update of the expropriation elaborate, MESP and the Ministry of Finance PTD successfully completed the expropriation of the property within the footprint, followed by a final government expropriation decision of the BRDP footprint. The project engaged an international expert to review the PTD's valuation methodology, which resulted in a confirmation that the applied methodology was adequate.

However, the private partner notified the Kosovo government that it would not be able to fulfill all conditions precedent by the agreed deadline of December 24, 2015, and requested that the deadline be extended, primarily to allow for more time in finalizing the financing agreements required under conditions precedent. On December 17, 2015, the BRDP ICS conditionally approved the request to extend the deadline for fulfilling conditions precedent for six months (to May 31, 2016.) The extension became effective after the private partner increased the amount of the tender insurance.

Before the deadline for fulfilling all the conditions precedent for the BRDP contract to enter into force expired (May 31, 2016), the private partner submitted a package of documents to the BRDP ISC for its review and consideration. The BRDP strategic advisor and PIU reviewed the documents and provided an opinion to the BRDP ISC on whether the private partner has met the conditions precedent, based on the evidence submitted by the private partner.

Following submission of the documents by the private partner and the opinion provided by the BRDP strategic advisor and PIU, the BRDP ISC met on June 17, 2016, and decided to:

- ❖ Terminate the PPP agreement in its entirety;
- ❖ Execute the private partner's tender security; and
- ❖ Notify the Kosovo government that the BRDP ISC established via Government Decision 09/62 has finalized the procedures related to BRDP and should thus be immediately disbanded.

This BRDP ISC decision was taken after full and careful consideration of all the documents submitted by the private partner which, among other things, failed to prove that it had secured the needed financing to implement the BRDP. This was one of the main preconditions for the PPP agreement to enter into force.

Following the BRDP ISC decision to terminate the PPP agreement, MTI requested the execution of the tender security for BRDP. This amount was then paid to the Kosovo government on June 23, 2016.

CROSSCUTTING SUPPORT TO IMPLEMENTATION OF THE USAID GOVERNMENT-TO-GOVERNMENT PROGRAM

The Government-to-Government (G2G) program, also known as the Partnerships for Developing Local Capacities Activity, was a mechanism through which USAID planned to provide funding to the Kosovo government to identify, plan, procure, implement, and monitor technical assistance, using host-country government systems, legislation, and procedures. The objective of this support activity was to strengthen host-country government institutions' capacities to plan, identify, acquire, and manage development assistance in accordance with its needs and in support of overall Partnerships for Development project objectives.

Implementation of G2G activities started early in 2015, based on the Implementation Letter (agreement) for the Partnerships for Developing Local Capacities Activity, signed in September 2014 by the minister of finance, acting on behalf of the Republic of Kosovo, and USAID.

Following the confirmation of support and commitment to G2G of Kosovo's minister of finance, the project supported the Ministry of Finance to make all necessary preparations to facilitate the initiation of the G2G program. Two ministry officials were designated as G2G technical staff to support daily activities of the program, and the Monitoring and Oversight Committee (MOC), composed of representatives from USAID, the Ministry of Finance, and Partnerships for Development, was established. Following the designation of Ministry of Finance officials to this activity and establishment of the MOC, the project provided intensive assistance to the ministry in implementing the G2G program, including the following activities:

- ❖ Taking several risk mitigation measures per the Implementation Letter, including the confirmation of procurement officials, confirmation of certification of Code of Conduct declaration by procurement officials, development and adoption of the IT Disaster and System Recovery Plan, and adoption of the IT Physical Security Improvement Plan;
- ❖ Developing all necessary guidelines, procedures, manuals, and templates, as well as the provision of support to beneficiary institutions during preparation of initial concept proposals for review and approval by the MOC;
- ❖ Providing support to beneficiary institutions to prepare terms of reference (ToR) based on initial concept papers approved by MOC, with the additional aim of strengthening local capacities to identify and fully-develop technical initiatives, with clear reform objectives and a more results-oriented focus; and
- ❖ Providing templates and advising the Ministry of Finance on drafting all required reports, including quarterly, semi-annual, annual, and financial reports, as well as an annual work plan.

Out of 17 G2G ToRs developed by MESP, MTI, the Central Bank of Kosovo, TAK, and the Ministry of Finance that were approved by the MOC and forwarded to the Ministry of Finance's Procurement Office for inclusion in the standard tender documentation, 11 contract notices were published by PPRC, six contracts were awarded, and five contracts were signed.

While the project provided significant assistance to the Ministry of Finance during all phases of the G2G program, due to difficulties faced during implementation, the program and procurement process were suspended. Following suspension of the program, and after consultations and discussions between USAID and the ministry, both institutions agreed to end the G2G program effective May 2016.

Although ending this program did have some initial impact on the project's ability to implement planned activities with the desired dynamism and achieve its objectives, the project closely coordinated with USAID and its Kosovo government counterparts following the program's end to mobilize its resources to ensure key reforms were implemented on time, and that project objectives were achieved.

COORDINATION WITH DONORS

Across all three components, Partnerships for Development coordinated closely with other USAID projects and donors in various project-supported reforms and activities over its lifetime.

In Component 1, as part of WBDB reform initiatives, the project worked closely with the World Bank office in Kosovo and IFC in identifying and implementing reform activities.

The World Bank office in Kosovo provided assistance to improve communication between Kosovo government working groups and their respective WBDB indicator teams by facilitating videoconferences during which progress made could be presented and pending issues discussed. Furthermore, the project worked closely with the USAID CLE project on the *Enforcing Contracts* and *Resolving Insolvency* WBDB indicators, and with USAID PRP on the *Registering Property* indicator.

The project also coordinated with the SIDA project to Support Policy Development in the OPM during development of the new Guidelines for Developing Concept Documents, which were developed by OPM with support from the SIDA project and focused primarily on further strengthening the analysis of implementation of existing rules and regulations prior to proposing new policy initiatives.

The project also coordinated with the USAID AKT, AKT Local Solutions, and JSSP programs on activities related to the further institutionalization of the OGDB and the USAID EMPOWER Private Sector Project in tourism policy.

In Component 2, in areas relating to construction reforms, the project coordinated closely with the DEMOS project, funded by the Swiss Development Agency, to support MLGA to design and integrate an upgraded version of the PTS into the new Municipal Performance Management System.

The project coordinated with GIZ to enable the attendance and participation of MESP officials in several workshops/visits organized by GIZ in Skopje, Belgrade, and Tirana, to promote construction e-permitting in the region.

In cooperation with OSCE, the project helped MESP organize training in five regional workshops on the basic principles of the Law on Construction and Law for Treatment of Constructions Without Permit.

The project and USAID CLE conducted a full-day training course for the Kosovo Judicial Institute on the Law on Construction and its implementing regulations, the Law on Spatial Planning, and the Law for Treatment of Constructions without Permit. Furthermore, the project and USAID CLE held a joint event to introduce a standard form of contract for construction to contractors, architects, developers, and bankers.

During the drafting of secondary spatial planning legislation, the project worked closely with EU IRuSP to ensure the final versions of those AIs fully aligned with the new spatial planning vision and concept for Kosovo. The project had similar interaction and cooperation with UN Habitat during the drafting process of the AI on Spatial Planning Technical Norms.

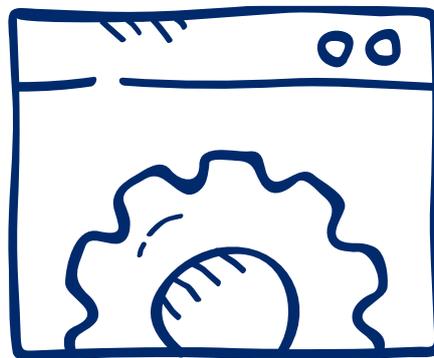
In the area of legalization, the project worked with EU IRuSP to design and finalize the registry of constructions without permit and worked with OSCE during drafting of the new Law on Treatment of Constructions Without Permit by holding a series of focus-group discussions with officials from the local and central levels of government.

In addition, the project worked closely with USAID AKT in several activities related to construction permitting and spatial planning at the local level, and with USAID PRP and the GIZ Civil Code project in developing the National Property Rights Strategy.

In Component 3, the project coordinated closely with the IMF on project-supported activities for the implementation of the IMF program. The project also coordinated and collaborated with IMF technical advisors on support provided to the Ministry of Finance with the publication of government finance statistics and MTEF improvements.

The project also coordinated with the World Bank desk economist for Kosovo and various World Bank missions on economic governance and PFM. The project maintained regular coordination with the EU Special Representative Office in Kosovo and the EU Support to the Ministry of Finance Project.

The project also extensively coordinated with other donor projects, such as the SIDA Property Tax project, GIZ Public Finance Reform Project, and Swiss Economic Cooperation Secretariat. The project also coordinated and provided facilitation with the Ministry of Finance with respect to USAID’s AKT, PRP, EMPOWER, CLE, JSSP, and TEAM programs.



CHALLENGES ENCOUNTERED AND LESSONS LEARNED

The challenges the project faced were of a general nature, affecting all donors' work in Kosovo. Information is poorly shared within and among government bodies, which leads to inefficiency and duplication. There is often insufficient coordination in policymaking and legislative drafting, and checks and reviews are often inadequate to ensure that proposed laws and regulations are consistent with announced policy. Thus, many project activities were aimed at improving coordination in formulating policy and drafting laws, encouraging the coordinated development of legal information, and promoting e-governance solutions wherever possible.

Another challenge often encountered was that government partner organizations, budgets, and resource allocations did not match their actual needs or the work they are called on to perform as part of a reform process. Examples of such challenges include the need to support the construction legalization process and spatial planning reform efforts with additional resources.

Parliamentary and local elections held during the course of the project also slowed several activities that the project had undertaken at the beginning of its term in 2014, and later in 2017. The elections resulted in a change of government at the central level, which particularly affected activities centered on WBDB reform activities, the Law on Business Organizations, and Law for Treatment of Constructions Without Permit, as these required close and constant coordination among various Kosovo government institutions.

There were cases when certain institutions or public officials simply refused to perform their functions. For example, MESP and municipal inspectors continue to resist conducting phased technical inspections. This likely is due to a lack of technical capacity, low willingness to take on this work, and misunderstandings about legal liability. In attempts to address this, the project conducted mentoring, practical hands-on training, and shared best practices from municipalities which were successful in implementing phased inspection. Nevertheless, some inspectors continue to refuse to implement the new procedures.



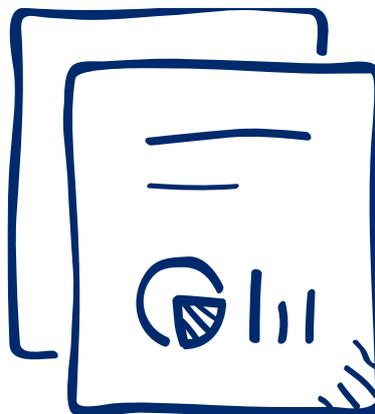
RECOMMENDATIONS FOR FOLLOW-ON ACTIVITIES

This section provides a summary of activities and areas USAID may consider for further support through future programs and projects. The activities listed below reflect the project's experience working with the relevant Kosovo institutions over the past years, their commitment and capacities to implement further reforms, and the needs of Kosovo citizens for such reforms to occur:

- ❖ One of the largest challenges facing the government of Kosovo today is ensuring the existence and functioning of effective intergovernmental coordination mechanisms responsible for driving the country's economic growth agenda. Although several institutions, such as NCED, partly exercise this role, their mandates and capacities should be significantly enhanced.
- ❖ With Kosovo having reached a ranking of 40th in the WBDB Report, it is quickly reaching a plateau, and further improvement will require a deeper and broader continuation of reforms, as well as significantly increased political commitment. From a technical standpoint, the WBDB reform methodology and approach developed by the project can still be a driver of support and serve as an effective platform for pushing forward targeted improvements in a wide range of areas and processes, with particular emphasis on several indicators currently lagging behind. The use of mechanisms like WBDB as a driver for reform should also be explored.
- ❖ The policy development process would benefit from two additional interventions building on previous work, including further developing the consolidated electronic database for publication of draft normative acts currently operating out of the OPM for the purposes of intergovernmental and public consultation (similar to the project's OGDB support) and supporting efforts to increase effective public consultation of new laws and regulations, including capture and responses to all comment on drafts, and procedurally and structurally separating policy makers from policy implementers.
- ❖ Business associations play a valuable role in market economics and representative democracies by providing valuable business services to members, serving as vehicles for collective advocacy in policy, and serving as a protective mechanism when members are confronted with challenging interactions with government officials and corruption. To survive, however, business associations must be independent and financially sustainable. In Kosovo, some associations exist, but their capacities need to be significantly strengthened.
- ❖ Following approval of the new Law on Treatment of Construction without Permit and drafting of the respective sub-legal acts, future support is needed for successful completion of the legalization program. Although some support may still be needed to help MESP coordinate the efforts, the focus of any future activity should be to work directly with municipalities (perhaps a limited number) to help them mobilize and organize the needed resources for the legalization of already identified unpermitted constructions.
- ❖ Although significant improvements have been made with project support to improve construction permitting, further assistance would be beneficial for a more efficient permitting process. Future support could focus on working with Prishtinë/Priština municipality to help further improve the operations of the OSS service for construction permit applications, as well as potentially rolling out the same model to other municipalities.
- ❖ The project has significantly contributed to improving the Ministry of Finance's macro-fiscal stability management capacities and the government of Kosovo's supply of prudent fiscal policy. To strengthen these improvements, however, greater demand for prudent fiscal policymaking is required from the Kosovo Assembly, academia, and nongovernmental

organizations. Supporting greater involvement from the Central Bank of Kosovo in benchmarking public opinion on economic and fiscal policies would contribute to a more rigorous fiscal policymaking environment.

- ❖ Upcoming public administration reform limits the Ministry of Finance in providing sufficient compensation to attract highly-skilled employees for specialized units. The ministry needs to implement solutions that embrace turnover and attract young graduates on a continuous basis. Multi-donor co-financing and design support could be provided to the ministry, including for a possible part-time Ph.D. program that allows postgraduate students to complete their studies while working for the ministry.
- ❖ The project supported the Ministry of Finance Treasury to improve compliance and advance the existing accounting framework, but further support for accounting reforms would amplify the impact of project results and contribute to improved value for money by increasing the efficiency of public service delivery through reduction of costs associated with late payments, avoidance of litigation costs resulting from mismanaged public funds, better use of project-loans from international lenders, and better information on the impact of public investment.



ANNEX I: PERFORMANCE-BASED MANAGEMENT SYSTEM RESULTS

The project performed well in the achievement of its result targets. Out of eight Project Result (PR) indicators, the project exceeded targets for six, achieved its life-of-project target for one, and did not hit the target on one. For each of the eight indicators, we present the results achieved over the life of the project in detail below.

Following the summary table for each PR in which annual and life-of-project targets and actual results are presented, a full list of achievements is listed where applicable.

Project Result I: Doing Business Improvement: Percentage improvement in underlying variables of Doing Business indicators (Starting a Business, Dealing with Construction Permits, Paying Taxes)

Doing Business indicators are a demand-driven, country-specific subset of processes covered in the World Bank's annual *Doing Business* report. The project targeted an average total improvement on the underlying variables for the following indicators as published in the annual WBDB Report: at least 20 percent for the *Starting a Business* indicator, at least 15 percent for the *Dealing with Construction Permits* indicator, and at least 10 percent for the *Paying Taxes* indicators. The average target for improvements in the underlying variables for all three indicators was 15 percent. The following points provide details on the underlying variables for each of the three indicators:

- *Starting a Business* (number of procedures, number of days, cost as a percentage of Gross National Income [GNI] per capita, and minimum capital requirement as a percentage of GNI per capita)
- *Dealing with Construction Permits* (number of procedures, number of days, cost as a percentage of GNI per capita)
- *Paying Taxes* (number of payments, number of hours, total tax rate (% profit))

As shown in the table below, the average life-of-project target for all three indicators was a 15 percent improvement on the respective underlying variables. Although there were some variations on an annual basis, based on the WBDB Report 2018, this target was achieved, with the average improvement of underlying variables for all three indicators reaching 36.4 percent.

Indicator	DB 2015 (Y1)		DB 2016 (Y2)		DB 2017 (Y3)		DB 2018 (Y4)		DB 2018 (Y5)		Life-of-Project	
	Trg	Act	Trg	Act	Trg	Act	Trg	Act	Trg	Act	Trg	Act
Starting a Business	10.0%	60.0%	10.0%	2.8%	0.0%	21.7%	0.0%	5.8%	n/a	n/a	20.0%	72.2%
Dealing with Construction Permits	5.0%	9.0%	5.0%	1.5%	5.0%	1.6%	0.0%	1.6%	n/a	n/a	15.0%	12.0%
Paying Taxes	0.0%	1.3%	5.0%	1.4%	5.0%	22.9%	0.0%	4.9%	n/a	n/a	10.0%	25.0%
Average	5.0%	23.5%	6.7%	1.9%	3.3%	15.4%	0.0%	4.1%	n/a	n/a	15.0%	36.4%

Indicator*	2014 Basel.	2015 (Y1)		2016 (Y2)		2017 (Y3)		2018 (Y4)		2018 (Y5) ¹		Cumul % change to date
		DB 2015	% Change	DB 2016	% Change	DB 2017	% Change	DB 2017	% Change	DB 2018	% Change	
Country Rank	81	64	-	64	-	60	-	40	-	n/a	n/a	-
DTF	63.83	67.03	-	66.69	-	68.51	-	73.49	-	n/a	n/a	-

Starting a Business

Rank	100	40	-	27	-	13	-	10	-	n/a	n/a	-
DTF	84.19	93.05	-	93.06	-	95.54	-	95.67	-	n/a	n/a	-
Procedures (Number)	5	4	20.0%	4	0.0%	3	25.0%	3	0.0%	n/a	n/a	40.0%
Time (days)	29	10	65.5%	10	0.0%	6	40.0%	5.5	8.3%	n/a	n/a	81.0%
Cost (% GNI)	22.1	1.2	94.6%	1.1	8.3%	1.1	0.0%	1	9.1%	n/a	n/a	95.5%
Target	-	-	10.0%	-	10.0%	-	0.0%	-	0.0%	n/a	n/a	20.0%
Actual	-	-	60.0%	-	2.8%	-	21.7%	-	5.8%	n/a	n/a	72.2%

Dealing with Construction Permits

Rank	148	137	-	125	-	129	-	122	-	n/a	n/a	-
DTF	58.87	62.52	-	62.87	-	63.31	-	63.72	-	n/a	n/a	-
Procedures (Number)	14	15	-7.1%	15	0.0%	15	0.0%	15	0.0%	n/a	n/a	-7.1%
Time (days)	151	152	-0.7%	152	0.0%	152	0.0%	152	0.0%	n/a	n/a	-0.7%
Cost (% GNI)	10.3	6.7	35.0%	6.4	4.5%	6.1	4.7%	5.8	4.9%	n/a	n/a	43.7%
Target	-	-	5.0%	-	5.0%	-	5.0%	-	0.0%	n/a	n/a	15.0%
Actual	-	-	9.0%	-	1.5%	-	1.6%	-	1.6%	n/a	n/a	12.0%

Paying Taxes

Rank	58	64	-	77	-	43	-	45	-	n/a	n/a	-
DTF	77.54	77.87	-	71.11	-	80.28	-	80.28	-	n/a	n/a	-
Payments (Number)	33	33	0.0%	32	3.0%	10	68.8%	10	0.0%	n/a	n/a	69.7%
Time (Hours)	161.5	155	4.0%	155	0.0%	155	0.0%	155	0.0%	n/a	n/a	4.0%
Total Tax Rate (% profit)	15.4	15.4	0.0%	15.2	1.3%	15.2	0.0%	15.2	0.0%	n/a	n/a	1.3%
Target	-	-	0.0%	-	5.0%	-	5.0%	-	0.0%	n/a	n/a	10.0%
Actual	-	-	1.3%	-	1.4%	-	22.9%	-	0.0%	n/a	n/a	25.0%

¹ The reporting indicators data for 2018 Y5 is unavailable for now, as the next WBDB Report will be published in November 2018.

* Where applicable, the revised data for ranking, DTF and specific underlying variables have been used

Project Result 2: Improved analysis and transparency in legal drafting: improvements in policies, legal acts, administrative procedures, and operations for the drafting and publication of legal acts

The project supported the Kosovo government to improve the drafting process, including through support to initiating bodies to provide justifications for proposed laws and regulations that refer to broader policy goals, strengthening the analysis of drafting and EU approximation practices, and encouraging that draft laws and regulations be subject to public notice and comment, as well as shared with other government bodies when appropriate.

Success in this area was measured by the number of relevant policies, legal acts, administrative procedures, and operations that were reformed. The table below summarizes achievements under this PR, which show that on an annual basis, all targets have been met or exceeded. As a result, the life-of-project target was exceeded.

Project Result 2	2015 (Y1)		2016 (Y2)		2017 (Y3)		2018 (Y4)		2018 (Y5)		Life-of-Project	
	Trg	Act	Trg	Act								
Improvements in policies, legal acts, administrative procedures and operations for the drafting and publication of legal acts	5	6	8	8	12	12	9	9	3	3	37	38

Actual Project Result 2 results/achievements

1. Institutionalization of improved EU review and approximation process with MTI, including through the implementation of a pilot reviews methodology in the Law for Draft Amendments to Law on Patents, and draft Law on Industrial Design.
2. Establishment of a dedicated web page for publication of draft sub-normative acts by MTI and its subsequent use by the ministry to post drafts for public comment.
3. Improved the institutionalization of legal act publication and upload of sub-normative acts following their adoption into the OGDB by Kosovo government ministries by supporting direct submission login access, pilot uploading clinics, and subsequent monitoring of unilateral consistent use by ministries.
4. Introduction of standardized technical practices for reference numbering and titling of legal acts uploaded into the OGDB, making cross-referencing and searching more intuitive and effective, thereby improving maintenance and access to legal information.
5. Adoption of the Better Regulation Strategy by the government, under which drafting bodies are required to conduct more thorough impact analyses of proposed acts and include a plan of implementation for amending the Rules of Procedure of the Government.
6. Improved analysis of proposed policies and concept documents with the Ministry of Finance’s legal office through pilots, which used a standardized approach which may be used for future reviews.
7. Improved legal framework on format and content of official public institution websites through the adoption by MPA of AI No. 01/2015 on Content of Websites of Public Institutions (<https://gzk.rks-gov.net/ActDetail.aspx? ActID=11007>).
8. Improved and streamlined procedures for assessing the impact of new policies, legislation, and the Government Decision and Action Plans for Strategies, through the adoption of AI No.

- 03/2015 on BIA by the Kosovo government (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=10867>).
9. Improved methodological and practical guidance for ministry budget and finance officers through the development and adoption of the Manual on BIA ([http://www.kryeministri-ks.net/repository/docs/Doracaku_per_Vleresimin_e_Ndikimit_Buxhetor_te_Nismave_te_Reja_Qeveritar..._\(1\).pdf](http://www.kryeministri-ks.net/repository/docs/Doracaku_per_Vleresimin_e_Ndikimit_Buxhetor_te_Nismave_te_Reja_Qeveritar..._(1).pdf)).
 10. Adoption of improved guidance for ministry legal departments for evaluating the actual impact and implementation of legislation after adoption through the Guidelines on Ex-Post Evaluation of Legislation adopted by the government of Kosovo (http://www.kryeministri-ks.net/repository/docs/2_Guidelines_on_Ex-post_evaluation_.pdf).
 11. Improvements to the MESP website to make sub-legal acts more easily accessible to the public (<http://mmph-rks.org/sq/Aktet-nenligjore>) and allow publication of all activities and documents related to the legalization process, including publication of the national registry of unpermitted constructions and Final National Registry of unpermitted constructions.
 12. Adoption of Regulation No. 01/2015 on Rules of Procedure for NCED, which will bolster coordination of policy initiatives and discussion of legislative initiatives (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=10889>).
 13. Improved coordination of WBDB reforms through high-level political leadership from the Kosovo government and the NCED, and the establishment of a specialized technical task force at MTI responsible for coordinating reform efforts (Kosovo government Decision No. 12/67, (http://www.kryeministri-ks.net/repository/docs/Vendimet nga mbledhja 67_e_Qeverise.pdf).
 14. Improved practices for policy development and analysis at MESP through working with DSPCH to jointly develop a concept document on the regulation of professions and engineers in accordance with Kosovo government guidelines on policy development, as well as by improving public consultation during policy development and BIA practices.
 15. Improved and institutionalized publication of legal acts of municipalities in the OGDB, with more than 628 legal acts of municipalities uploaded and available to the public, and continued uploading of legal acts by municipalities (<https://gzk.rks-gov.net/BrowseInstByCat.aspx?Index=1&CatID=23>).
 16. Increased usage of the OGDB by government officials and the public, with more than 4,139 average daily page views reflecting increasing access to laws and regulations throughout Kosovo and internationally.
 17. Improved search speed for the Official Gazette website resulting from interventions made to the system by a project subcontractor and upgrading the base software (SQL) to SQL 2014 (<http://gzk.rks-gov.net/>).
 18. Improved practices and implementation of requirements for conducting EU approximation of legislation through support provided to MTI with the EU approximation process for the Draft Law on Business Organizations.
 19. Better Regulation Strategy 2.0 approved by the Kosovo government, incorporating the project's comments and suggestions, including a general principle requiring additional justification for new regulations proposed for the government's approval.
 20. Improved ranking for Kosovo in the World Bank Global indicators of Regulatory Governance from a score of 2.6 in 2015 to a score of 4.6 in 2016 (approximately a 30-rank jump, from 73rd to 43rd out of 185 economies), acknowledging improved transparency in governance, overall

access to laws and regulations by businesses and the general public, and impact assessment. (<http://rulemaking.worldbank.org/en/data/explorecountries/kosovo>).

21. Complete package of analytical summaries related to the WBDB methodology developed, translated, and distributed to relevant institutions designated by the Kosovo government to work on the individual WBDB indicators. The package of analytical summaries is expected to become an important resource during policy deliberations and legislative drafting of legal acts that affect the business environment.
22. Improved implementation of BIA requirements by MESP through a detailed BIA of concept documents for the new Law for Treatment of Constructions and concept document on Regulation of the Profession of Architects and Engineers in the Area of Construction.
23. Full operationalization of the WBDB Task Force at MTI responsible for coordinating WBDB reforms launched by the Kosovo government under Decision No. 12/67. The Task Force is expected to help improve the policy development and legal drafting process by coordinating efforts by various Kosovo government bodies to review and propose new policies and legislation for improving the business environment (http://www.kryeministri-ks.net/repository/docs/Vendimet nga mbledhja_67_e_Qeverise.pdf).
24. Full operationalization of WBDB indicator-specific working groups within five ministries and completion of a first-round review of reforms within indicators and submission of reports to the WBDB Team.
25. Improved practices for policy development and analysis at MESP through working with DSPCH to jointly develop a concept document to revise the Law for Treatment of Constructions Without Permit and a concept document on the Regulation of Professions of Architects and Engineers in accordance with Kosovo government guidelines on policy development.
26. Development and publication of the first report on basic performance indicators for business registration in Kosovo. To inform the policy development process and drafting of the new Law on Business Organizations, as well as to increase overall transparency, the project supported KBRA to improve practices for performance measurement through the development and publication of the first report on basic performance indicators for business registration in Kosovo. This report includes several indicators, including: (i) the average time needed to register a business organization in Kosovo, broken down by municipal business registration center; (ii) the number of businesses registered and deregistered by business form and municipality; (iii) total number of branches of foreign companies registered in Kosovo by country of origin; and (iv) percentage of women-owned individual businesses and percentage of women owners in other forms of business organizations (<https://arbk.rks-gov.net/desk/inc/media/AB545700-E263-422E-859D-A87BF9318FD0.pdf>).
27. Creation of a web presence for the NCED on MTI's official website, further strengthening NCED's institutionalization and organizational effectiveness and increasing public access to information on NCED activities. (<http://mti.rks-gov.net/page.aspx?id=1,203>)
28. Creation of a separate section in the MTI website on WBDB reforms where MTI can publish all relevant information and tools related to the reforms (<http://mti.rks-gov.net/page.aspx?id=1,234#>).
29. Completion of the OGDB upgrade, allowing (i) faster and more accurate methods for searching legal acts, (ii) the creation of separate registries (lists) for most types of legal acts posted in the OGDB, (iii) more accurate and efficient categorization of legal acts, (iv) new tools for monitoring the level of usage of the Official Gazette website, and (v) reactivation of the subscription option (<http://gzk.rks-gov.net/>).

30. Development of native mobile applications for the OGDB for mobile devices running on Android and iOS operating systems, linked below:

Android: (<https://play.google.com/store/apps/details?id=net.rksgov.gzk>);

iOS: (<https://itunes.apple.com/us/app/gazeta-zyrtare-rks/id1250207772?mt=8>)

31. Three manuals developed to support maintenance and usage of the OGDB, including: (i) *Manual on OGDB Database Storage, Maintenance, and Security for AIS* (ii) *Manual for OGDB Institutional Users*, and (iii) *Manual for OGDB Administrator*.
32. Legal officers from the OPM, 19 ministries, and 29 municipalities trained on the new functions of the OGDB and mobile application, and engaged in uploading a total of 255 additional sub-legal acts into the OGDB.
33. Implementation of an information and outreach campaign on the OGDB and mobile application, working with lawyers, universities, civil servants and other stakeholders to further promote the OGDB and mobile application as crucial tools for supporting the rule of law in Kosovo. Usage of the OGDB peaked in January 2018, with 55,084 visits (<https://gzk.rks-gov.net/analyticreporting.aspx?index=14>).
34. Adoption of MLGA Regulation No. 01/2017 on the Procedure for Drafting and Publishing Municipal Acts (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=15184>), which outlines the basic standards municipalities are required to follow when drafting and publishing legal acts and makes it mandatory for municipalities to publish all of their legal acts in the OGDB.
35. Completion of a pilot ex-post evaluation of the Law on Internal Trade and Law on External Trade to determine the level of implementation of these laws to date, challenges encountered during implementation, and potential solutions. The ex-post evaluation was conducted based on the Guidelines on Ex-Post Evaluation of Legislation approved by the government in 2015 (http://www.kryeministri-ks.net/repository/docs/2_Guidelines_on_Ex-post_evaluation_.pdf).
36. The training module on legislative drafting and publication at the local level was completed.
37. The pilot training courses on legislative drafting and publication at the local level were held during March and April 2018 in seven regional centers, including Mitrovicë/Mitrovica, Gjakova/Đakovica, Prishtinë/Priština, Pejë/Peć, Prizren, Ferizaj/Uroševac, and Gjilan/Gnjilane.
38. A report with outcomes and recommendations was completed, as was a training module on legislative drafting and publication at the local level for MLGA's future use.

Project Result 3: Implementation of permissive system authorization and compliance (inspections) reforms including treatment of constructions without permit: improvements in policies, legal acts, administrative procedures and operations for regulation of economic activity

The project worked with its government partners to support the implementation of reform activities in permitting, licensing, and inspections, and helped government bodies improve their policies, legal acts, administrative procedures, and operations for the regulation of economic activity. To implement reforms linked with this indicator, the project worked with MTI, MESP, and the Ministry of Finance to help these ministries undertake specific reforms and bring their procedures, processes, and operations related to permitting, licensing, and inspections into conformity with, respectively, the Law on Permits and Licenses System and best international practice.

Progress on this PR was measured by the number of policies, legal acts, administrative procedures, and operations related to permitting and licensing, inspections, or treatment of constructions without permit that have been reformed or improved.

Annual targets, as well as actual results on an annual basis, are shown below. Based on the data shown, life-of-project results were exceeded for this PR.

Project Result 3	2015 (Y1)		2016 (Y2)		2017 (Y3)		2018 (Y4)		2018 (Y5)		Life-of-Project	
	Trg	Act	Trg	Act								
Improvements in policies, legal acts, administrative procedures, and operations for regulation by government bodies of private economic activity through permitting and licensing or inspections	5	7	10	13	10	11	13	9	3	5	41	45

Actual Project Result 3 results/achievements

1. To improve registration operations, the project supported customer service training for business registration personnel to enable them to perform their duties more effectively and productively.
2. To improve collection of registration information, TAK and KBRA institutionalized the use of NACE 2 codes in their databases. Consistent with international best practice, this allowed for the collection of improved economic statistics, which in turn provide better data for the market, policy, and managing regulatory activities such as rationalizing scheduled inspections and monitoring permitting and licenses based on type of business activity.
3. The municipal administration of Fushë Kosovë/Kosovo Polje implemented phased inspections of construction sites, in accordance with AI MESP No 18/2013 on Minimum Standards and Procedures for Inspection Supervision and Issuance of Certificate of Occupancy.
4. To oversee implementation of construction permits and inspections, the municipal administrations of Fushë Kosovë/Kosovo Polje, Han i Elezit/Elez Han, Pejë/Peć, and Ferizaj/Uroševac initiated intranet tracking systems with MPA support. Additionally, in Fushë Kosovë/Kosovo Polje, Pejë/Peć, Hani i Elezit/Elez Han, and Ferizaj/Uroševac, the system flags permit applications which have gone over deadlines set in the Law on Construction.
5. To support building inspections, MESP adopted AI MESP No. 18/2014 on Basic Health and Safety Requirements for Treatment of Constructions without Permit. Additional supplemental guidelines were also developed and published to facilitate understanding and implementation.
6. Using an option under the Law on Construction and AI 18/2013, and due to the limited number of municipality inspectors, Prishtinë/Priština municipality used phased construction inspections, which were implemented by engineers-inspectors engaged by permit holders.
7. To increase public access to the permitting system and information on application status, Prishtinë/Priština municipality implemented a PTS that allows administrators to monitor the work of the municipality and communicate with citizens about the status of their permit applications.
8. Procedures for inventorying, updating, and making publicly available information on types of permits and licenses required by government bodies at the central and local level was improved through the establishment of a central registry of permits and licenses (<https://lejlicenca.rks-gov.net/sq/licence?id=800&showAll=true>). The project additionally supported the drafting of AI No. 06/2015 on Registry of Permits and Licenses, which was adopted by the Kosovo government (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=10870>).
9. Reduction of fees payable by citizens for services from KBRA/MTI related to business registration, through new MTI AI No. 03/2015 on Determination of Fees for Services provided by the Business

Registration Agency (<https://gzk.rks-gov.net/ActsByCategoryInst.aspx?Index=1&InstID=36&CatID=22>).

10. Establishment of a legal framework for a registry of architects and engineers in the area of construction, which will include all graduates of architecture and engineering in Kosovo, and as preparation for the establishment of the Chambers of Architects and Engineers in the Area of Construction, through MESP AI No. 01/2016 Amending AI 06/2011 on Professional Exam and Licensing of Architects and Engineers in the Area of Construction.
11. Streamlining procedures for field inspections conducted by the MESP general inspectorate, particularly in relation to competencies for inspecting municipalities in the area of spatial planning, through AI No. 24/2015 on Form and Content of Record for Inspection Supervision (<https://gzk.rks-gov.net/ActsByCategoryInst.aspx?Index=1&InstID=41&CatID=22>).
12. AI on Legalization Appeals No 04-2015 approved (<http://gzk.rks-gov.net/ActDetail.aspx?ActID=10834>).
13. AI No. 11/2015 on the Sections and Basic Requirements for Design, Implementation and Monitoring of MDPs and MZMs approved (<http://gzk.rks-gov.net/ActDetail.aspx?ActID=11671>; <http://gzk.rks-gov.net/ActDetail.aspx?ActID=11684>).
14. Reform scorecards in place for five municipalities: Fushë Kosovë/Kosovo Polje, Gračanica/Graçanicë, Hani i Elezit/Elez Han, Pejë/Peç, and Prishtinë/Priština.
15. Pilot municipalities (Prishtinë/Priština, Fushë Kosovë/Kosovo Polje, Gračanica/Graçanicë, Hani i Elezit/Elez Han, and Pejë/Peç) begin using a PTS for construction permits.
16. MESP DSPCH began properly issuing terms of construction and permits for Category III constructions. As a result, five Category III permits were handled using standard forms and procedures, and applications submitted for Category III projects have increased, reflecting a positive response from the public to improved procedures.
17. MESP began using a construction permit PTS for internal management.
18. Public participation in spatial planning improved for five pilot municipalities.
19. Pilot municipality Prishtinë/Priština created an online application where citizens can request information about development conditions for their specific parcels as set in the spatial plans (https://docs.google.com/forms/d/e/1FAIpQLScjCAoujq3w-GKSKKpFGEUNDFBWlnRA_4bULE-8Enhvk42zGw/viewform?c=0&w=1).
20. Pilot municipality Prishtinë/Priština reduced construction permit fees.
21. A memorandum of understanding between MTI, the Ministry of Finance, and MPA on the unified business registration/taxpaying identification number was signed. This memorandum establishes the necessary coordination mechanisms to create a unified number that will reduce administrative burdens on businesses relating to registration and consolidate procedures between KBRA and TAK.
22. The concept document on the Regulation of the Professions of Architects and Engineers was approved by the Kosovo government, clearing the way for the drafting of the Law on Licensing of Architects and Engineers, which will regulate the profession of architects and engineers in the field of construction and establish the Chamber of Architects and Chamber of Engineers (http://www.kryeministri-ks.net/repository/docs/Vendimet_e_Mbledhjes_se_96-te_te_Qeverise.pdf).
23. MESP established the Committee for Registration of Architects and Engineers. As of December 2017, a total of 1,068 architects and engineers have registered, 456 of which are architects, 439 are construction engineers, 61 are mechanical engineers, and 112 are electro-technical engineers (<http://www.mmph-rks.org/sq/Regjistri-per-Arkitekt-dhe-Inxhinier>).

24. The time required for registering LLCs has been reduced to 3.05 calendar days (<https://arbk.rks-gov.net/desk/inc/media/AB545700-E263-422E-859D-A87BF9318FD0.pdf>).
25. The legal basis for TAK “educational visits” to new businesses and requirement for TAK to conduct a verification inspection before a VAT certificate can be issued was eliminated through the adoption of AI 03/2016 (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=12507>), reducing direct contact with taxpayers, as recommended by the project and IMF.
26. The process for registration of employees with TAK as a separate procedure taking place after a business has registered with KBRA has been eliminated by adoption of AI 03/2016 (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=12507>). This procedure will now be conducted online as part of regular monthly tax filing.
27. KSA and MESP cooperated to adopt all 10 EN Eurocode standards (EN 1990-1999), in 58 Eurocode parts, in furtherance of completing the Construction Code, which will form the basis for building safer constructions and conducting proper inspections.
28. A memorandum of understanding between MESP, Prishtinë/Priština municipality, KEDS, and Prishtinë/Priština Water Company was signed to create a one-stop-shop for construction permitting in Prishtinë/Priština.
29. Comprehensive guidelines for handling legalization applications, inspections, and appeals issued to guide public and private actors in the legalization process.
30. Production of a Guidebook for Technical Documentation Presentation Package for applications for terms of construction and construction permits, as well as legalization applications.
31. Drafting and distribution of “Public Participation in Spatial Planning” Guidelines to all municipalities, providing a step-by-step approach to better involve diverse citizen groups in the planning process.
32. MESP approved the AI on Setting Procedures for Submission and Review of Applications for Terms of Constructions and Construction Permits (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=14823>), AI on Inspection Supervision and Procedures of Issuing the Certificate of Occupancy (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=14820>), AI on Construction Categorization (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=14819>), and AI on Spatial Planning Technical Norms (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=14822>).
33. Municipality of Prishtinë/Priština expanded services provided by the OSS for construction permits, including the issuance of fire protection consents and environmental consents which are required as part of the construction permitting process.
34. The municipal assembly of Prishtinë/Priština adopted new a regulation on construction permit fees, which eliminates the density fee for commercial buildings, while for residential buildings the density fee will be charged only when the density is increased (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=15292>).
35. The Guidelines on Drafting and Approval of MZMs were completed and distributed to stakeholders.
36. A model program for drafting and management of the spatial planning process for MZMs was developed and submitted to MESP.
37. Publication of a report analyzing average application processing times for citizens and businesses to connect to the electricity grid, developed by KEDS, with the support of the MED-led working group on the *Getting Electricity* indicator and project. ([http://www.keds-energy.com/dok/raporte/Report on average time for connection into the electricity distribution network.pdf](http://www.keds-energy.com/dok/raporte/Report%20on%20average%20time%20for%20connection%20into%20the%20electricity%20distribution%20network.pdf)).

38. The roadmap on the functionalization of EN Eurocode construction standards was completed and submitted to MESP and the Eurocode Technical Committee.
39. The functional analysis for the implementation of the new Law on Construction Without Permit was completed and submitted to MESP and municipalities of Prishtinë/Priština and Gračanica/Gračanicë.
40. Infographics for obtaining terms of construction and construction permits were completed and uploaded to the MESP Website (<http://dphnb.rks-gov.net/eng/>).
41. The Law on Business Organizations was published in the Official Gazette and entered into force (<https://gzk.rks-gov.net/ActDetail.aspx?ActID=16426>).
42. The Law on Treatment of Construction without Permit was approved by the Assembly.

Project Result 4: Implementation of Law on Construction: percentage improvement of pilot municipalities on compliance scorecard

The project helped MESP and municipalities in implementing construction reforms, including the timely issuance of construction permits and proper use of cost-based permit fees. In addition to helping municipalities better understand the legal framework for issuing construction permits, the project supported MESP to further streamline the permitting process, including by introducing an OSS service in Prishtinë/Priština municipality. Further support was provided to institutionalize mechanisms to improve transparency and monitor municipal performance in issuing construction permits, including through the PTS module for all municipalities. This module was initially constructed by MESP with project support and piloted in five municipalities. Currently, the MLGA, with DEMOS support, is working to automate this module and make it available for use by all municipalities.

The progress for this indicator is measured by looking at the number of construction permits issued within the legal time limit and permit fees calculated correctly over the total number of permits issued. An increase in the ratio of permits with correctly calculated fees and those issued on time over the total number of permits issued indicates an improvement.

Based on the data below, significant progress and improvements were achieved in both sub-indicators, with targets exceeded in both cases.

Project Result 4	2015 (Y1)		2016 (Y2)		2017 (Y3)		2018 (Y4)		2018 (Y5)*		Life-of-Project	
	Trg	Act	Trg	Act	Trg	Act	Trg	Act	Trg	Act	Trg	Act
a) Percentage of permits in pilot partners issued within deadlines for permit issuance	25%	70%	50%	70%	75%	85%	95%	100%	95%	99%	95%	99%
b) Percentage of permits in pilot partners with correctly calculated construction permit fees	25%	70%	50%	86%	75%	96%	90%	99%	90%	100%	90%	100%

* Data for Y5 include information and statistics through to the end of June 2018

Total Permits issued in MESP Pilot Municipalities

Municipality	2013	2014	2015	2016	2017	2018*
Fushë Kosovë/Kosovo Polje	26	35	48	57	41	12
Gračanica/Gračanicë	421	36	62	40	103	30
Han i Elezit/Elez Han	9	8	8	1	8	5
Pejë/Peć	156	121	148	104	225	116
Prishtinë/Priština	97	84	153	138	177	35
Total	709	284	419	340	554	198

* Data for Y5 include information and statistics through to the end of June 2018

Note: 1. Data is based on pilot municipality PTS's, as well as direct information received from respective municipalities.
2. It was not possible to accurately calculate the time for permits issued in Prishtinë/Priština due to complexities in calculating times associated with additional documents requested and delays caused by permit applicants. Also, in expectation of a new version of PTS (being developed by MLGA), Prishtinë/Priština stopped using its own internal system for some time. Therefore, for calculating the time to issue permits, Prishtinë/Priština municipality is excluded.

Time to Issue Permits

Under the Law on Construction, permitting bodies may request additional documents from applicants. Applicants have eight to 15 days to respond to these requests and, during this response time, the municipality's deadline for issuing the permit decision is suspended. The current PTSs do not have the ability to capture data regarding the amount of time deadlines are suspended. Therefore, it is likely that compliance rates across pilot municipalities may slightly differ compared to those reported above, as it is not uncommon for municipalities to request additional documentation during permit application reviews. But, without specific evidence of any suspended deadlines, it was assumed that time kept running from the date the application was submitted.

Fees and Charges

The project reviewed whether pilot municipalities were correctly applying established fees for construction permits, and whether they were appropriately assessing charges for increased density, which is allowed when a new construction increases the amount of *residential* space.

Data shows that all municipalities are correctly applying established fees for construction permits. Although for previous years it was not clear whether Prishtinë/Priština municipality was applying density charges correctly for certain constructions, in 2017, following implementation of the amended version of the Regulation on Construction Permit Fees adopted by the Municipal Assembly, the density fees appear to consistently be calculated correctly (<https://gzk.rks-gov.net/ActDetail.aspx? ActID=15292>).

Project Result 5: Increased property tax annual compliance: increased percentage of total annually collected versus assessed current year property tax

Property tax is the only tax municipalities are legally allowed to collect in Kosovo, and therefore important for the stability of local government finances and citizen trust in state institutions. It provides predictable budgeting and transparent application of tax policy to citizens. Through support to the Ministry of Finance, municipal partners, MESP, and other partners, the project assisted the Kosovo government to increase participation in and compliance with property tax requirements.

Targets and actual rates are formulated by using a one-year lag on the annual Kosovo government data. The baseline for the indicator in 2014 is the actual annual compliance rate in 2013. The rationale for measuring the indicator based on lagged data is practical, as data for the calculation of the indicator is only available with a three-month delay.

Although when the project started, the Ministry of Finance and municipalities were committed to increasing the current-year compliance rate and results were very encouraging, due to a change in policy direction in which the government shifted its focus to collecting old debt as opposed to current-year tax obligations, the compliance rate did not improve as originally projected/targeted. Therefore, the life-of-project target was not achieved.

The following table presents targets and actuals on an annual basis, as well as for the life of the project.

Project Result 5	2015 (Y1)		2016 (Y2)		2017 (Y3)		2018 (Y4)		2018 (Y5)		Life-of-Project	
	Trg	Act	Trg	Act								
Increased property tax annual compliance: increased percentage of total annually collected versus assessed current year property tax	45%	51%	47%	51%	50%	49%	52%	45%	n/a	n/a	52%	45%

Note: 1. Last observable result is for Y4, hence the Y4 results are also the life of project result.
2. The actual result for the respective project years above represent calculations for revenues collected during the previous calendar year. For example, 2015 (Y1) results are derived from 2014 revenue data, and so on.

Current Collections Summary (in million Euros)

Description	2010	2011	2012	2013	2014	2015	2016	2017
Current Year Assessed	14.35	15.30	16.50	22.15	22.78	23.29	25.47	27.03
Current Year Collected	6.24	7.10	7.65	9.91	11.63	11.96	12.53	12.06
Current Year Compliance Rate	43.47%	46.42%	46.34%	44.75%	51.04%	51.35%	49.3%	44.6%

Source: Ministry of Finance Property Tax Department

Total Collections Summary (in million Euros)

Description	2010	2011	2012	2013	2014	2015	2016	2017
Current Year Collected	6.24	7.1	7.65	9.91	11.63	11.96	12.53	12.06
Arrears, Penalties and Interest Collected	6.99	6.98	6.86	6.19	8.68	7.84	11.63	10.28
Total Collected	13.23	14.08	14.51	16.10	20.31	19.80	24.16	22.34

Source: Ministry of Finance Property Tax Department

Project Result 6: Improved accuracy of TAK registration records and tax compliance: improvements in procedures, legal acts, instructions, and operations of TAK to improve data quality, metrics, and compliance

Partnerships for Development assisted TAK and KBRA to improve the quality of data in TAK information system regarding taxpayer status and compliance with filing requirements. The project also supported TAK to streamline its services to taxpayers, including by automating several services it offers to taxpayers.

Success in this area is measured by the number of relevant procedures, legal acts, administrative procedures, instructions, and operations reformed and improved.

As the table below shows, the project has exceeded its life-of project targets for improvements in this indicator. The table and list of specific achievements presented below provide more details on the type of improvements made over the life of the project.

Project Result 6	2015 (Y1)		2016 (Y2)		2017 (Y3)		2018 (Y4)		2018 (Y5)		Life-of-Project	
	Trg	Act	Trg	Act								
Improvements in procedures, legal acts, instructions, and operations of TAK to improve data quality, metrics, and compliance	2	3	3	4	5	6	4	4	n/a	n/a	14	17

Actual Project Result 6 results/achievements

1. Duplicate taxpayer accounts have been removed to improve the accuracy of the tax database to improve focus of compliance monitoring and tax account management activities. Out of 3,489 duplicated tax accounts identified, 2,837 (81 percent) have been resolved.
2. With project support, an internal TAK instruction to establish the process for opening and closing tax accounts, reducing the risk of future duplicate tax accounts (an issue identified during the review of SIGTAS), was developed and adopted.
3. The types of taxpayers recorded in SIGTAS were updated to be consistent with types of legal forms for economic activity in Law No 02/L-123 on Business Organizations, to improve taxpayer registration operations and data consistency. As a result, the same terminology and legal basis is now used in both KBRA and TAK. The new taxpayer types are being used for all new registrations. Existing registrations in SIGTAS have been revised to match the updated taxpayer types, excluding the “other” category.
4. TAK approved a revised internal instruction that defines managerial procedures for processing VAT refund requests. Previous VAT refund procedures represented a significant burden to the private sector in Kosovo and inhibited its development. In mid-2014, a project-organized focus group study of private companies found that TAK used VAT refund procedures as an enforcement mechanism rather than administrative procedure. In the first half of 2015, a GIZ-funded survey of taxpayer satisfaction identified VAT refund procedures as the most significant burden associated with paying taxes. In response to these findings, the project conducted a thorough review of the VAT refund process and assisted TAK to develop and document new procedures for streamlining and improving the process.
 - An updated version of TAK’s e-filing platform “EDI” went live on March 23, 2015. As a result, taxpayers can now submit 100 percent of their tax declarations online. Early in 2015, a TAK working group was established to address project recommendations made in Year I relating to the expansion of e-filing and increased use of e-documents. TAK, with project support, finalized the design of technical updates that enabled the use of EDI for filing three types of taxes which until 2015 had to be filed in person at TAK premises: (i) tax on rent and intangible property; (ii) withholding tax on interest, royalties, and lottery winnings, and non-residents; and (iii) annual declaration of partnership income (<https://edeklarimi.atk-ks.org/Home/UserManual>).
5. TAK developed and finalized internal guidelines on the treatment of non-filing taxpayers, which will assist TAK to improve its performance in tracking taxpayers who do not file on time or stop filing.
6. Based on project recommendations, TAK removed the requirement for small businesses taxpayers to obtain a VAT export/import certificate.

7. TAK enabled digital selection of tax payment deferral for the payment of personal income taxes, further expanding the list of digitalized tax services. The launch of this e-service was additionally reported by the media (<http://www.rtklive.com/?id=2&r=68333>).
8. TAK finalized the AI on Transfer Pricing, which was developed to provide clarification and a simplified interpretation of Article 27 of the Corporate Income Tax Law. In line with the Law, the AI establishes rules and procedures for administering and implementing transfer pricing, the price for goods and services sold between related legal entities.
9. TAK updated the corporate and personal income tax return forms in line with new legal requirements.
10. TAK adopted a performance-based system for monitoring and preventing the accumulation of in-year tax arrears.
11. TAK adopted a new internal instruction on tax certificates that clearly describes the procedures and conditions for TAK staff for processing tax status certificate applications.
12. TAK adopted AI 06/2016 on the implementation of the VAT Law. With project support, this AI includes provisions that simplify the VAT refund process by removing the need to submit a new request for refunds if TAK officials conclude that the applicant has erroneously self-assessed the value of the tax refund.
13. TAK adopted internal regulations on tax refunds which mandated a reduction of refund times by 50 percent and eliminated the requirement for a physical audit to verify refund requests for low- and medium-risk applicants (<http://www.atk-ks.org/wp-content/uploads/2017/08/ANGL-Rregullore-e-Brendshme-per-Procedurat-e-rimbursimit-te-TVSH-se-TAP-dhe-TAK-Anglisht.pdf>).
14. The issuance of tax status confirmations for legal persons was digitalized (<http://www.atk-ks.org/njoftim-per-tatimpagues-bizneset-mund-te-pajisen-me-vertetim-tatimor-on-line/?lang=en>). Legal persons can now obtain their tax status verification through EDI, rather than in person at TAK offices.
15. The physical VAT refund request form was eliminated and integrated into the VAT declaration form (<http://www.atk-ks.org/wp-content/uploads/2017/08/ANGL-Rregullore-e-Brendshme-per-Procedurat-e-rimbursimit-te-TVSH-se-TAP-dhe-TAK-Anglisht.pdf>).
16. Issuance of VAT certificates was digitalized. (<http://www.atk-ks.org/njoftim-per-tatimpagues-atk-edhe-me-nje-sherbim-te-ri-elektronik-3/?lang=en#more-34749>).

Project Result 7: PFM practices improved: improvements in policies, public consultation and disclosure practices, legal acts, procedures, and operations to increase budget accountability, transparency, and effectiveness

The project provided support to the Ministry of Finance and its agencies and departments to improve policy planning tools, establish procedures and operations for effective budgeting, improve public consultation and transparency over Kosovo government financial operations, and adopt best international PFM practices.

Although progress toward improving PFM practices can be measured in several ways, including through various tools and platforms such as the internationally recognized methodology PEFA, the nature of project support to Kosovo government partners was such that these tools would not capture the results of all efforts and reforms. To ensure this indicator best reflects the project's PFM work and its associated outcomes, the number of improved policies, legal acts, procedures, and operations in budget planning, execution, and policy planning were used to measure project results. Improvements in such policies, procedures, and legal acts further contribute to the long-term stability of public finances and ensure enhanced budget transparency and accountability.

As shown in the table on the next page, this indicator was introduced in Year 4. As a result, there were no targets for the first three years. In Years 4 and 5, the project met and exceeded the target number of improvements.

Project Result 7	2015 (Y1)		2016 (Y2)		2017 (Y3)		2018 (Y4)		2018 (Y5)		Life-of-Project	
	Trg	Act	Trg	Act								
PFM practices improved: improvements in policies, public consultation and disclosure practices, procedures and operations to increase budget accountability, transparency, and effectiveness	n/a	4	n/a	8	n/a	6	6	6	2	3	8	9

Note: Targets and actuals for life-of-project include only the last two years of the project (Y4 and Y5), as the project introduced this PR in Y4.

Actual Project Result 7 results/achievements

1. With project mentorship and support, the Ministry of Finance Treasury further institutionalized transparency improvements previously introduced with project support by successfully updating published monthly fiscal time-series data on the financial operations of the Kosovo government, maintaining sustainability of the introduced monthly reporting practice. The updated information can be accessed through the following link: <http://mf.rks-gov.net/Page.aspx?id=1,125>.
2. Integration of the policy prioritization process with the medium-term budget process was improved through the development of standardized “policy budget sectors” for the MTEF and first-time inclusion of a policy-based ranking of budget priorities in the Kosovo government’s Statement of Policy Priorities. The MTEF instruction was also improved to include policy budget sectors.
3. The Ministry of Finance non-tax revenue planning process was streamlined, and non-tax revenue reporting made more transparent.
4. Quarterly GFS were published, and data from Kosovo can now be searched through (<http://data.imf.org/regular.aspx?key=61545853>).
5. Improved budget classification, which resulted in €20 million in re-categorized costs, was completed as part of the 2018 budget process.
6. The Economic Classification Guidebook was completed.
7. A new debt sustainability analysis model was developed.
8. A first-time ex-post evaluation of fiscal policy changes was completed, and Ministry of Finance staff trained in how to perform future ex-post evaluations.
9. A draft BIA registry was prepared.

Project Result 8: Improved Kosovo government macro-fiscal stability management practices: actual fiscal deficit as a percentage of the budgeted fiscal deficit

Improving macro-fiscal management practices and ensuring long-term fiscal stability remains a key priority for the Ministry of Finance and the Kosovo government. One broad indicator of such stability is the budget balance of the country. Government performance in planning and complying with a budget balance/deficit target is a key metric for measuring the quality of its macro-fiscal stability management capacities. The fiscal deficit is the difference between what a government spends and what it receives in revenue, a difference that is then covered either by raising debt or selling government-owned assets. Projecting the deficit, as a result, requires accurate projection of government revenues, and constrained spending to avoid excessive accumulation of debt, which crowds out capital available to the private sector.

Project activities that supported enhanced Kosovo government macro-fiscal stability management were primarily focused on improving Kosovo government technical and policy formulation capacities, to conduct prudent revenue projections, increase spending effectiveness and efficiency, and foster private-sector led economic growth. Hence, Kosovo government management of the budget deficit, measured as a percentage of the actual deficit to the budgeted deficit, is an appropriate indicator for measuring the success of project activities in supporting Kosovo government efforts to strengthen management of macro-fiscal stability.

To calculate the indicator, the definition of the budget deficit is applied in line with the fiscal rule, Article 22A of the LPFMA. Budget deficit data refers to the revised budget, or the original budget, if no revision took place. The interpretation of the indicator is as follows: if the actual deficit is higher than 100 percent of the budget fiscal deficit, then the government has breached its legal deficit limit, manifesting weak macro-fiscal management capacities.

This indicator was introduced by the project in Year 4. The table below shows actual fiscal deficit as a percentage of the budgeted fiscal deficit. Based on this data, the target for 2017 was met, as the actual deficit was much lower (50 percent) than the maximum target of 95 percent. For 2018, the trend suggests that the actual deficit will be within the planned deficit, but because the project ended before the end of the Kosovo government fiscal year, it cannot be included.

Project Result 8	2015 (Y1)		2016 (Y2)		2017 (Y3)		2018 (Y4)		2018 (Y5)		Life-of-Project	
	Trg	Act	Trg	Act	Trg	Act	Trg	Act	Trg	Act	Trg	Act
Actual fiscal deficit as a % of the budgeted fiscal deficit	n/a	110.3%	n/a	66.5%	n/a	56.5%	max 95%	51%	n/a	n/a	max 95%	51%

Source: Ministry of Finance

Note: Actual results for the respective project years above represent calculations for the actual deficit during the previous calendar year. For example, 2015 (Y1) results are derived from 2014 deficit data, and so on.

Additional deficit data may be found in the table below:

Actual Result PR 8/1	Actual 2013	Actual 2014 (Y1)	Actual 2015 (Y2)	Actual 2016 (Y3)	Actual 2017 (Y4)
(A) Budgeted Deficit (in mil. EUR)/1	181.4	111.1	118.7	95.4	95.5
(B) Actual Deficit (in mil. EUR)/3	156.8	122.5	77.8	53.9	48.7
Actual fiscal deficit as a % of the budgeted fiscal deficit (B/A)	86.4%	110.3%	66.5%	56.5%	51.0%

/1 Data revised with the latest Ministry of Finance budget and financial data, deficit definition as per fiscal rule requirements

/2 The latest revised budget considered for the calculation of the indicator

/3 The fiscal rule was applied from 2014 and onwards. Data for 2013 based on Project staff calculations. Data for 2017 based on provisional Ministry of Finance Treasury financial results.

Data sources:

Budgeted deficit 2013 and 2014: Table I, Annual Budget 2014, <https://gzk.rks-gov.net/ActDetail.aspx?ActID=9354>

Actual deficit 2013: Table I, Annual Budget 2015, <https://gzk.rks-gov.net/ActDetail.aspx?ActID=10996>

Actual deficit 2014: page 39, Annual Financial Report 2014, <https://mf.rks-gov.net/desk/inc/media/12E08348-ABF1-4DC0-A125-63CCCA765126.pdf>

Actual and Budgeted deficit 2015: page 40, Annual Financial Report 2015, Ministry of Finance, <https://mf.rks-gov.net/desk/inc/media/A3C6FC70-032A-440A-ABBD-3148F7995E37.pdf>

Actual and Budgeted deficit 2016: page 40, Annual Financial Report 2016, Ministry of Finance, <https://mf.rks-gov.net/desk/inc/media/ABC46DE9-72FF-4105-8AD9-57257B1FBD8D.pdf>

Actual and Budgeted 2017 deficit: page 42, Unaudited Annual Financial Report 2017, Ministry of Finance, <https://mf.rks-gov.net/desk/inc/media/1525994D-4D00-4E69-B76A-FDEDE4F657BF.pdf>

ANNEX 3: COOPERATION WITH NONGOVERNMENTAL INSTITUTIONS

This annex contains a summary of the project’s cooperation with various Kosovo-based nongovernmental institutions in the capacity of grantees or subcontractors, and where possible a brief evaluation of their strengths and weaknesses during the period of implementation of the respective grants/subcontracts. It should be emphasized that the assessment below is solely based on the project’s direct experience with these nongovernmental institutions, which in most cases was limited in time and scope.

EVALUATION OF NONGOVERNMENTAL INSTITUTIONS

No.	Institution	Grant/ Subcontract	Scope of Work Performed	Strengths	Weaknesses
1	Regional Technology Center LLC (RTC)	Grant	Customer service training for KBRA personnel to enable the participants to adopt and apply the skills necessary to improve the service that citizens receive when registering a business.	RTC demonstrated clearly that they understood the scope of work and implemented it satisfactorily. RTC displayed a strong level of management experience and engaged qualified trainers to deliver the training.	No significant weaknesses were identified during the implementation of this activity.
2	DM Consulting LLC (DMC)	Grant	Functional analysis of KBRA and municipal business centers to assess their operations and ability to provide customer services to businesses, and explore possibilities for improving their organizational structure, personnel skills, and communication and reporting, and organizational visibility.	DMC implemented the activity with highly-qualified staff and demonstrated that they understand their roles and responsibilities.	No significant weaknesses were identified during the implementation of this activity.
3	Cultural Heritage without Border NGO (CHwB)	Grant	Empowering all community groups, especially women, youth, and vulnerable groups during decision-making process and implementation in local-level spatial planning. Initiating a meaningful collaboration between citizens and local governments, and through this promoting active public participation.	CHwB is an NGO that specializes in spatial planning and has a good reputation in implementing activities in this area. They met their obligations in a professional manner.	CHwB receives many donations from various donors, and implementation of multiple activities at the same time may have had an impact in delaying submission of some deliverables.
4	Essentia LLC	Grant	Create templates of technical documents for generic application for terms of construction, construction permit, and legalization permit in harmony with the relevant laws, to support the implementation of construction and legalization reforms.	Essentia LLC fulfilled its obligations with continuous support from the project in the aspects of content, time, and cost management. The professional work was satisfactorily completed, though with delays. There were improvements after a risk mitigation plan was prepared.	Essentia LLC would benefit from a strengthened project management structure. The project was required to intervene in several instances, including through preparing a risk mitigation plan.

5	Kosovo Legal Service Company LLC (KLSC)	Grant	Legal support to ensure effective, efficient, and transparent review of appeals submitted under Law on Appeals Procedure for Decisions on Treatment of Constructions without Permit.	KLSC has qualified staff and successfully completed the deliverables under this grant activity; however, it required considerable consultations with the project.	KLCS should further strengthen its processes to ensure there are no delays in the submission of deliverables.
6	Kosova Women's Network NGO (KWN)	Grant	Support to MTI and MESP to introduce GRB in their budget planning, in line with instructions the Ministry of Finance issued within budget circulars.	KWN met all requirements and understood clearly the activities. The management showed professionalism, and the grant was implemented on time.	KWN had some initial difficulties engaging with the beneficiaries, although these difficulties were eventually overcome.
7	ForTED LLC	Grant	Further enhance MTBF and revenue planning for Kosovo municipalities, while applying good practices in Gjilan/Gnjilane, Gračanica/Gračanicë, and Pejë/Peć municipality for budget cycle 2017 – 2019.	ForTED met the grant requirements and clearly understood the activities, in part due to the organization's previous experience with local-level public finance management systems. The grant was implemented in a timely manner.	No significant weaknesses were identified during the implementation of this activity.
8	Social Housing and Property Rights in Kosovo NGO (SHPRK)	Grant	Functional analysis of MESP, and the municipalities of Prishtinë/Priština and Gračanica/Gračanicë to organize their capacities and mobilize their resources to implement the new Law on Treatment of Constructions Without Permit.	SHPRK fulfilled its obligations with continuous support from the project in the aspects of content and time management. The scope was completed, though with delays.	SHPRK would benefit from a strengthened project management structure to ensure sufficient human resources are assigned to work on respective assignments.
9	IRON Consulting LLC	Grant	Promote effective and accountable fiscal policy making through greater reliance on evidence-based policy analysis. Integration of external policy evaluation as a tool for informing the budget preparation cycle and promoting productive partnerships between the government of Kosovo and nongovernmental stakeholders to improve policy responsiveness.	The grantee delivered on time, was responsive to the needs of project beneficiaries, and performed in accordance with the agreement.	No significant weaknesses were identified during the implementation of this activity.
10	Democracy Plus (D+)	Grant	Promote effective implementation of Regulation No. 01/2017 and facilitate closer links between MLGA and municipalities, increase capacities of municipal officials, promote increased inclusion of citizens, civil society organizations, and other stakeholders within the legal drafting process.	Democracy Plus was effective in completing the activities under this grant. They have an effective management structure and are highly responsive. Furthermore, they provided highly-qualified staff to complete the work.	There were some initial issues with staff changes at the beginning of the grant activity, which were eventually overcome with the direct engagement of senior management at Democracy Plus.
11	ProCon Group LLC	Subcontract	Assist the Project in public relations, outreach, and strategic messaging, with the key objective to educate and help inform public opinion in support of BRDP.	ProCon was highly responsive to contacts from the project and able to mobilize resources when called on by the project.	No significant weaknesses were identified during the implementation of this activity.
12	Geo & Land LLC	Three Subcontracts	The organization implemented the following scopes of work across three separate subcontracts:	Geo & Land demonstrated that it has significant professional capacities in this	No significant weaknesses were identified during the

			<ol style="list-style-type: none"> 1. Develop the annex of the expropriation application in accordance with the Law on Expropriation of Immovable Property, and collaborate with MESP in support of BRDP; 2. Provide professional advisory services to the MTI, BRDP ISC, BRDP PIU, and evaluation committee on the property use and spatial planning implications of the proposed site development plan contemplated within the technical proposal; and 3. Update the expropriation elaborate to exclude certain private properties in designated areas within the footprint that would be unutilized or preserved by the private partner, in accordance with the BRDP PPP agreement. 	area and was able to deploy them effectively. They were also highly responsive to requests from the project for modifications to activities and/or deliverables.	implementation of this activity.
13	UBO Consulting LLC	Subcontract	Follow up of the Municipal Competitiveness Index 2014 Survey, including to help municipalities understand their Survey results; identify current best practices in Kosovo in municipal governance; and conduct one-day regional workshops with municipal representatives to present these findings for discussion.	The subcontractor was an experienced company that had already implemented Municipal Competitiveness Index-related work. The proposed staff correctly and professionally implemented all required activities and in time.	No significant weaknesses were identified during the implementation of this activity.
14	KOMTEL	Subcontract	Upgrade of the OGDB to improve software infrastructure; advance functions of the software, improve online accessibility of the OGDB through development of a native mobile application; update existing user manuals and provide training to the OPOG and relevant ministry and municipal personnel on use of the upgraded OGDB; and improve data security and recovery procedures related to the OGDB for long-term sustainability	KOMTEL was highly responsive and adaptable to requests from the Project for modifications to activities and deliverables.	The subcontractor required more significant monitoring than expected by the project to ensure activities proceeded smoothly and in a timely fashion.
15	ENTERMEDIA	Subcontract	Conduct an information and outreach campaign on the Official Gazette to further promote the use of the OGDB as a single and unified database containing most categories of normative acts adopted by the institutions of the Republic of Kosovo.	ENTERMEDIA has significant professional capacities and was able to deliver quality products.	There were some issues with quality assurance in the beginning of implementation that required intervention by the project and were eventually overcome.
16	TREMBELAT	Subcontract	Design and print the Guidebook on Drafting MZM and print Guidebook for Participatory Spatial Planning in Kosovo	The company demonstrated professionalism and ability to implement the subcontract as planned.	No significant weaknesses were identified during the implementation of this activity.

ANNEX 4: INDEX OF REPORTS AND INFORMATION PRODUCTS

Work Plans, PBMS, and Periodical Reports

This section lists work plans, PBMS documents, and periodical reports developed by Partnerships for Development during its period of performance.

Document/Report	Deliverable/Document
Annual Work Plans	
	Year 1 Work Plan (2014)
	Year 2 Work Plan (2015)
	Year 3 Work Plan (2016)
	Year 4 Work Plan (2017)
	Year 4 Work Plan (2017-2)
	Year 5 Work Plan (2018)
PBMS	
	Performance Based Management System 2014
	Performance Based Management System 2017
	Performance Based Management System 2017 (2)
Annual Reports	
	Year 1 Annual Report (2014)
	Year 2 Annual Report (2015)
	Year 3 Annual Report (2016)
	Year 4 Annual Report (2017)
Quarterly Reports	
	Year 1 Q1 Report (2014)
	Year 1 Q2 Report (2014)
	Year 1 Q3 Report (2014)
	Year 2 Q1 Report (2015)
	Year 2 Q2 Report (2015)
	Year 2 Q3 Report (2015)
	Year 3 Q1 Report (2016)
	Year 3 Q2 Report (2016)
	Year 3 Q3 Report (2016)
	Year 4 Q1 Report (2017)
	Year 4 Q2 Report (2017)
	Year 4 Q3 Report (2017)
	Year 5 Q1 Report (2018)
Weekly Reports	Weekly Reports
Final Report	Final Report

Technical reports and outputs

This section lists various technical documents, guidelines, laws, regulations, AIs, and other information products produced either directly by the project, or by the project's government of Kosovo counterparts with support from the project. The level of support provided during the development of the listed documents varies: in some instances, the project played a leading role in mentoring counterparts during the drafting of the listed documents, whereas in other instances the level of support was limited to providing inputs to draft documents in the form of comments and recommendations.

Project Area	Deliverable/Document
Component I	Business Environment Improvement
	Graphical Presentation of Policy Making and Legislative Drafting Process
	Comments on the implementation of the Law on Permits and Licenses System
	Comments on the draft Regulation for the Registry of Licenses and Permits
	Draft AI on Minimal Standards and Requirements for Licensing Boards
	Draft Standard Code of Ethics for Licensing Board Members
	Concept Document for the WTO Trade Self-Assessment Initiative
	Doing Business Reform update 2014
	Suggestions for Market Inspectorate Reform to Transition to a Market Surveillance System
	Comments on the draft AI on Webpages of Public Institutions
	Review of MTI Hotel Classification Program
	Memo on Guidelines on Ex-Post Evaluation of Legislation
	Comments on two draft Concept Documents prepared by Customs
	Program for Reforming Permitting and Licensing in Kosovo
	Better Regulation Strategy 2014-2020
	Draft Amendments to Law on the Patents and draft Law on Industrial Design
	Recommendations for Changes to the Draft Law on Bankruptcy
	Comments to Draft AI on Form and Contents of Record for Supervision of Inspection
	AI on Budget Impact Assessment
	Manual on Budget Impact Assessment
	Concept Note on NCED
	Memo on Doing Business Reforms-MCI and Inspection Reform
	Analysis of the Law on Mines and Minerals, the Law on Agricultural Land and associated legislation
	Alternative approaches for streamlining the application process to obtain a mining license
	AI on Determination of Fees for Services Provided by KBRA
	AI on Professional Exam and Licensing of Architects and Engineers
	Concept Document on Licensing of Architects and Engineers
	Proposed amendments to the Draft Law on Regulated Professions
	Analysis on the practice of EU member states on market surveillance structures
	Regulation on the work of the National Council for Economic Development
	Indicators Reports on KBRA Business Registration for 2016
	MOU between MTI -MoF & MPA on Unified Business Registration Number
	Comments on Proposed Amendments to Draft Law on Normative Acts
	Report on possible approaches to Tourism in Kosovo
	Draft Law on the Chambers of Architects and Engineers

Project Area	Deliverable/Document
	Analytical summaries of WBDB indicators for 2016
	AI on Educational Visits and Registration of Taxpayers and Employees
	Draft Law on Business Organizations (with accompanying docs)
	Indicators Reports on KBRA Business Registration for 2017
	Analytical summaries of WBDB indicators for 2017
	Ex-post evaluation of trade laws
	KEDS report on average time for receiving an electricity consent 2017
	MLGA Regulation on Procedures for drafting and publishing municipal acts
	Better Regulation Strategy 2.0, 2017-2021
	Approved Law on Business Organizations
	Indicators Report on KBRA Business Registration for 2018
	KEDS report on average time for receiving an electricity consent 2018
Component 2	Improved Implementation of Construction Reforms
	AI on basic health and safety requirements for legalization of unpermitted constructions
	AI for documentation of legalization for category III unpermitted construction
	Manual on the use of Registry for unpermitted construction
	Guidelines on legalization of unpermitted construction
	Legalization organizational structure and process-map charts
	AI on construction permit for CAT III
	Standard form contract for construction
	Memo on construction permits in National Parks
	AI on appeals procedures for legalization of unpermitted construction
	Concept Document on the new Law on legalization of unpermitted construction
	Memo commenting the AI on inspection supervision
	Memo on construction demolition in National Parks
	Memo on the approach to the adoption of Construction Code
	AI on Municipal Development Plans
	AI on Municipal Zoning Maps
	New AI on health and safety requirements for legalization of unpermitted cons
	Documents explaining requirements for application for legalization of unpermitted cons
	MoU on Pristina One Stop Shop for construction permits
	Regulation on Construction Permit Fee for Pristina municipality
	Memo on mandatory insurance for Architects, Engineers and Contractors
	AI on drafting and implementation of SPK
	AI on drafting and implementation of ZMK
	Memo on the draft AI on Spatial Planning Technical Norms
	Draft Law on legalization of unpermitted construction
	AI on construction categorization
	AI on construction documentation for CAT I&II
	AI on inspection supervision for issuing occupancy certificate
	Guidelines for drafting and approval of MZMs
	AI on spatial planning technical norms
	Law on legalization of unpermitted construction approved by Assembly

Project Area	Deliverable/Document
	Draft AI on basic health and safety requirements for legalization of Cat. I and II
	Draft AI on basic health and safety requirements for legalization of Cat. III
	Draft AI for demolition procedures of unpermitted construction
	Draft AI on legalization database
	Draft AI on appeals procedures for legalization of unpermitted cons
	Roadmap for adoption and implementation of EN Eurocode
	Infographics for construction permitting procedures
	AI on construction permit fees
	AI on detailed regulatory plans
	Hani i Elezit Program for MDP and MZM
Component 3	Improved Macro-Economic Stability and PFM at the Central and Local Levels
	Report on the Technical Review of the MTEF
	PEFA Based PFM Improvement Action Plan
	TAK Guide for managing tax accounts
	Fiscal Impact of the SAA and Turkey Trade Agreement
	Kosovo Financial Report for Budget 2014
	Reports on IMF SBA Program with Kosovo (2015)
	Mid-Year Budget Review 2015
	Amendments to the LPFMA to include Wage Rule and the Investment Clause
	Memo on 2015 Kosovo fiscal position
	Memo on Kosovo's Inclusion in ISO 3166
	MTEF 2016-2018 and 2016 Budget tables
	Functional Classification Guide for Capital projects
	GFS data submission for the period 2012 - 2014
	Comments to the Draft Law on Immovable Property Tax
	MoF quarterly budget execution report
	Municipal Metrics Memo to General Auditor
	Model Municipal MTBF
	BIA for CD on Chambers of Architects and Legalization
	Municipal PEFA Evaluation Report
	Report on VAT Reimbursement Process Review
	TAK Instruction on Tax Refund Procedures
	TAK Instruction on the treatment of non-filers
	TAK Instruction on Tax Verification Certificate Issuance
	Report on the Review of the GoK PFM reforms
	MTEF 2017-2019 and 2017 Budget tables
	IMF SBA Program Reviews and targets (2016)
	Investment Clause Implementation Report
	Kosovo Economic Reform Program 2016
	Monthly Fiscal Time Series
	Amendments to the AI on VAT Law Application
	TAK Internal Regulation on Tax Refunds
	Memo to Treasury on GoK Charts of Accounts
	Memo to TAK on the Number Taxpayers in Kosovo

Project Area	Deliverable/Document
	AI on Transfer Pricing
	2017 Midyear Budget Review Tables
	MTEF 2018-2020 and 2018 Budget tables
	BIA on the Draft Law on Business Organizations
	IMF Article IV Conclusions (2017)
	Improving the Usage and Design of the GoK CoA
	Quarterly GFS Compilation Model & Functional classification data
	Process Map for VAT Certificate, Online VAT issuance & e-refunds platform
	Non-Tax Revenue Analysis Module and quarterly database
	Economic Classification Guidebook for revenues and expenditures
	MTEF 2019-2021
	Economic Reform Program (2018)
	Kosovo Debt Sustainability Analysis Model
	New Chart of Accounts Proposal
	Budget Impact Assessment Workflow Map and tracker
	BRDP support documents
G2G	Government-To-Government Program
	G2G support documents
Grants	
	Customer Service Training for KBRA Personnel
	Functional Analysis for KBRA & MBCs
	Promoting active Public Participation in local level Spatial Planning
	Assistance in implementation of the Construction and Legalization Reforms
	Legal Support for Handling Appeals of Decisions related to Construction without Permit
	Gender Responsive Budgeting
	Municipal MTBF and Revenue Planning
	Functional analysis of municipal and MESP capacities for the implementation of the Law on Treatment of Constructions Without Permit
	Pilot Fiscal Policy Evaluation
	Development and Pilot Implementation of Basic Training Module on Legal Drafting Standards and Requirements at the Municipal Level
Sub-contracts	
	Local PR firm to assist on BRDP
	Annex Expropriation Application for BRDP
	Advisory Service to EC for BRDP
	Follow up of the MCI 2014 Survey
	Update Expropriation Elaborate for BRDP
	Upgrade OGDB for long term sustainability
	Informational and Outreach Campaign on Official Gazette of the Republic of Kosovo
	Design and Print Guidebook on drafting Municipal Zoning Maps and Print Guidebook for Participatory Spatial Planning in Kosovo

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