

Scientific Paper

KOSOVO OPPORTUNITIES DEVELOPMENT ON GLOCALIZATION CONTEXT

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Abstract

The best way of understanding term glocalisation is to start with slogan “Thinking Global, Acting Local”. The idea is to decentralize political and economical governance in sub national units, remove trade barriers and open opportunities of sub national into globalised market. Where globalization and localization are continuously transforming the development landscape, glocalisation is a context that best define essence of emerging worldwide phenomenon.

Decentralization debate in the age of glocalization is on the move. Decentralization is no longer put against centralization. The debate, far from focusing on the contradicts centralization vs decentralization, focuses on complementary role. There is no longer decentralization process just to delegate and distribute governance centralized power but to ensure good governance. The context of glocalization has emphasized the dilemma of balancing the contrasting forces of centralization and decentralization. Decentralization is no longer an alternative to centralization. Both are needed. The complementary roles of national and sub national actors should be determined by analyzing the most effective ways and means of achieving a desired objective.

Nowadays central governments around the world are decentralizing fiscal, political and administrative responsibilities to lower level governments and to the private sector. A large number of developing and transitional countries have embarked on some form of decentralization programmes. This trend is connected with a growing interest in the role of civil society and the private sector as partners to the governments in seeking new ways of service delivery, generate alternatives of development, creating new jobs and concentrating power of all local actors in direction of common objectives. Now becomes essential to situate the debate on decentralization in context of globalization. No longer existence of dilemma: to decentralize or not but the question at the context in how to decentralize!

In the simplest understanding facing businesses globalization works best for companies which have decentralized authority and intend market worldwide. The cost to the companies

increases as they cannot standardize products and projects, different cultures have different needs and wants which is highlighted in this challenge. An example of a company succeeding in creating new products for their emerging market is McDonald's new rice meals in India and China.

A good local development policy strategy with clear targets for attracting foreign direct investment that has programs and clear offers for the business environment would provide opportunities for a global approach company looking for new markets and spaces in local economy. Companies that had difficulties by their state of affairs in recession-driven countries may consider a local economy that develops a proactive approach to governance.

On the one hand, globalization and localism are two opposing poles, two opposite meanings, and two very different approaches, but on the other hand how could globalization exist without national and local values, without the local and national necessity and problems even more specific "how would the local approach exist without globalization?". Local economic development approach crosses the boundaries of localism, nationalism, and exploits and fuses with globalization. In a word, globalization paves the way to new markets for local economic development through the ability to move, expand and diversify businesses and capital and, on the other hand, enable local governments to directly offer business conditions and attract potential investors to invest in locality. This development approach has been particularly useful for countries in political and economic transition. Also, the most developed economy in the world, the United States, in recent years, has attached great importance to local economic development, especially those in the south of the United States, which have been for a long time lagging behind of the development of the north.

With the help of local economic development, the economies of the US southern states (of course, not only with this approach) have eroded the great differences in the development of the south and north. The organizational structures of these cities are designed so that local economic development departments are at the center of the structure and all other departments interact with the department of economic development of the city.

Methodology

Work Desk Research

Gathering and analyzing information, already available in print or published on the internet, for globalization literature and facts, national field of law and achievements in decentralization and specifically local economies of Kosovo is incontestable. Nowadays central governments around the world are decentralizing fiscal, political and administrative responsibilities to lower level

governments and to the private sector. A large number of developing and transitional countries have embarked on some form of decentralization programmers.

The matter of the question stands to many dilemmas and field of decentralization and so on there are many fields of economic development and varies of institution that are target for research. Studying field of local economic development using globalization advantages, obligates to gather information from many and different field and institutions started from field of law in Kosovo, analyze and create an overview of current situation, advantages and disadvantages of local governments derives from law, and so on national legislation and international regulation. Functioning of local institution of Kosovo that is one of subject of the studying dissertation has many fields that should be targeted for gathering and analyzing information, already available in print or published on the internet.

In order of analyzing such extensive of fields of local and national institutions, wide area of law affecting the matter of study, furtherance on desk research is necessity of research methodology on the early stage of research and around all of the studying matter of dissertation.

Quantitative Research

This study aims to identify supporting and restrictive growth factors for local economy and local institutions in Kosovo. SMEs are increasingly being considered as a key factor in economic development. Therefore, interest in researching the factors that determine the growth and development of SMEs in local economy has been updated. Despite this great importance there is a gap in the literature regarding the research of factors that determine the growth of local economies and small enterprises acts in transition economies. Especially, there is a lack of an integrated approach that incorporates area of law, business environment, local management, entrepreneur and firm variables into the growth model.

Therefore this research, which is mainly based on institutional theory and other management theories, derives an empirically tested econometric model in the case of local economies of Kosovo. To this end, a survey of 15 municipalities and 5 firms in each municipality was conducted in 2014 by the Good Performance Center and financed from Democratic Effective Municipalities Initiative USAID Program.

Sample and Survey

Study contains the results from the survey of 1 municipality (Suhareka as sample municipality) and 5 firms in municipality was conducted in 2015 by the Good Performance Center and financed from Democratic Effective Municipalities Initiative USAID Program. The purpose is to analyze the profile and performance of local economies known as municipalities or other organization existed in the Kosovo, such as regions or any other rural area with unique specifics of e also entrepreneurship research subject are small and medium enterprises in Kosovo with the aim of making comparative statistical analyzes regarding the performance of SMEs and changes in the institutional and business environment and the impact of management and firm factors.

Empirical Analysis for the SMEs Research

The sample size selection procedure for interviewing companies was done in Excel using the random sampling command. After several stages of testing, the sample was selected by

stratifying into two categories: company size and business activity sectors. This stratification of the sample was indispensable because the initial sampling did not yield satisfactory results in the representation of medium-sized firms and manufacturing firms. Both of these categories were underrepresented and as such would not have been useful in analyzing these categories. Therefore, divisions have been applied as well as satisfactory results in terms of statistical representation for both sectors and size groups.

Qualitative Research

The field of globalization is quite new and there are still no publications of renowned authors but of various scientific works which attempt to link local development by exploiting the opportunities that create globalization. Due to the nature of the study, which is considered as a very new field of study, it is necessary to investigate using the opinions of personalities familiarly with the thematic. Decentralization debate in the age of glocalization is on the move. Decentralization is no longer put against centralization. The debate, far from focusing on the contradicts centralization vs decentralization, focuses on complementary role. There is no longer decentralization process just to delegate and distribute governance centralized power but to ensure good governance. The context of glocalization has emphasized the dilemma of balancing the contrasting forces of centralization and decentralization. Decentralization is no longer an alternative to centralization. Both are needed. The complementary roles of national and sub national actors should be determined by analyzing the most effective ways and means of achieving a desired objective.

Interviews and opinions of experts, municipal mayors, PhD professors and international agency responsible staff will be an asset that added value of dissertation study. The interview will be developed personally and focused mainly to the personalities I know, in my current activities of experience or in the past.

Utilization of Borrowed Research Data

While the term glocalisation is much wider and includes three levels of institutional; local, national and international organization, the data that needs to be analyzed and used for the purpose of this study is more extensive. The need for information on the three institutional levels makes it necessary to look at the data that I mainly find in these institutions:

Ministry of Local Government

Ministry of Economic Development

Ministry of Trade and Industry

USAID Programs in Kosovo

GIZ Programs in Kosovo

UNDP Kosovo

RURAL DEVELOPMENT OPPORTUNITIES FOLLOWING EU LEADER PROGRAM

Different rural development approaches tried out prior to the early 1990s were typically sectorial, focusing primarily on farmers and aiming to encourage structural change within agriculture.

They used ‘top down’ approaches, with support schemes decided at national or regional level. Local stakeholders were not always encouraged to acquire the skills to become the architects of the future of their own areas. An area-based and bottom-up approach, involving local communities and adding value to local resources, gradually came to be seen as a new way of creating jobs and businesses in rural areas. Leader began in an experimental way bringing together, at local level, various projects and ideas, stakeholders and resources. It proved to be an ideal instrument for testing how to expand opportunities for rural areas.

The share of EU territory in which the Leader approach is being applied, the number of Leader groups and the level of funding allocated to Leader-type approaches have increased substantially since Leader was launched in 1991.

In policy terms, Leader was introduced as a ‘Community initiative’ financed under the EU Structural Funds. There have been three generations of Leader: Leader I (1991–93), Leader II (1994–99) and Leader+ (2000–06). During this time, Member States and regions have had stand-alone Leader programs with separate financing set aside at EU level. From 2007 onwards, the Leader approach will be integrated (‘mainstreamed’) within overall EU rural development policy. This means Leader will be included in national and regional general rural development programs supported by the EU, alongside a range of other rural development axes. Financing for the Leader axis from 2007 will come from within the overall financial envelopes received by each Member State from the EU under the new European Agricultural Fund for Rural Development (EAFRD) to support rural development.

Leader initiatives	Number of local action groups	Area covered	EU funding
Leader I	217	367 000 km ²	EUR 442 million
Leader II	906	1 375 144 km ²	EUR 1 755 million
Leader+	893	1 577 386 km ²	EUR 2 105.1 million

Table: LEADER, a brief history

LEADER complements other European and national programs. For example, Leader actions can activate and mobilize local resources, by supporting pre-development projects (such as diagnostic studies and feasibility studies or local capacity building) which will improve these areas’ ability to access and use not only Leader funds but also other sources for financing their development (for ex ample, wider EU and national rural and regional development programs). Leader also assists sectors and categories of beneficiary which often receive no support, or only limited support, under other programs operating in rural areas, such as cultural activities, enhancement of the natural environment, rehabilitation of architecture and heritage buildings, rural tourism, improving the links between producers and consumers, etc.

LED and RRED Approach

Municipalities, cities, regions or localities can be the engines that drive a country's economic growth, providing an environment in which private-sector jobs can be created and maintained, but they can also become barriers to economic growth and competitiveness if they do not understand the extraordinary tools that lie within their grasp.

Many developed has worked with local governments in their states and internationally to develop strategies that allow them to compete for business in a local, national, regional, and global environment. Experience, improving local economic competitiveness requires the active participation of local governments, which are critical to the expansion and creation of jobs in the private sector.

Because local governments are the intersection through which most business creation must flow, this regulatory and administrative gateway needs to be supportive and transparent and local governments need to create an environment conducive to businesses. In addition, local governments are best positioned to create realistic economic development strategies grounded in the specific strengths of the community, and to mobilize resources for their implementation.

Working in developing countries, most international agencies has designed an Economic Development Continuum where in local governments serve as the nexus between jobs and basic services, adequate infrastructure, and financial management, and realize how these basic elements are interdependent and contribute to a local government's ability to create and implement proactive economic development strategies.

Once local authorities appreciate this, they are able to place into context the basic improvements that are needed to be competitive. To foster this understanding, has developed a Local Economic Development approach and worked closely with local governments worldwide to assess and improve municipal service delivery and physical infrastructure, create the political will for change, identify business opportunities, and develop public-private partnerships that foster economic and community growth and create more competitive cities.

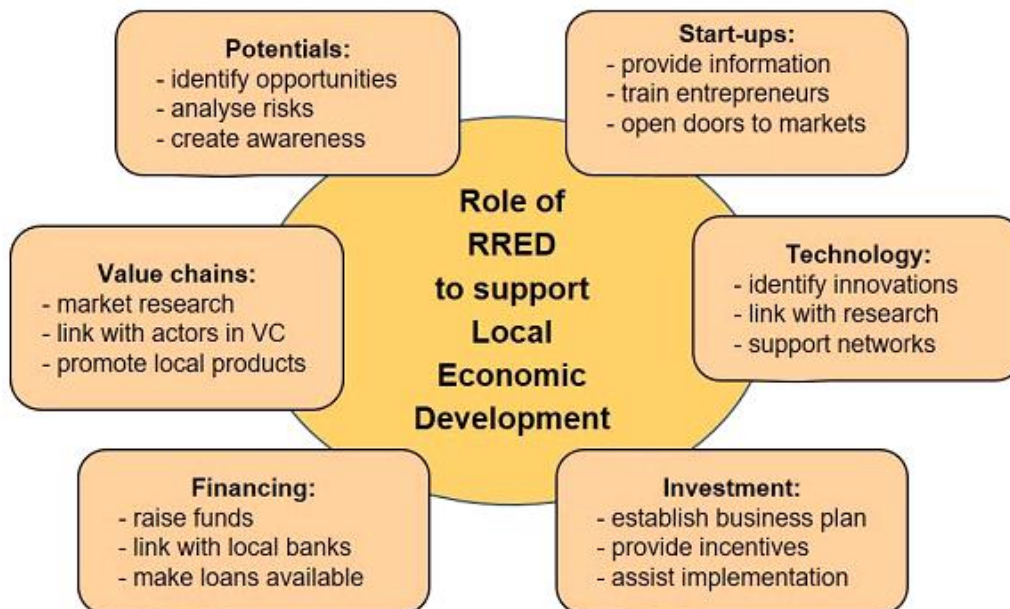
On the same side the concept of “Regional Rural Economic Development – RRED2F3” offers such a concept for development interventions in a predominantly rural area. Appropriate solutions are usually not transferable from one region to another but must be developed in or adjusted to the region itself. In order to achieve a lasting improvement of living conditions in rural regions RRED is characterized by three main elements:

- RRED is focused on people and based on the bottom-up principle.
- RRED is a cross-cutting, multi-sector concept which requires an integrated approach.
- RRED is mainly targeting the regional level (as complementary to all necessary local interventions) of rural areas.

Role of RRED in LED

Local Economic Development begins with the resources of the area. A whole range of tools and techniques is available to mobilise those local resources and small and medium enterprises. Such tools and techniques have been successfully introduced in private sector promotion and rural development. Those tools are of help to support regional investment promotion, development of value added chains, transfer of technology, but also the strengthening of regional administrative structures for further improvement of services to local enterprises.

The tasks of a Regional Management team that tries to support the economic development process in this context are illustrated below:



LEADER Approach

LEADER = Liaison Entre Actions de Développement de l' Economie Rurale

(Links between the rural economy and development actions)

Regional Rural Economic Development is an important factor of the EU's economic promotion. In the past years, RRED "discovered" more and more the regional perspective in rural development. Thus the LEADER-programme of the EU

is one of the most popular programmes for the improvement of quality of life in rural areas. The LEADER-programme gives the frame for the specific LEADER-approach , which is presented in this module. The idea of LEADER is to enlist the energy and resources of people and bodies that

could contribute to the rural development process by forming partnerships at a sub-regional level between the public, private and civil sectors. The LEADER-approach is associated with local empowerment through local strategy development and resource allocation. The main feature for the development of a specific area and the involvement of local representatives in decision-making is the LAG.

Why LEADER in Kosovo?

Up to now the Republic of Kosovo is not yet member of the European Union: So why to speak about a rural development-program to which the country does not have direct access? Behind the LEADER-program with its financial means stands the specific LEADER-approach which is approved in the EU with its diverse rural areas. Thus it is valid not only for EU-regions but also for other rural regions like in Kosovo. Kosovo is at the moment in the accession process to European Union and has the status of a 'potential candidate'. Therefore structures for the implementation of EU-programs and - standards are to be established. A selection of advantages shows the additional benefit of the LEADER-approach for rural areas in Kosovo:

- The LEADER-approach supports the identification of local and regional potentials in a specific area.
- It helps (poor) rural regions to cooperate and to implement common projects.
- It helps to motivate local people to engage for their home-area.
- It helps to create more self-awareness and better perspectives for the people of the rural areas.

All efforts aim at the overall goal of improving the quality of life for people in rural areas. Quality of life may not only be understood in terms of economic development. It means also to appreciate the cultural heritage, to support the social structures or to preserve a productive environment in biodiversity in rural areas. It wants to give people in rural areas perspectives to be able to stay in their home-regions and to strengthen the identity of the people in these regions.

Sustainable development in Kosovo

What sustainability is and what it means for concrete projects, needs to be translated into the discussions, planning and implementation processes at LAG and and the regional level in general. Therefore the following selection of criteria and the related questions may help as examples to define sustainable projects in a region or LAG. The list is not complete and specific criteria according to the regions' situation may be added.

The terms 'sustainability' or 'sustainable development' are often criticized in public as not being concrete and being very theoretical. Indeed it is hard for common people to understand what it means for their personal life and why they even should change their behavior. The law 04/L-074 on agriculture and rural development advisory services refers only in one aspect on sustainability: in Article 3, Agriculture and Rural Development Advisory Tasks,

paragraph 2.: “The agriculture advisor is obliged to: (...) 2.2. present the best management practices of farm business management, sustainable agriculture practices and non-agricultural rural enterprises;(…). In the ARDP 2007-2013, sustainability was a ‘particular objective’: „Achieving sustainable rural development by investing in rural infrastructure and promoting economic development which respects environmental protection standards.“

In the new ARDP 2014-2020 the term ‘sustainable’ is used quite often and defined in the glossary of the document. It mostly is related (and limited) to the agricultural production and management. Thus a wider understanding of “sustainability” in the sense it has been explained remains a task and a challenge in Kosovo for the near future that rural regions and the actors working in RRED have to take up.

Rural Development Opportunities

Kosovo has a land space of 10,908 km², the total length of the border is 602 km, while the density relatively large population of about 166 inhabitants per km² (compared with 27 countries in the EU where the population density is estimated to be 117 people per km² in 2012. According to the assessment by ASK in 2012, Kosovo has a total population of 1,815,606 inhabitants. The economic situation is challenging. The economy offers few opportunities for employment. Profitable activities are mainly concentrated in the services sector, in particular retail and wholesale trade. In recent years, the economy has expanded an average of about 4%. The increase stems mainly from growing domestic demand strong government consumption and investment. Exports of goods and services have also increased, but still cover only about one third of total imports. Agriculture is mostly semi-subsistence; Agriculture plays a very important role in providing opportunities for employment and income generation In 2011 in Kosovo, the share of agriculture in exports was approximately 15% of the total. In Kosovo, about 72% of farmers have up to 1.5 ha of land available and a total of 91% up to 3 ha. Only about 1,500 farmers have 10 hectares. During the last 15 years in Kosovo and especially in its rural areas, huge investments and many efforts have been made, with the aim at improving the economic and social welfare of the population. Various programmes and projects are implemented through International and European organisations/agencies through the years. In particular there were development programmes in agriculture, animal husbandry and generally in all direction for economic development and human capacity building. The main donor for various projects in the emergency phase also in the development phase was and still remains the European Commission. On the other side of the Kosovo Government, through the Ministry of Agriculture, Forestry and Rural Development, is supporting the organizations and individual farmers with grants and subsidies, through the measures projected in the national Agriculture and Rural Development Programme. All these have contributed to improve the losses that agriculture and livestock has in the rural areas of Kosovo and obviously to apply innovative production technologies, which have led to an increase in productivity per unit.

NECESSARY STRATEGIG STEPS IN BUSINESS ENVIRONMENT

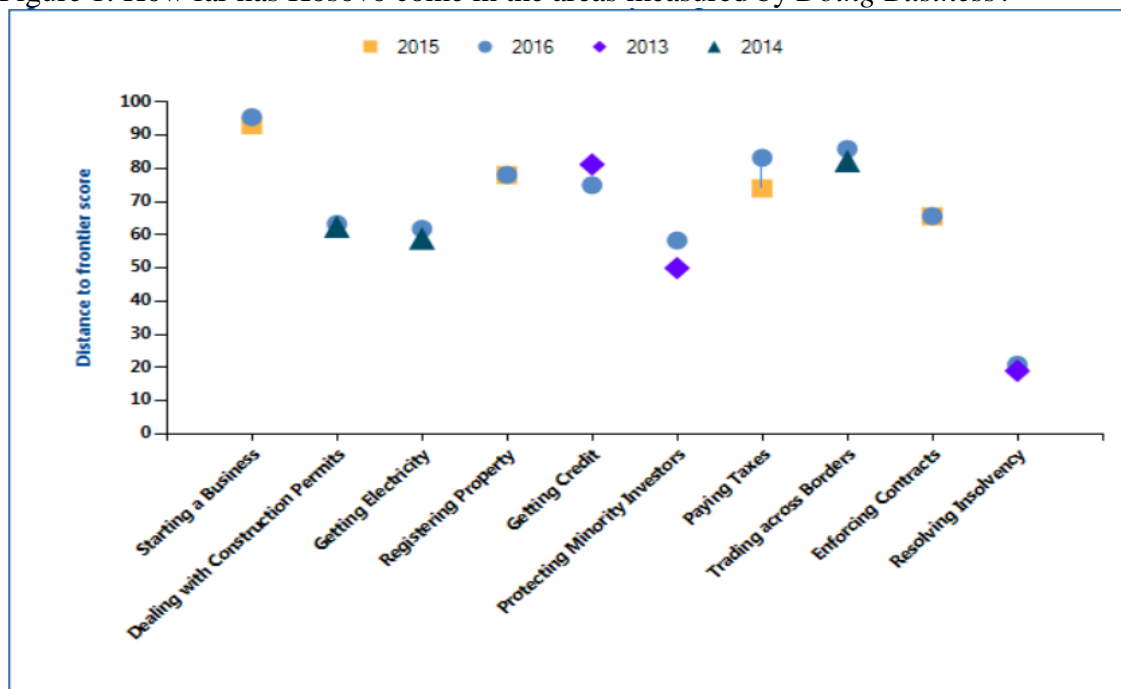
Developing Small and Medium Size Enterprises (SMEs)

Business environment in Kosovo actors across multiple jurisdictions must take place in order to reduce or even eliminate excessive and overlapping demands on businesses. Creating more jobs will largely depend on the ability of firms to enter markets and expand, as well as to restructure and improve competitiveness. Today, Kosovo possesses solid foundations for private sector development. Competitive forces in the markets for goods and services must introduce.

Therefore considerable progress is needed to establish an appropriate framework that is conducive to small and medium-sized enterprise (SME) development. Experiences in other transition countries highlight the importance of a proactive approach by forming and boosting instruments to improve access to business advisory services, finance and business infrastructure that will support firm startup, expansion, restructuring and competitiveness.

The introduction of a guillotine practice should be considered, following the example of other countries such as Hungary and Croatia¹. Concretely, the government should instruct all the relevant institutions to prepare inventory lists of their regulations. As a result, the unnecessary, outdated and illegal rules would be identified and removed from the lists.

Figure 1: How far has Kosovo come in the areas measured by *Doing Business*?



Source: *Doing Business* database, World Bank

¹ Prof. Dr. Nazmi Mustafa, International Business Journal, Nr VIII; Challenges Faced Economy of Region

The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Getting credit, protecting minority investors and resolving insolvency had methodology changes in 2014 and thus are only comparable to 2013. Dealing with construction permits, getting electricity and trading across borders had methodology changes in 2015 and thus are only comparable to 2014. Starting a business, registering property, paying taxes and enforcing contracts had methodology changes in 2016 and thus are only comparable to 2015. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2017* report for more details on the distance to frontier score².

Improving Access to Finance

The volume of the banking sector has increased remarkably. Thus, there is still a long way to go. Restricted access to credit is most common for newly established firms and the categories which account for a large portion of total job creation. Rural enterprises, farms and non-farms alike, consider inadequate access to credit lines would lead to significant improvements in the labor market. Structural weaknesses still exist in financial sector development, in particular in the protection of creditors' rights.

Create Business Environment and Infrastructure

In general, one of the critical impediments to the growth of larger size enterprises is access to utilities, infrastructure facilities, land and one-window-services to investors in the establishment of their investment projects. Detailed feasibility studies have confirmed that the development of industrial zones and business incubators could actively be promoted in order to promote investments and technology transfer, boost production and employment, and promote investments.

Installing Fair Competition between Public and Private Companies

Public companies in Kosovo cover over than 95% of business of waste management. In order to access the segment market from private companies there are many unnecessary permits and procures. Public services offered from public companies in Kosovo are showed in lower performance due to lack of competition. There are most companies that express interest on market shares of public services that are granted unfair to public companies.

Government of Kosovo should remove granted rights on market from public companies and allow strait competition for private companies.

² Doing Bussines 2017, World Bank

Ensuring Fair Competition

It is essential that in exercising this function, the arbiters must be fair and provide a free and effective competition in the market between operators, where all actors should be satisfied. Competition policies and their implementation must ensure that all market players compete and win only on merit. As a specific mechanism, competition must become an important segment in the process of creating a competitive economy in the regional and European market. Kosovo Assembly as the founder of authority and also other governmental and non-governmental segments systematically must take care for the further completion of the legal framework under the legal acts in the form of regulations, directives, according to EU standards. Specific task should be the development and effective implementation of national competition policy. This can only be achieved through ensuring a process of monitoring and analysis of market conditions for the development of free and effective competition.

The cooperation with other central and local administration, regulatory institutions, other public and private institutions, domestic and foreign, on matters related to competition are not only necessary but also essential and will bring bilateral and multilateral international and national collaboration that will guarantee the realization and the implementation of the law and of the competition policies. This it should be regulated through the establishment of mutual contacts with counterpart authorities in the region and wider, to ensure the exchange of information on matters of competition policy enforcement. These events and activities are conditioned by an active process of training within and outside Kosovo, in a way to strengthen the administrative capacity, as well as all other activities (seminars, conferences etc.), which have to do with the competition in the region and beyond.

The guiding principles based on law, national policies and other related policies are: Equality, Application of Principles of competition in such a way that does not allow discrimination of economic enterprises in the same circumstances; Comprehensiveness, which means a wide application of regulatory principles and competition in economic activity, which includes goods, services, private and public businesses, recognition of the scale of competition in development policies and reforms that affect the efficient functioning of markets, protecting the process of competition and creating an environment for maintaining an open and effective competition. Also, competitive markets require a good comprehensive legal framework, clear property rights and a non-discriminatory environment that is efficient and effective: the transparency in conducting the activities of the Competition Authority should be open, indicating the reasons for the decisions taken, as well as informing on the activities and results achieved.

Reduce the regulatory burden

Considering the high rate of informality, there is a considerable need to persuade informal businesses to translate their activities into the formal economy. Thus, the costs and lengthy procedures for obtaining licenses and permits and processing tax statements should be decreased.

Table 2. Summary of export and import time and cost for trading across borders in Kosovo

	Kosovo	Europe & Central Asia
Time to export: Border compliance (hours)	42	28
Cost to export: Border compliance (USD)	137	195
Time to export: Documentary compliance (hours)	38	27
Cost to export: Documentary compliance (USD)	127	111
Time to import: Border compliance (hours)	16	26
Cost to import: Border compliance (USD)	83	202
Time to import: Documentary compliance (hours)	6	26
Cost to import: Documentary compliance (USD)	42	91

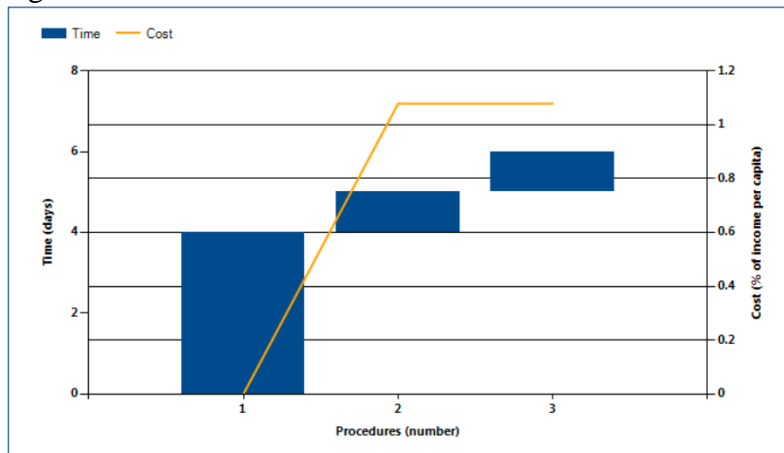
Source: *Doing Business* database

Significant Reduction of Corruption and Bureaucracy

As a result of poor design and implementation of public policies, firms face several obstacles, commonly made manifest in excessive costs and burden of regulations, which influences informality and discourages compliance. Heavy compliance costs are considered to weaken business productivity, thus affecting growth or the number of new businesses that choose to enter the market. ‘Due to excessive regulations, many businesses in Kosovo report spending long hours of their time dealing with the requirements that arise from government regulations’³. Likewise, the same report notes that companies in Kosovo spend an excessive amount of time (more than one-and-a-half times the regional average) dealing with taxes, while also making excessive payments. This, consequentially, provides incentives for corrupt practices such as bribery, which mainly takes place during inspections and interactions between businesses and authorities.

³ Olivera Ceni, Kosovo Chamber of Commerce (OEK), Personal Communication, May 2014

Figure 3. What it takes to start a business in Kosovo



Source: *Doing Business* database

Main challenges and their impact on businesses

SMEs (small and medium enterprises) are a vital part of Kosovo’s economy and account for approximately 40% of GDP. SMEs employ around 60% of formal sector employees and account for 99% of all businesses. However, despite their immense importance, especially as job generators, SMEs in Kosovo continue to face institutional barriers and other obstacles in the business environment (even after the declaration of independence in 2008 and the establishment of several relevant institutions).

Table 4. Rank of indicators in 2011 and 2012 (Source: World Bank *Doing Business*, 2014)

Indicator	Rank in 2011	Rank in 2012	Progress/Deterioration
1. Starting a business	165	168	↓ Deteriorated
2. Dealing with Construction Permits	169	171	↓ Deteriorated
3. Getting electricity	120	124	↓ Deteriorated
4. Registering property	66	73	↓ Deteriorated
5. Getting credit	24	21	↑ Improved
6. Protecting investors	172	174	↓ Deteriorated
7. Paying Taxes	45	46	↓ Deteriorated
8. Trading across borders	129	131	↓ Deteriorated
9. Enforcing contracts	157	157	↔
10. Resolving insolvency	31	31	↔

Inheriting a state-run economy from the former Yugoslavia, Kosovo faced huge problems in

installing the basic standards and mechanisms of a market economy in the aftermath of 1999. For example, the level of unemployment in Kosovo is estimated at 45.4%, with the number of job seekers estimated at 335,260⁴.

Policy Recommendations

Tackling the problem of corruption in the public sector is essential for improving the business environment in Kosovo. As such, GLPS proposes the following as critical first steps for tackling corruption in the public sector:

- Business attracting policies and strategies are nessesesary step that government of Kosovo should follow
- Create business associations and attracting them on economic development decision.
- Eliminate irregularities in public tendering: Public prosecution is the key authority that addresses tendering practices that involve partisan control and corruption. Public prosecution exists in the most proper, effective and legally inclusive dimension. Thus, the public prosecution must be far more vigorous and must make accountable all the responsible authorities in order to eliminate the malpractices identified within the procurement processes. In addition, public prosecution must address this through self-initiated investigations, thus playing its role more responsibly and effectively.
- 2. Define specific and measurable criteria for public tenders: Therefore, we recommend that the procurement authorities and the officers at both the central and local levels take seriously the need to set measurable and specific criteria of public tendering. The Public Procurement Regulatory Commission should establish rigorous mechanisms to observe the procurement authorities' credibility, whereby the latter constantly issues legal directives and regulations to fight the abuse of power by procurement authorities/officers. This will provide a foundation for fair competition and open opportunities for all economic operators in the bidding process.
- 3. Link the identification of informal businesses with rewards: Authorities should consider establishing performance incentives for tax inspectors, offering rewards for identifying and transforming businesses that operated informally into part of the formal market. This will provide for a higher number of taxpayers resulting in a greater amount of tax revenue for the state. In addition, this would reduce the incentives for corrupt

⁴Ministry of Labour and Social Welfare, Annual Report (2011) 'Labour and Unemployment' p.17. Available at: <http://mpms.rks-gov.net/Portals/0/Librat/2011%20Raporti%20Vjetor%20Puna%20dhe%20Punesimi.pdf>.

behavior by inspectors, as they would be provided with a financial stability.

- 4. Increase the efficiency of tax inspections: In order to do this, the number of inspectors must be increased, as the authority is largely understaffed.
- 5. Established One-Stop Shops are expected to have a large effect on reducing informality, as the regulatory burden will be reduced. Thus, efforts must be directed towards making onestop shops fully functional and efficient (i.e. offering the services, issuing documents/permits).
- 6. Reduce the regulatory burden: Considering the high rate of informality, there is a considerable need to persuade informal businesses to translate their activities into the formal economy. Thus, the costs and lengthy procedures for obtaining licenses and permits and processing tax statements should be decreased. Moreover, enhanced coordination of Business environment in Kosovo: A view on the key policy implications www.legalpoliticalstudies.org 11 actors across multiple jurisdictions must take place in order to reduce or even eliminate excessive and overlapping demands on businesses.
- 7. The introduction of a guillotine practice should be considered, following the example of other countries such as Hungary and Croatia. Concretely, the government should instruct all the relevant institutions to prepare inventory lists of their regulations. As a result, the unnecessary, outdated and illegal rules would be identified and removed from the lists.
- 8. Increase awareness: Once the aforementioned reforms and benefits are made available for the targeted audience, a communication program should be implemented to raise awareness of their existence and educate informal businesses on their use. This implies the need to provide training programs for businesses, which should emphasize the benefits of existing within the formal market economy.

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