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MUNICIPAL COMPETITIVENESS INDEX

2019

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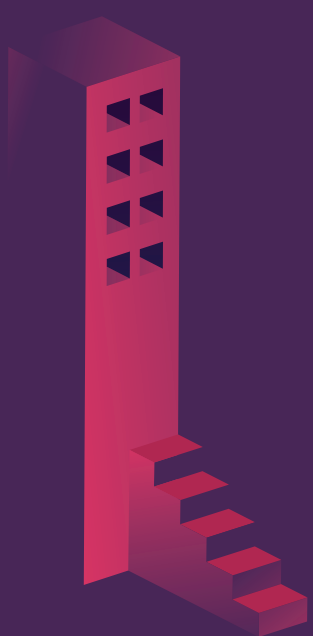
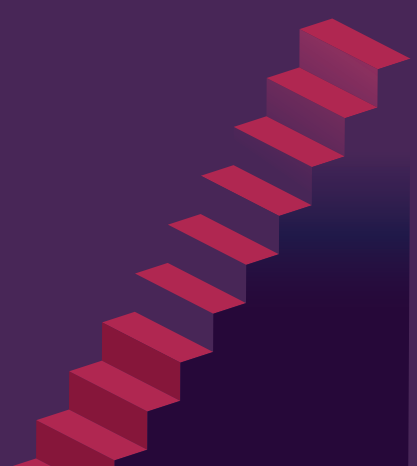




ABBREVIATIONS

EGI	Economic Governance Index
FGD	Focus Groups Discussion
KBRA	Kosovo Business Registration Agency
NGO	Municipal Competitiveness Index
SMEs	Small and Medium Enterprises
USAID	United States Agency for International Development
VAT	Valued Added Tax

EXECUTIVE SUMMARY

The Municipal Competitiveness Index (MCI) is a composite index developed to measure the performance of local government in establishing a sound business environment. MCI allows one to understand the barriers in doing business as identified by companies in respective municipalities. The ultimate use of MCI is to inform policy makers about their opportunities to improve the productivity and performance of private sector by reducing barriers, eliminating redundant administrative procedures, enhancing a fair legal environment and providing necessary infrastructure conditions. The cornerstone of this methodology is to gather primary data through surveys with business owners and entrepreneurs. This is the sixth year that USAID Kosovo supports the implementation of this study with the aim of guiding policy reforms which are based on evidence.

The MCI includes eight sub-indexes, each capturing a specific dimension of economic governance that range from opening a business to local physical infrastructure. The 2018 and 2019 MCI reports in Kosovo, supported by the USAID Kosovo and implemented by Riinvest Institute, have followed a combined methodology using qualitative and quantitative primary data sources. The 2019 report provides comparisons of municipalities' performance with the previous year.

In 2019, the 5 best ranked municipalities are Lipjan/Lipljan, Rahovec/Orahovac, Viti/Vitina, Junik and Gjakovë/Đakovica. The best performing municipalities in 2019, to a large extent, are also the ones which performed best in 2018, except for Prishtina which has dropped 5 places. Data suggest that the overall national MCI score has slightly dropped (by 0.2 points). A significant drop of the score was in barriers to entry sub-index, even though it still remains one of the best ranked indicator. The only sub-index where there was an improvement was that of transparency. As in 2018, the sub-index with the highest score remains the time cost, suggesting that time spent by business owners in dealing with administrative procedures is not a significant barrier. The municipal administration sub-index - which looks as the municipal officials' capabilities and attitudes towards businesses and fairness in public tendering - has performed the worse, with an average national score of 3.5. This sub-index also had the biggest drop compared to the previous year.

The biggest changes in scores can be notices when looking at a disaggregated level of data for each municipality. Here significant changes in rankings can be notices for all municipalities. This can serve as a good source of information to better inform policy-making process at local level.

The report is organized in eight main sections. The first section discusses the general business environment based on existing literature. The second section is an overview of the MCI. The third section presents the indexes at an aggregate level. The fourth section is divided in 8 parts that discuss the MCI sub-indexes. The fifth section gives an overview of MCI policy weights. Focus groups are discussed in the sixth section. The seventh section explains the methodology used in constructing the indices. Finally, the eighth section summarizes the report in a conclusion.

1 OVERVIEW OF THE ECONOMIC BACKGROUND AND BUSINESS ENVIRONMENT

MCI assesses the performance of municipal governments across the 38 municipalities of Kosovo, and the extent to which they manage to create an enabling business environment. In 2019 the Kosovar economic performance has been characterized by similar macroeconomic dis-balances as highlighted in the 2018 report. The economy faces a negative current account- mostly caused by the trade deficit, a close to 30% unemployment rate, and high poverty rates.

The private sector in Kosovo, which is dominated by micro-enterprises, has been underperforming and only recently became the main driver of growth. Despite the positive trend of economic growth during the last decade, Kosovo's economic growth rates were not transformational, i.e. they were unable to tackle pressing development challenges like high unemployment and high levels of poverty. There seems to be a lack of an integrated framework of economic policies for building competitiveness and supporting production and exports. This led to unsatisfactory economic growth levels, persistent high unemployment rates, lack of investment and high trade deficit.

Municipalities play a significant role in establishing a sound business environment where private sector can flourish which consequently can accelerate the economic growth of the country. The MCI report shows that municipalities in Kosovo face an array of difficulties, including lack of transparency and unwillingness to inform businesses about upcoming tenders and bidding processes, unnecessary red-tape, incompetent municipal officials, lack of an appropriate framework for providing support to businesses and a poor municipal infrastructure which characterize most of municipalities. Some of the improvements that have been observed in local municipal governance have to do with barriers to business entry and time costs. This is also supported by World Bank Doing Business Report and the Transparency International report on Corruption Perception Index which are conducted annually and where Kosovo has slightly improved its position in 2019.[1]

Businesses are faced with many infrastructural barriers (such as quality of roads and railways), institutional barriers (such as corruption; tax evasion and informality; cost of finance; quality of the judiciary system; quality of tax administration, among others) and skill-internal barriers (such as quality and availability of labor supply). All of them combined show that the business environment does not foster a rapid private sector development. Therefore, actions that address these obstacles and bottlenecks, at both local and central level, are of paramount importance, especially in Kosovo's current stage of development. In doing so, this report seeks to understand what policy adjustments need to be made to enable the private sector to unlock its potential and increase competitiveness, both internally at the municipal level and externally at a regional and global level.

1 World Bank (2019). Doing Business 2019. Training for Reform; Transparency International (2019). Corruption Perception Index.

2 WHAT IS MCI?

The Municipal Competitiveness Index (MCI) is an index methodologically developed to measure the performance of local economic governance. It introduces an opportunity to understand the barriers that businesses identify within their relationship with their respective municipalities. The final goal for economic governance index is to inform policy makers about their opportunities to improve the productivity and performance of private sector by reducing barriers, eliminating redundant administrative procedures, enhancing a fair legal environment and providing necessary infrastructure conditions. The cornerstone of this methodology is to gather primary data through surveys with business owners and entrepreneurs.

The MCI is a composite of eight sub-indexes, each capturing a specific dimension of economic governance that range from opening a business to local physical infrastructure. The structure of each index and the methodology section discuss in detail the specifics of the research design and each policy dimension captured.

3

MCI INDEX AND SUB-INDEXES SCORES

The MCI is designed to assess the ease of doing business and the role of economic governance in ensuring a favorable business environment at the municipal level. As a quantified measurement, the MCI also provides a benchmark for municipalities to track their progress in ensuring a good business environment and a platform for exchanging successful practices with each other.

The MCI is a construct of 8 standardized sub-indexes measuring key dimensions of the impact of local governance on the business environment:

1 **BARRIERS TO ENTRY -** the costs related to entering the market and the fairness of the competition in the local market.

2 **TRANSPARENCY -** the overall business access to information and different public documents at local level.

3 **PARTICIPATION AND PREDICTABILITY -** the extent to which municipalities involve businesses in decision making and the confidence of businesses in predicting the policy environment.

4 **TIME COSTS -** the time firms spend complying with regulations and time spent on business inspections by municipal agencies.

5 **TAXES -** how businesses perceive the overall burden of levied taxes and charged fees.

6 **MUNICIPAL ADMINISTRATION -** municipal official capabilities and attitudes towards business and fairness in tendering.

7 **LABOR MARKET AND BUSINESS SUPPORT -** the satisfaction of businesses with the level of education and professional skills offered in the market.

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

Each of the sub-indexes has a maximum of 10 points, and the MCI is a simple average of the 8 sub-indexes. In section 5, the index is weighted based on the policy relevance of the areas that the sub-indexes cover, yet in the following discussion the index is still equally weighted.

Table 3.1 presents the sub-index scores at the national level for 2018 and 2019. From an aggregate perspective, the index of **Time Costs** is the sub-index with the highest score for both years (9.2 and 9.0, respectively), showing that businesses, country-wide are not burdened with time consuming bureaucracy.

The **Barriers to entry** sub-index is the following highest sub-index (7.9 and 7.30), confirming a favorable environment for starting a business from the perspective of the bureaucracy related with it.

On the other hand, **Municipal Administration** sub-index has received the lowest score (3.5), significantly decreasing from last year's score of 4.6, and showing a low satisfaction with the municipal officials' capabilities and their attitudes towards business and fairness in tendering.

The overall MCI results show a similar trend to the findings of MCI 2018. Figure 3.1 shows the composite MCI index for each municipality. The small arrows next to municipality names provide a comparison to the respective municipality's score rank the in MCI 2018. '↔' refers to the same ranking as last year, '↑' symbolizes a climb up in the ranking from last year, and '↓' symbolizes a fall in ranking.

The ten best performing municipalities are listed in Table 3.2, with Lipjan/Lipljan and Rahovec/Orahovac leading the list. The same best municipalities also fall on the upper quartile of the list, confirming the limit of the top 10 performers[2] . The best performing municipalities in 2019, to a large extent, are also the ones which performed best in 2018, except for Prishtina which has dropped 5 places.

2 The variation of the municipal index values is not widespread, as the index provides a simple average of sub-index values, and thus disregards the variation within the indexes (presented in the following sections).

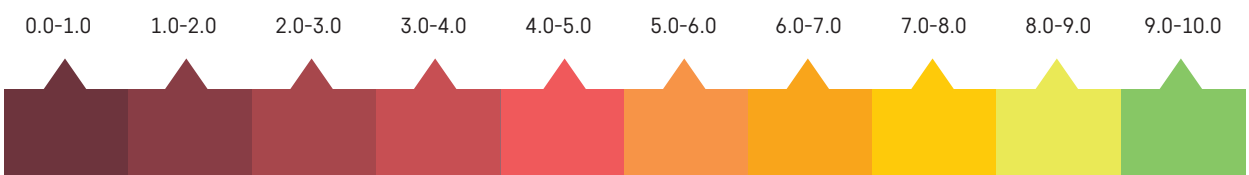
TABLE 3.1 MCI- sub-indexes, national aggregates

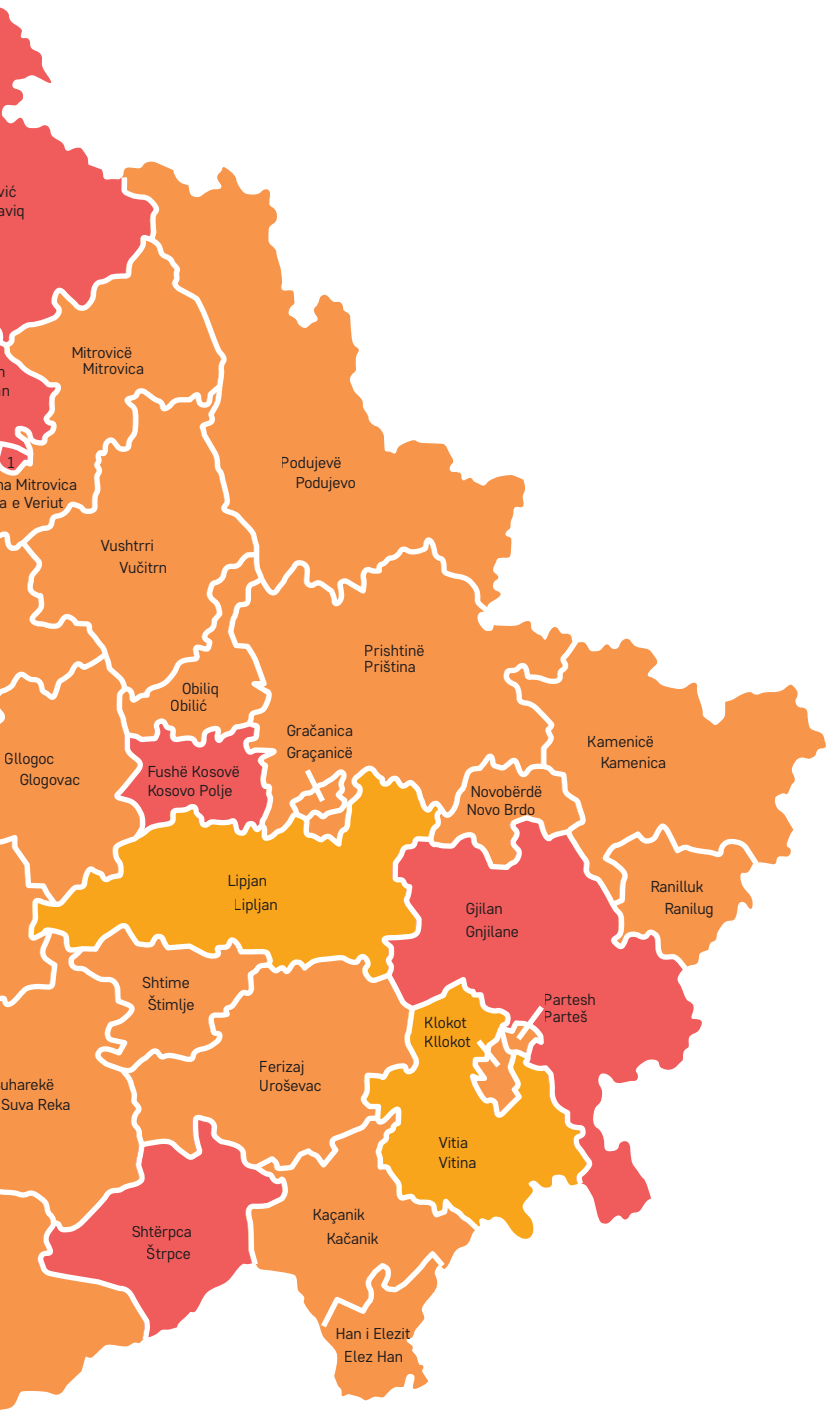
	MCI SUB-INDEX	NATIONAL SCORE	
		2018	2019
	Barriers to entry	7.9	7.3
	Predictability and Participation	5.3	5.3
	Transparency	4.1	4.3
	Time Costs	9.2	9.1
	Taxes and Fees	6.2	6.2
	Municipal Administration	4.6	3.5
	Labor and Business Support Services	4.7	4.7
	Municipal Infrastructure	6.5	6.5

MUNICIPAL COMPETITIVENESS INDEX 2019

MCI - BEST PERFORMING MUNICIPALITIES

	MUNICIPALITY	MCI 2019	MCI 2018
⇔	Lipjan/Lipljan	6.87	7.0
⇔	Rahovec/Orahovac	6.63	6.8
⇔	Viti/Vitina	6.58	6.6
⇔	Junik	6.44	6.6
↑	(1) Gjakovë/Đakovica	6.27	6.5
↓	(1) Hani i Elezit/Elez Han	6.20	6.5
↑	(4) Parteš/Partesh	6.17	6.3
↑	(2) Suharekë/Suva Reka	6.14	6.3
⇔	Obiliq/Obilić	6.13	6.3
↓	(3) Podujevë/Podujevo	6.13	6.3





		MUNICIPALITY	MCI
⇔		Lipjan/Lipljan	6.87
⇔		Rahovec/Orahovac	6.63
⇔		Viti/Vitina	6.58
⇔		Junik	6.44
↑	(1)	Gjakovë/Đakovica	6.27
↓	(1)	Hani i Elezit/Elez Han	6.20
↑	(4)	Parteš/Partesh	6.17
↑	(2)	Suharekë/Suva Reka	6.14
⇔		Obiliq/Obilić	6.13
↓	(3)	Podujevë/Podujevo	6.13
↑	(5)	Novobërdë/Novo Brdo	6.09
⇔		Istog/Istok	6.08
↓	(5)	Prishtinë/Priština	6.07
⇔		Pejë/Peć	6.07
↓	(2)	Klokot/Kllokot	6.02
↑	(2)	Mamushë/Mamuşa	6.00
↓	(2)	Kaçanik/Kačanik	6.00
↑	(2)	Prizren	5.95
↑	(2)	Gllogoc/Glogovac	5.89
↑	(2)	Malishevë/Mališevo	5.87
⇔		Skenderaj/Srbica	5.86
↑	(1)	Vushtrri/Vučitrn	5.81
↓	(4)	Shtime/Štimlje	5.80
↓	(2)	Mitrovicë/Mitrovica	5.75
↓	(2)	Zubin Potok	5.75
↑	(2)	Ranilug/Ranillug	5.74
↑	(2)	Dragash/Dragaš	5.65
↓	(2)	Gračanica/Graçanicë	5.62
↓	(1)	Kamenicë/Kamenica	5.59
↓	(2)	Deçan/Dečani	5.53
↓	(1)	Ferizaj/Uroševac	5.51
⇔		Gjilan/Gnjilane	5.48
↑	(2)	Fushë Kosovë/ Kosovo Polje	5.45
⇔		Štrpce/Shtërpcë	5.41
⇔		Zvečan/Zveçan	5.14
⇔		Severna Mitrovica /Mitrovicë e Veriut	5.13
⇔		Leposavić/Leposaviq	5.10
⇔		Klinë/Klina	4.80

Source: Survey 2019, authors' calculations

4 SUB-INDEX RESULTS

SUB-INDEX 1: BARRIERS TO ENTRY

Barriers to entry is the first sub-index that we analyzed in our MCI report. This sub index measures the ease with which businesses enter the market. Also, this sub-index assesses the fairness of competition in the local market and the preparedness of municipalities to maintain a healthy business environment.

Similar to last year, businesses regard barriers to entry as the least cumbersome indicator for dealing with municipalities. One of the reasons why this sub-index performs better than other indices is the improvements that municipalities have made to overcome lengthy procedures for business registration. This sub-index goes beyond assessing just the number of days and documents required to open and operate a business but also other issues which are necessary for a business to operate in a healthy and efficient business environment, such as low levels of informality and fair competition.

In the World Bank's Doing Business report, Kosovo has climbed to the 44th position globally slightly lower than last year's 40th position, but nonetheless still showing a substantial improvement on the conditions for starting a business and operation of a local firm.[3]

For 2019 the MCI – Barriers to entry sub-index shows that the municipality with the best rank is Klokot/Kllokot, with the highest index of 9.7 out of a maximum of 10. The following top performing municipalities are Mamushë/Mamuşa (9.36), Novobërdë/Novo Brdo (9.0), Pejë/Peć (8.6), Gjakovë/Đakovica (7.9), Prishtinë/Priština (7.9), Rahovec/Orahovac (7.9), Gračanica/Graçanicë (7.8), and Parteš/Partesh and Ranilug/Ranillug sharing the ninth and tenth place with the same index of 7.76 Compared to last year, this year municipalities in Barriers to entry sub-index slightly underperformed. Nevertheless, barriers to entry remains the best performing sub-index for MCI.

Figure 4.1.1. shows the barriers to entry sub-index results for all municipalities in Kosovo. While interpreting the results, it should be kept in mind that businesses in smaller municipalities have access to more abundant and flexible services from the municipality compared to municipalities with greater density of businesses.

On the opposite side of the figure, the municipalities that appear more difficult for new businesses to enter Deçan/Dečani (5.66), Malishevë/Mališevo (6.13), Klinë/Klina (6.16), Štrpce/Shtërpcë (6.44) and Ferizaj/Uroševac (6.58).

3 World Bank. 2019. Doing Business 2019: Training for Reform - Kosovo (English). Doing Business 2019. Washington, D.C. World Bank Group.

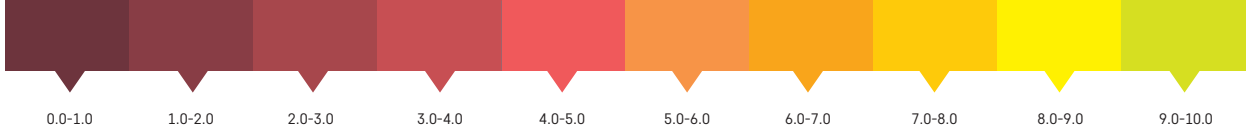
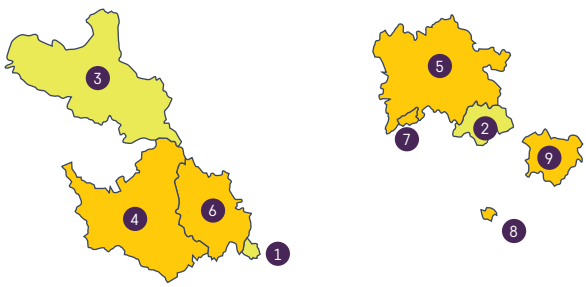


Table 4.1.1

BEST PERFORMINGMUNICIPALITIES



MUNICIPALITY		SUB-INDEX 1: BARRIERS TO ENTRY
Mamushë/Mamuşa	⇔	9.36
Novobërdë /Novo Brdo	⇔	9.01
Pejë/Peć	⇔	8.61
Gjakovë/Đakovica	↑ (5)	7.94
Prishtinë/Priština	↑ (1)	7.90
Rahovec/Orahovac	↑ (2)	7.89
Gračanica/Graçanicë	↓ (2)	7.82
Parteš/Partesh	↑ (8)	7.76
Ranilug/Ranillug	↑ (9)	7.76

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

Figure 4.1.1

ALL MUNICIPALITIES PERFORMING

7.30 NATIONAL AVERAGE

	MUNICIPALITY	MCI
⇔	Klokot/Kllokot	9.70
⇔	Mamushë/Mamuşa	9.36
⇔	Novobërdë/Novo Brdo	9.01
⇔	Pejë/Peć	8.61
↑ (1)	Gjakovë/Đakovica	7.94
↓ (1)	Prishtinë/Priština	7.90
↑ (4)	Rahovec/Orahovac	7.89
↑ (2)	Gračanica/Graçanicë	7.82
⇔	Parteš/Partesh	7.76
↓ (3)	Ranilug/Ranillug	7.76
↑ (5)	Suharekë/Suva Reka	7.75
⇔	Lipjan/Lipljan	7.74
↓ (5)	Junik	7.71
⇔	Dragash/Dragaš	7.47
↓ (2)	Leposavić/Leposaviq	7.47
↑ (2)	Skenderaj/Srbica	7.28
↓ (2)	Viti/Vitina	7.26
↑ (2)	Mitrovicë/Mitrovica	7.21
↑ (2)	Fushë Kosovë/ Kosovo Polje	7.15
↑ (2)	Obiliq/Obilić	7.11
⇔	Zvečan/Zveçan	7.04
↑ (1)	Kaçanik/Kačanik	7.02
↓ (4)	Kamenicë/Kamenica	7.00
↓ (2)	Severna Mitrovica/Mitrovicë e Veriut	6.97
↓ (2)	Podujevë/Podujevo	6.91
↑ (2)	Gjilan/Gnjilane	6.81
↑ (2)	Istog/Istok	6.80
↓ (2)	Prizren	6.76
↓ (1)	Shtime/Štimlje	6.70
↓ (2)	Gllogoc/Glogovac	6.68
↓ (1)	Vushtrri/Vučitrn	6.67
⇔	Zubin Potok	6.60
↑ (2)	Hani i Elezit/Elez Han	6.59
⇔	Ferizaj/Uroševac	6.58
⇔	Štrpce/Shtërpcë	6.44
⇔	Klinë/Klina	6.16
⇔	Malishevë/Mališevo	6.13
⇔	Deçan/Dečani	5.66

The Barriers to Entry sub-index presents the time and documents required for businesses to join the market, the extent to which they see these costs as barriers and the extent to which they consider that they are dealing with competition engaged in the informal economy.

At the national level, the number of days that businesses take to collect all the documents required and to complete the processes related to the registration of the business is 13.7 days an increase from last year's average of 7 days. The number of documents required, regardless of the type of the business legal entity is 4. So, on average, setting up a business is fairly fast and efficient. Table 4.1.2 and the discussion that follows shows that there are many municipalities where the process takes longer (for instance in Deçan/Dečani, the process lasts up to an average of 64 days per year).

Informal economy, on the other hand, poses a major obstacle to a fair competition in Kosovo. As such, in order to maintain their competitiveness, businesses, in an environment where informality is up to an estimated 35 percent of the GDP, businesses are pushed to engage in some type of informal economy. On average, 71.3 percent of businesses think that their competitors are engaged in the informal economy. At a disaggregated level presented in Table 4.1.3, the variation of the results of the components of MCI sub-index 1, Barriers to Entry, is greater.

TABLE 4.1.2 Barriers to entry sub-index components at the national level

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

SUB- INDEX: BARRIERS TO ENTRY	NATIONAL AVERAGE
How many did it take to start the business?(number of days)	13.7
How many documents were required for the business registration?(number)	4.1
Do you think your competitors are engaged in informal economy?	71.34%
Do you consider the number of documents required for opening the business as a barrier? (% yes)	21.7%

TABLE 4.1.3 Barriers to Entry sub-index for each region and municipality

		# of days to open the business	# of documents to open the business	competitors engaged in informality	# of documents to open the business is a barrier
Region	**Ferizaj/Uroševac**	**17.1**	**3.8**	**72%**	**18.77%**
	Ferizaj/Uroševac	12.03	4.2	95%	8.0%
	Hani i Elezit /Elez Han	18.5	7.6	72%	50.0%
	Kaçanik/Kačanik	13.8	3.1	66%	10.7%
	Štrpce/Shtërpcë	34.0	2.15	18%	2.9%
	Shtime/Štimlje	11.2	4.2	81%	40.6%
Region	**Gjakovë/Đakovica**	**11.5**	**3**	**67%**	**25.64%**
	Gjakovë/Đakovica	17.1	3.5	96%	13.3%
	Junik	38.6	5.2	60%	56.2%
	Malishevë/Mališevo	2.5	2.3	43%	32.6%
Region	**Gjilan/Gnjilane**	7.8	3.6	60%	19.20%
	Gjilan/Gnjilane	9.7	3.8	96%	14.9%
	Kamenice	7.2	4.8	93%	27.4%
	Klokot/Kllokot	1.3	1.4	12%	6.2%
	Novobërdë/Novo Brdo	1.2	1.2	49%	2.6%
	Parteš/Partesh	1.1	1.1	22%	2.0%
	Ranilluk/Ranillug	1.2	1.2	44%	46.3%
	Viti/Vitina	28	12.2	56%	32.0%
Region	**Pejë/Peć**	**23.8**	**4.7**	**60%**	**13.42%**
	Deçan/Dečani	64.2	4.3	62%	22%
	Istog/Istok	26.8	7.0	81%	16.5%
	Klinë/Klina	3.1	2.8	22%	6.2%
	Pejë/Peć	12.5	4.6	79 %	9.5%

		# of days to open the business	# of documents to open the business	competitors engaged in informality	# of documents to open the business is a barrier
Region	**Mitrovica**	**10.3**	**5.5**	**54%**	**45.20%**
	Leposavić/Leposaviq	14.5	5.6	78%	3.7%
	Mitrovica	8.9	12.4	27%	48.0%
	Severna Mitrovica/ Mitrovica e Veriut	12.3	5.2	66%	25.0%
	Skenderaj/Srbica	13.6	4.2	53%	86.7%
	Vushtrri/Vučitrn	4.0	3.6	56%	36.5%
	Zubin Potok	11.4	5.7	71%	34.86%
	Zvečan/Zveçan	10.9	4.6	68%	30.0%
Region	**Prishtinë/Priština**	**12.9**	**4.6**	**40%**	**19.17%**
	Gllogovc/Glogovac	23.5	3.8	3%	7.9%
	Fushë Kosovo/ Kosovo Polje	20.1	4.9	37%	61.5%
	Gračanica/Graçanicë	20.3	5.5	4%	3.3%
	Lipjan/ Lipljan	2.3	2.5	9%	4.1%
	Obiliq/Obilić	12.7	5.6	84%	25.2%
	Podujevë/Podujevo	3.1	3.9	74%	13.2%
	Prishtinë/Priština	10.4	6.2	63%	25.4%
Rajoni	**Prizren**	**12.3**	**4.5**	**63%**	**10.20%**
	Dragash/Dragaš	26.2	10.4	99%	1.2%
	Mamushë/Mamuşa	2.5	2.0	0%	0%
	Prizren	20.4	2.6	-	0%
	Rahovec/Orahovac	3.9	4.5	71%	37.6%
	Suharekë/Suva Reka	7	3.5	62%	11.7%

SUB-INDEX 2: TRANSPARENCY

The second sub-index measures the performance of municipalities in transparency. In this sub-index we have measured how transparent the municipalities are in relation to businesses. Local development depends very much on how open and willing to cooperate is a municipality in relation to the private sector. Municipalities with a higher degree of transparency perform better in the economic development of a city or a region. Moreover, dissemination of public information is a prerequisite for citizens and business alike to exercise their individual rights. Kosovo is still struggling to build transparent and accountable institutions which would ensure higher level of accountability towards its citizens. According to Transparency International, Kosovo ranked 37 in Corruption Perceptions Index, this in itself a slight improvement from last years.[4] However, transparency in local economic governance differs from the overall nationwide transparency. Kosovo's municipalities are marred by high levels of corruption at the local level, informality and the lack of accountability.

The MCI sub-index on transparency captures the overall business access to information and different public documents at the local level. This sub-index consists of several indicators regarding business' perception about access to municipal budget, public tenders, information about licenses, and regulations pertaining to business-related operating procedures.

The following table ranks the top performing municipalities as far as transparency is concerned. Municipality of Lipjan/ Lipljan received the highest index score of 7.1 out of 10, followed by Viti/Vitina (6.9), a municipality that jumped seven places from last year and in 2019 ranked second, followed by Prishtinë/Priština (6.7), Gjakovë/Đakovica (6.6), Hani i Elezit/Elez Han (6.5), Malishevë/Mališevo (6.35), Kaçanik/ Kačanik (6.3), Junik (6.2), Istog/Istok (6.0) and Shtime/ Štimlje (5.9).

On the other hand, as the Figure 4.2.1 below shows, at the bottom of the list are ranked Ferizaj/Uroševac (3.5), Klinë/ Klina (4.1), and Dragash/ Dragaš (4.12).

4 Transparency International (2019). The 2018 Corruption Perceptions Index (CPI). Available online: https://www.transparency.org/cpi2018

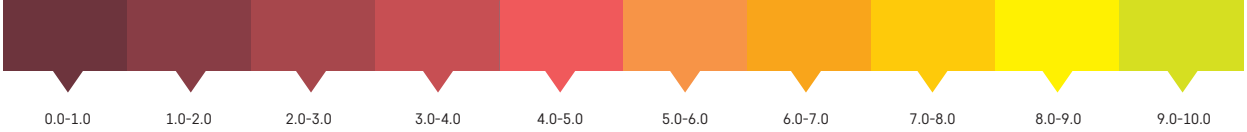
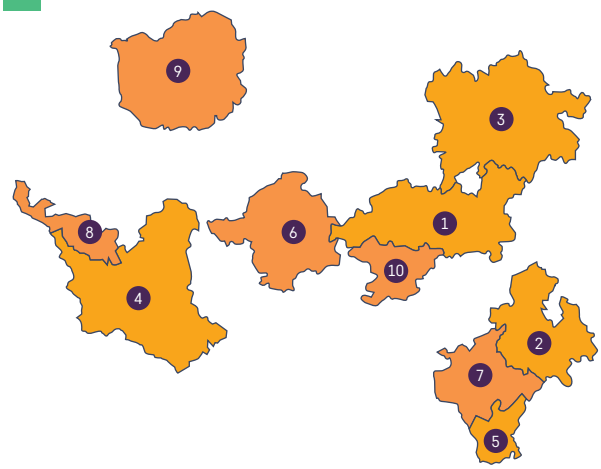


Table 4.2.1

BEST PERFORMINGMUNICIPALITIES



MUNICIPALITY		SUB-INDEX 1: TRANSPARENCY
Lipjan/Lipljan	⇔	7.06
Viti/Vitina	↑ (7)	6.89
Prishtinë/Priština	⇔	6.71
Gjakovë/Đakovica	↓ (2)	6.57
Hani i Elezit/Elez Han	↓ (1)	6.53
Malishevë/Mališevo	⇔	6.35
Kaçanik/Kačanik	⇔	6.28
Junik	⇔	6.20
Istog/Istok	↑ (1)	5.98
Shtime/Štimlje	↑ (1)	5.93

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

Figure 4.2.1

ALL MUNICIPALITIES PERFORMING

5.34 NATIONAL AVERAGE

	MUNICIPALITY	MCI
⇔	Lipjan/Lipljan	7.06
↑ (7)	Viti/Vitina	6.89
⇔	Prishtinë/Priština	6.71
↓ (2)	Gjakovë/Đakovica	6.57
↓ (1)	Hani i Elezit/Elez Han	6.53
⇔	Malishevë/Mališevo	6.35
⇔	Kaçanik/Kačanik	6.28
⇔	Junik	6.20
↑ (1)	Istog/Istok	5.98
↑ (1)	Shtime/Štimlje	5.93
↑ (1)	Podujevë/Podujevo	5.91
↑ (1)	Obiliq/Obilić	5.87
↑ (2)	Parteš/Partesh	5.86
↑ (5)	Deçan/Dečani	5.82
↑ (1)	Rahovec/Orahovac	5.74
↓ (2)	Gllogoc/Glogovac	5.73
↓ (12)	Zubin Potok	5.51
↓ (1)	Prizren	5.49
↑ (1)	Vushtrri/Vučitrn	5.41
↓ (2)	Mitrovicë/Mitrovica	5.40
⇔	Gračanica/Graçanicë	5.12
↑ (2)	Suharekë/Suva Reka	5.08
↓ (1)	Novobërdë/Novo Brdo	5.07
↓ (1)	Leposavić/Leposaviq	4.95
⇔	Štrpce/Shtërpcë	4.81
⇔	Skenderaj/Srbica	4.70
⇔	Severna Mitrovica/Mitrovicë e Veriut	4.69
⇔	Pejë/Peć	4.66
⇔	Ranilug/Ranillug	4.55
↑ (5)	Zvečan/Zveçan	4.52
⇔	Klokot/Kllokot	4.49
↓ (2)	Gjilan/Gnjilane	4.40
⇔	Mamushë/Mamuşa	4.36
↓ (2)	Fushë Kosovë/ Kosovo Polje	4.26
↓ (1)	Kamenicë/Kamenica	4.21
↑ (1)	Dragash/Dragaš	4.12
↓ (1)	Klinë/Klina	4.11
⇔	Ferizaj/Uroševac	3.49

Information on transparency related indicators were collected through four different questions (Table 4.2.2) about perception of businesses related to transparency of local governments. More specifically, businesses were asked to rate each indicator on a scale of 1 to 5, where 1 indicates no access and 5 easy access to information. At the aggregate level, the average score of access to information on municipal budget was 3.0 while access to information about local business-related regulations was 3.2. Somewhat more satisfactory is the level of transparency when it comes to information on local business licenses: the average score at national level was 3.3 intensity points. On the other hand, the lowest score, as far as transparency indicators are concerned, received perception of businesses in Kosovo regarding the access to information on public tenders at the local level (Table 4.2.3). Compared to last year, this year the sub-index assessing transparency levels showed slight improvements on all four indicators that we measured.

Nevertheless, the disaggregated results of municipalities for this sub-index do not show sufficient progress compared to last year's results. Improvements in transparency have to come not only from the reforms made inside municipalities but it has to be a joint effort between local municipal administrations and the Government.

TABLE 4.2.2 Transparency sub-index components at the national level

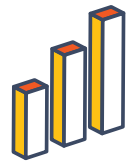
SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

SUB- INDEX: TRANSPARENCY	NATIONAL AVERAGE
How do you rate the access to information on municipal budget?	3.0
How do you rate the access on information about local regulations?	3.2
How do you rate the access on information regarding local business licenses for business operation?	3.3
How would you rate the access on information regarding the upcoming tenders to be announced by your municipality?	2.9

Table 4.2.3 Transparency sub-index for each region and municipality

Region		*Access to information on municipal budget*	*Access on information about local regulations*	Access on information regarding local business licenses for business operation	*Access on information regarding the upcoming tenders at local level*
Region	**Ferizaj/Uroševac**	**3.1**	**3.2**	**3.2**	**3.0**
	Ferizaj/Uroševac	1.9	2.0	1.9	2.2
	Hani i Elezit/Elez Han	2.9	3.0	3.1	2.5
	Kaçanik/Kačanik	3.5	3.6	3.6	2.9
	Štrpce/Shtërpcë	3.8	4.0	3.9	3.7
	Shtime/Štimlje	3.7	3.8	3.9	3.7
Region	**Gjakovë/Đakovica**	**2.7**	**3.0**	**3.0**	**2.9**
	Gjakovë/Đakovica	3.1	3.2	3.3	3.1
	Junik	2.2	3.1	2.9	2.9
	Malishevë/Mališevo	2.5	2.8	2.9	2.9
Region	**Gjilan/Gnjilane**	**3.7**	**3.9**	**3.8**	**3.4**
	Gjilan/Gnjilane	2.5	2.5	2.5	1.9
	Kamenicë	2.6	2.9	2.8	2.2
	Klokot/Kllokot	4.8	4.8	4.8	4.9
	Novobërdë/Novo Brdo	4.8	4.7	4.8	4.8
	Parteš/Partesh	5.0	5.0	5.0	5.0
	Ranilluk/Ranillug	4.4	4.4	4.4	4.4
	Viti/Vitina	3.6	4.1	3.7	3.0
Region	**Pejë/Peć**	**3.0**	**3.3**	**3.2**	**2.8**
	Deçan/Dečani	3.2	3.3	3.1	3.0
	Istog/Istok	2.9	2.8	2.9	2.7
	Klinë/Klina	2.8	3.2	3.2	2.9
	Pejë/Peć	3.2	3.6	3.5	2.7

Region		*Access to information on municipal budget*	*Access on information about local regulations*	Access on information regarding local business licenses for business operation	*Access on information regarding the upcoming tenders at local level*
Region	**Mitrovica**	**2.7**	**3.0**	**3.2**	**2.6**
	Leposavić/Leposaviq	2.7	2.9	4.0	2.5
	Mitrovicë	3.0	3.4	3.3	3.0
	Severna Mitrovica/ Mitrovica e Veriut	2.2	2.6	3.4	1.8
	Skenderaj/Srbica	3.1	3.0	2.9	2.9
	Vushtrri/Vučitrn	3.0	3.2	2.9	3.0
	Zubin Potok	1.8	2.3	3.1	2.0
	Zvečan/Zveçan	2.7	2.9	3.7	2.2
Region	**Prishtinë/Priština**	**3.0**	**3.2**	**3.1**	**2.8**
	Gllogovc/Glogovac	3.0	3.2	3.2	3.2
	Fushë Kosovo/ Kosovo Polje	2.1	2.1	2.2	1.9
	Gračanica/Graçanicë	3.8	3.8	3.7	3.4
	Lipjan/ Lipljan	2.6	2.9	2.9	2.8
	Obiliq/Obilić	3.2	3.6	3.5	2.7
	Podujevë/Podujevo	2.9	3.2	3.1	2.8
	Prishtinë/Priština	3.3	3.3	3.2	3.0
Region	**Prizren**	**2.9**	**3.1**	**3.3**	**2.6**
	Dragash/Dragaš	3.0	3.2	3.1	3.1
	Mamushë/Mamuşa	2.8	2.5	3.4	2.2
	Prizren	4.0	4.0	3.4	3.2
	Rahovec/Orahovac	2.0	2.5	2.8	1.4
	Suharekë/Suva Reka	2.8	2.9	3.7	2.7



SUB-INDEX 3: PARTICIPATION AND PREDICTABILITY

Participation and predictability sub-index captures participation of businesses in decision making at the local level as well as the extent to which they consider that the government is opened to cooperating with them towards achieving mutual goals. One of the most common forms of interaction between local level institutions and the private sector are public debates and regular meetings. The current legal framework obliges local governments to meet with businesses two times a year (the Law no. 03/L-040 on local self-government). Local regulations, governance, local development plans and other strategic documents are supposed to be discussed and drafted in close cooperation with businesses. This kind of cooperation promotes the interests of both parties and also levels the expectations of each.

This sub-index assesses two important dimensions as far as local government – businesses relations are concerned. More specifically, it aims to measure the extent to which municipalities involve businesses in public debates and decision making, and to what extent businesses feel confident about predicting policy changes or regulations at the local level.

The following table shows the sub-index 3 results at national level. In a scale of 1-10, Junik received the highest score (7.01) and is the best performer. Similar to the previous year, Lipjan/Lipljan is the second best performer followed by Zubin Potok which has retained the third place. Scores are consistent with the previous year as the list of top five performers has not changed. Hani i Elezit/Elez Han and Viti/Vitina have swapped their positions from the last year.

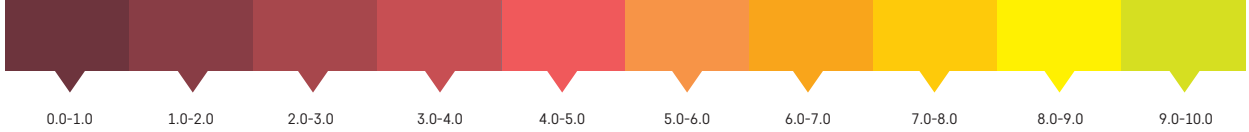
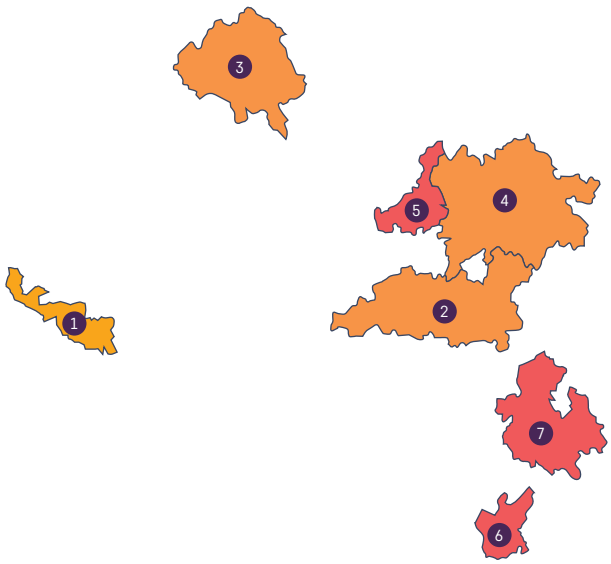


Table 4.3.1

BEST PERFORMINGMUNICIPALITIES



MUNICIPALITY		SUB-INDEX 3: PARTICIPATION AND PREDICTABILITY
Junik	⇔	7.01
Lipjan/Lipljan	⇔	6.36
Zubin Potok	⇔	5.83
Prishtinë/Priština	⇔	5.63
Obiliq/Obilić	⇔	5.25
Hani i Elezit/Elez Han	↑ (1)	5.00
Viti/Vitina	↓ (1)	4.96

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

Figure 4.3.1

ALL MUNICIPALITIES PERFORMING

4.29 NATIONAL AVERAGE

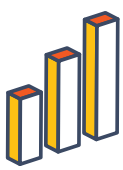
	MUNICIPALITY	MCI
⇔	Junik	7.01
⇔	Lipjan/Lipljan	6.36
⇔	Zubin Potok	5.83
⇔	Prishtinë/Priština	5.63
⇔	Obiliq/Obilić	5.25
↑ (1)	Hani i Elezit/Elez Han	5.00
↓ (1)	Viti/Vitina	4.96
⇔	Ferizaj/Uroševac	4.87
↑ (1)	Štrpce/Shtërpcë	4.84
↓ (1)	Parteš/Partesh	4.80
↑ (1)	Shtime/Štimlje	4.74
↓ (1)	Deçan/Dečani	4.67
⇔	Istog/Istok	4.57
⇔	Rahovec/Orahovac	4.53
⇔	Prizren	4.47
⇔	Skenderaj/Srbica	4.43
↑ (2)	Pejë/Peć	4.29
⇔	Novobërdë/Novo Brdo	4.26
↓ (2)	Suharekë/Suva Reka	4.25
⇔	Podujevë/Podujevo	4.18
↑ (3)	Malishevë/Mališevo	4.10
↑ (1)	Gračanica/Graçanicë	4.08
↓ (2)	Gjilan/Gnjilane	4.05
↓ (2)	Kaçanik/Kačanik	4.04
↑ (2)	Mamushë/Mamuşa	3.89
↓ (1)	Kamenicë/Kamenica	3.88
↓ (1)	Ranilug/Ranillug	3.82
↑ (1)	Vushtrri/Vučitrn	3.77
↑ (1)	Gllogoc/Glogovac	3.73
↓ (2)	Gjakovë/Đakovica	3.73
↑ (1)	Klinë/Klina	3.52
↓ (1)	Mitrovicë/Mitrovica	3.49
↑ (1)	Fushë Kosovë/ Kosovo Polje	3.13
↓ (1)	Klokot/Kllokot	3.04
⇔	Severna Mitrovica/Mitrovicë e Veriut	2.99
⇔	Zvečan/Zveçan	2.98
⇔	Dragash/Dragaš	2.85
⇔	Leposavić/Leposaviq	2.84

The average ranking of the component questions of sub-index 3 are presented in table 4.3.2. The national averages present the survey responses, on a scale of 1 to 5, explaining frequency, where 1 is never and 5 is always. At the national level, businesses have scored the timelines of information from institutions 2.81 out of a maximum of 5 which is an increase of 0.3 points from the last year. Businesses' actual participation in public debates is not satisfactory and has received the lowest score (2.1).

Results from the table below show that there is somewhat dissatisfactory performance of local administrations in actively involving businesses Results from the table below show that there is somewhat dissatisfactory performance of local administrations when it comes to cooperation and involvement of the private sector in the decision making processes .

The table 4.3.3 provides detailed information at both municipal and regional level where the score for each indicator regarding Participation and Predictability sub-index is presented for each municipality. In general scores are low, albeit somewhat better than the last year, and suggest that the local government – private sector cooperation is country wide issue.

TABLE 4.3.2 Participation and predictability sub-index components at the national level



SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

SUB- INDEX: PARTICIPATION A ND PREDICTABILITY	NATIONAL AVERAGE SCALE OF 1 TO 5	
Are you informed on time about the changes in administrative regulations and instructions from the municipality? (1- never, 5- always)	2.81	↑
How often have your participated in public debates that are organized by the municipality? (1- never, 5- always)	2.10	↑
How often do you think the new municipal regulations and administrative instructions raised during public debates, defend the interests of businesses? (1- never, 5- always)	2.74	↑
How often do you expect municipal regulations to be implemented? (1- never, 5- always)	2.95	↑
Are you informed on time about municipal public debates related to changes on municipal policies, rules and regulations? (1- never, 5- always)	2.58	↑

Table 4.3.3 Participation and Predictability sub-index for each region and municipality

		timeliness of information about new regulations and policies	*frequency of public debates from municipalities*	*new regulations protect business' interests*	*expectations of municipal regulations being enforced*	*timely information about public debates*
Region	**Ferizaj/Uroševac**	**2.90**	**1.94**	**2.74**	**3.10**	**2.65**
	Ferizaj/Uroševac	3.00	1.84	3.13	4.06	2.30
	Hani i Elezit/Elez Han	2.31	1.88	2.58	2.73	2.14
	Kaçanik/Kačanik	3.58	1.29	2.26	2.38	3.25
	Štrpce/Shtërpcë	2.84	2.38	2.73	2.96	2.76
	Shtime/Štimlje	2.79	2.33	2.98	3.37	2.79
Region	**Gjakovë/Đakovica**	**2.60**	**1.94**	**2.78**	**3.02**	**2.58**
	Gjakovë/Đakovica	2.40	1.45	2.27	2.65	2.18
	Junik	2.43	1.73	3.19	3.27	2.59
	Malishevë/Mališevo	2.98	2.65	2.87	3.13	2.98
Region	**Gjilan/Gnjilane**	**3.78**	**3.24**	**3.09**	**3.30**	**3.17**
	Gjilan/Gnjilane	2.02	1.23	1.82	2.06	1.79
	Kamenice	2.52	1.71	1.86	2.36	2.29
	Klokot/Kllokot	4.48	4.40	3.55	3.76	3.35
	Novobërdë/Novo Brdo	4.62	4.04	3.61	3.75	3.69
	Parteš/Partesh	4.88	4.85	4.00	4.00	4.00
	Ranilluk/Ranillug	4.20	4.21	3.60	3.63	3.63
	Viti/Vitina	3.74	2.28	3.17	3.58	3.46
Region	**Pejë/Peć**	**2.55**	**1.98**	**2.54**	**2.76**	**2.51**
	Deçan/Dečani	2.45	1.72	2.63	2.69	2.30
	Istog/Istok	2.28	1.82	1.88	2.51	1.88
	Klinë/Klina	3.12	2.72	3.13	3.18	3.23
	Pejë/Peć	2.35	1.66	2.52	2.67	2.64
Region	**Mitrovica**	**2.5**	**1.7**	**2.5**	**2.5**	**2.2**
	Leposavić/Leposaviq	2.26	1.42	2.52	2.43	2.13
	Mitrovica	3.36	1.58	2.46	2.97	2.54
	Severna Mitrovica/ Mitrovica e Veriut	1.90	1.38	2.23	2.03	1.43
	Skenderaj/Srbica	2.61	2.27	2.51	3.02	2.82
	Vushtrri/Vučitrn	3.27	2.40	2.84	2.85	2.88
	Zubin Potok	1.76	1.38	2.16	2.14	1.75
	Zvečan/Zveçan	2.17	1.54	2.57	2.22	1.61
Region	**Prishtinë/Priština**	**2.64**	**1.87**	**2.75**	**2.97**	**2.42**
	Gllogoc/Glogovac	2.76	1.92	3.05	3.86	2.93
	Fushe Kosovo/ Kosovo Polje	1.43	1.28	1.99	2.05	1.66
	Gračanica/Graçanicë	3.19	1.62	3.27	3.41	2.26
	Lipjan/ Lipljan	2.88	2.63	2.94	2.71	2.28
	Obiliq/Obilić	2.94	2.20	2.73	2.94	3.18
	Podujevë/Podujevo	2.39	1.33	2.67	2.83	1.91
	Prishtinë/Priština	2.90	2.09	2.63	3.00	2.72
Rajoni	**Prizren**	**2.43**	**1.71**	**2.72**	**2.99**	**2.56**
	Dragash/Dragaš	2.76	1.80	3.16	3.35	2.81
	Mamushë/Mamuşa	2.81	2.00	3.92	3.88	3.45
	Prizren	2.01	1.35	2.12	2.16	2.09
	Rahovec/Orahovac	2.07	1.54	2.23	2.56	2.14
	Suharekë/Suva Reka	2.53	1.86	2.18	2.99	2.28

SUB-INDEX 4: TIME COST

Local governments play a significant role in creating a conducive environment for businesses to grow. Extensive bureaucratic procedures may hinder businesses' progress. Moreover, frequent contacts between businesses and local officials, especially in small municipalities, may also promote corrupt behaviors. The survey data show that businesses in Kosovo does not have frequent visits from local public officials. Furthermore, Kosovo is highly ranked in The World Bank Doing Business Report as systematically improved the ease of doing business. Currently, Kosovo ranks 44th among 190 countries for the ease of doing business.[5]

This sub-index is calculated using the Information on the time that businesses spent during the previous calendar year for fulfilling their obligations toward local authorities. More specifically, the sub-index is calculated using Information on the number of offices that businesses have to visit, the number of days that businesses spend with public officials during the year, and the number of visits from relevant local inspectors.

Top seven performing municipalities with regard to the time cost related indicators are presented in the Table 4.4.1. below. More or less the same municipalities are ranked by businesses among top performers and the list is dominated by small municipalities. Municipality of Novobërdë/Novo Brdo is ranked as a top performer with the highest score of 9.69 out of 10, followed by Viti/Vitina and Malishevë/ Mališevo.

Also the bottom of the list is have more or less the same ranking as last year. The lowest performing municipalities, albeit with satisfactory scores, are Ferizaj/Uroševac (7.16), Prishtinë/ Priština (7.76) and Gračanica/Graçanicë (8.07). The figure 4.4.1 visualizes the full sub-index ranking.

5 World Bank Doing Business 2019. Economy profile-Kosovo http://www.doingbusiness.org/en/data/exploreeconomies/kosovo

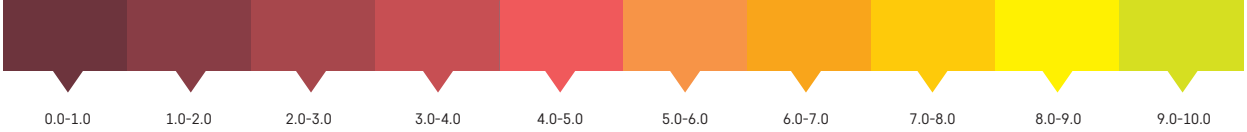
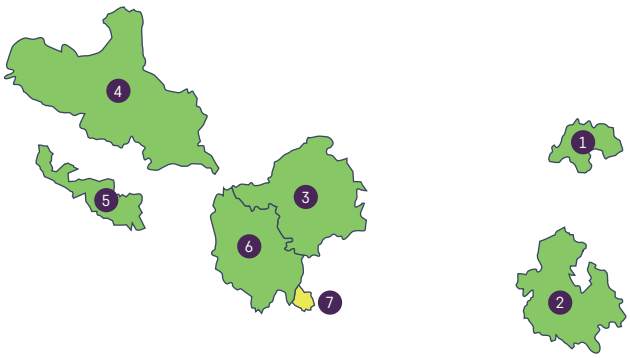


Table 4.4.1

BEST PERFORMINGMUNICIPALITIES



MUNICIPALITY		SUB-INDEX 4: TIME COST
Novobërdë/ Novo Brdo	↔	9.69
Viti/Vitina	↔	9.67
Malishevë/Mališevo	↔	9.62
Pejë/Peć	↑ (1)	9.60
Junik	↓ (1)	9.58
Rahovec/Orahovac	↑ (2)	9.50
Mamushë/Mamuşa	↑ (2)	9.49

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

Figure 4.4.1

ALL MUNICIPALITIES PERFORMING

9.03 NATIONAL AVERAGE

	MUNICIPALITY	MCI
↑ (8)	Novobërdë/Novo Brdo	9.69
↔	Viti/Vitina	9.67
↑ (15)	Malishevë/Mališevo	9.62
↓ (1)	Pejë/Peć	9.60
↑ (21)	Junik	9.58
↓ (1)	Rahovec/Orahovac	9.50
↓ (3)	Mamushë/Mamuşa	9.49
↑ (2)	Prizren	9.46
↑ (25)	Leposavić/Leposaviq	9.44
↓ (2)	Ranilug/Ranillug	9.40
↔	Severna Mitrovica/Mitrovicë e Veriut	9.36
↓ (4)	Parteš/Partesh	9.35
↓ (14)	Podujevë/Podujevo	9.32
↑ (3)	Gjakovë/Đakovica	9.31
↑ (5)	Vushtrri/Vučitrn	9.30
↑ (9)	Dragash/Dragaš	9.27
↑ (14)	Zvečan/Zveçan	9.27
↓ (10)	Istog/Istok	9.23
↓ (20)	Lipjan/Lipljan	9.21
↓ (7)	Gllogoc/Glogovac	9.20
↓ (10)	Suharekë/Suva Reka	9.19
↑ (7)	Hani i Elezit/Elez Han	9.17
↓ (1)	Skenderaj/Srbica	9.14
↑ (2)	Shtime/Štimlje	9.10
↓ (5)	Kaçanik/Kačanik	9.06
↑ (11)	Zubin Potok	8.85
↓ (9)	Mitrovicë/Mitrovica	8.83
↑ (4)	Klinë/Klina	8.76
↓ (6)	Obiliq/Obilić	8.63
↓ (23)	Klokot/Kllokot	8.62
↑ (9)	Fushë Kosovë/ Kosovo Polje	8.62
↓ (4)	Deçan/Dečani	8.60
↑ (3)	Štrpce/Shtërpcë	8.50
↑ (1)	Gjilan/Gnjilane	8.42
↓ (10)	Kamenicë/Kamenica	8.36
↓ (6)	Prishtinë/Priština	8.07
↓ (17)	Gračanica/Graçanicë	7.76
↓ (8)	Ferizaj/Uroševac	7.16

On the other hand, at the national level, the average score depicts the average of actual number of days (or number of times in the case of visits from local inspectors) that businesses spend during one year for each indicator that was used to construct this sub-index. On average businesses in Kosovo spend on average 5.56 days during the year for formal meetings with local public officials, which is 1.5 days more than the previous year. The number of visits by inspectors on average remain more or less the same; businesses have on average 4.4 visits per year. Lastly, the number of offices that businesses need to visit in order to comply with local level regulations and obligations remain low. Businesses frequents on average 2.54 offices to fulfil their obligations towards the local level institutions. (Table 4.4.2).

The scores for individual indicators for all municipalities and aggregated at the regional level, are presented in the Table 4.4.3. Consistent with the last year results, the data for this year show that businesses in Ferizaj/Uroševac and Mitrovica are visited by local inspectors throughout the year on average two times more than the national average. Businesses in Ferizaj municipality also spend more time with local officials more than any other municipality in Kosovo (on average 15.85 days).

TABLE 4.4.2 Time cost sub-index components at the national level

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

SUB- INDEX: TIME COSTS	NATIONAL AVERAGE	
How many days within a year do you have contacts with municipal officials, regarding fulfilment of obligations towards the municipality?	5.56	↑
How many times during the year have you been visited from different inspectors?	4.24	↓
On average, how many offices do you need to visit within a year to fulfil your obligations towards the municipality?	2.54	↑

Table 4.4.3 Time cost sub-index for each region and municipality

Region		*How many days within a year do you have contacts with municipal officials, regarding fulfilment of obligations towards the municipality?*	*How many times during the year have you been visited from different inspectors?*	*On average, how many offices do you need to visit within a year to fulfil your obligations towards the municipality?*
Region	**Ferizaj/Uroševac**	**3.8**	**6.4**	**2.5**
	Ferizaj/Uroševac	2.6	12.5	3
	Hani i Elezit/Elez Han	5.0	0.8	3
	Kaçanik/Kačanik	3.9	6.0	2
	Štrpce/Shtërpcë	4.4	10.9	2
	Shtime/Štimlje	3.2	1.7	4
Region	**Gjakovë/Đakovica**	**3.4**	**3.1**	**1.0**
	Gjakovë/Đakovica	3.1	3.2	2
	Junik	4.0	3.8	0
	Malishevë/Mališevo	3.0	2.3	1
Region	**Gjilan/Gnjilane**	**4.3**	**4.2**	**2.0**
	Gjilan/Gnjilane	6.5	4.8	2
	Kamenice	6.3	6.3	4
	Klokot/Kllokot	6.7	6.1	2
	Novobërdë/Novo Brdo	2.3	2.4	1
	Parteš/Partesh	3.1	3.3	2
	Ranilluk/Ranillug	3.5	3.5	1
	Viti/Vitina	2.0	2.9	1
Region	**Pejë/Peć**	**3.7**	**4.9**	**2.4**
	Deçan/Dečani	7.0	7.9	3
	Istog/Istok	3.6	2.9	2
	Klinë/Klina	4.0	5.4	3
	Pejë/Peć	2.1	3.3	1

Region		*How many days within a year do you have contacts with municipal officials, regarding fulfilment of obligations towards the municipality?*	*How many times during the year have you been visited from different inspectors?*	*On average, how many offices do you need to visit within a year to fulfil your obligations towards the municipality?*
Region	**Mitrovica**	**4.3**	**3.4**	**2.1**
	Leposavić/Leposaviq	6.1	1.3	1
	Mitrovica	3.9	6.0	3
	Severna Mitrovica/ Mitrovica e Veriut	4.6	3.0	1
	Skenderaj/Srbica	3.0	4.4	2
	Vushtrri/Vučitrn	2.7	3.5	2
	Zubin Potok	5.7	3.4	3
	Zvečan/Zveçan	4.1	2.4	2
Region	**Prishtinë/Priština**	**3.3**	**3.4**	**3.4**
	Gllogovc/Glogovac	3.8	3.1	1
	Fushe Kosovo/ Kosovo Polje	1.5	3.9	2
	Gračanica/Graçanicë	7.1	10.0	4
	Lipjan/Lipljan	3.8	3.1	2
	Obiliq/Obilić	6.7	5.0	3
	Podujevë/Podujevo	3.0	4.0	2
	Prishtinë/Priština	5.6	8.2	4
Region	**Prizren**	**2.4**	**2.9**	**2.1**
	Dragash/Dragaš	1.9	3.2	2
	Mamushë/Mamuşa	1.9	3.9	2
	Prizren	2.3	2.8	2
	Rahovec/Orahovac	3.0	2.6	2
	Suharekë/Suva Reka	2.8	1.9	3

SUB-INDEX 5: TAXES AND FEES

This sub-index reflects business compliance regarding local taxes and fees across all municipalities in Kosovo. According to the current legal framework, local authorities are responsible to collect only tax on property. However, local governments at their own discretion may impose additional local taxes and fees for businesses operating within their territory. The rest of business related taxes are collected by the central level authorities such the Tax Administration of Kosovo. Taxes in Kosovo are not perceived as impediment for doing business. Taxation in Kosovo in general is not considered a major barrier for business development. The World Bank's Doing Business Report (2019) ranks Kosovo as the 44th economy in the world on the ease of paying taxes.

The taxes and fees sub-index internalizes the perception of businesses on levied taxes and local fees and also captures the extent to which businesses consider acceptable the informality of negotiating taxes.

In a scale of 1-10, municipality of Lipjan/Lipljan received the highest score of 7.92 for the sub-index, followed by Viti/Vitina, Podujevë/Podujevo, and Pejë/Peć. The ranking of the top five performers as far as taxes and fees are concerned has not changed from the last year.

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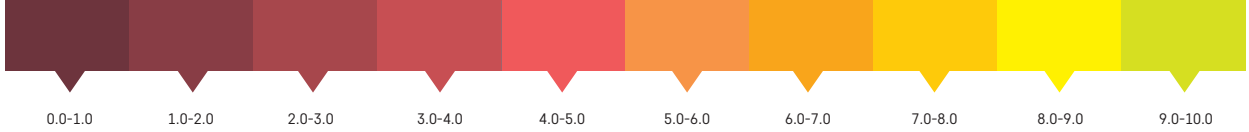
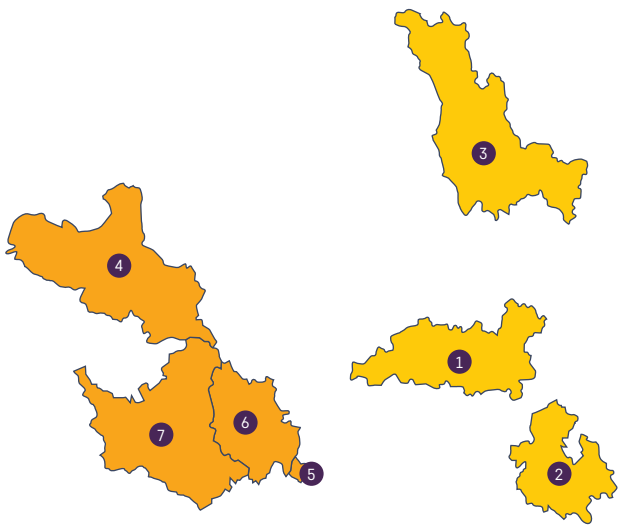


Table 4.5.1

BEST PERFORMINGMUNICIPALITIES



MUNICIPALITY		SUB-INDEX 5: TAXES AND FEES
Lipjan/Lipljan	⇔	7.92
Viti/Vitina	⇔	7.69
Podujevë/Podujevo	⇔	7.55
Pejë/Peć	⇔	7.42
Mamushë/Mamuşa	⇔	7.13
Rahovec/Orahovac	↑ (1)	6.96
Gjakovë/Đakovica	↑ (1)	6.93

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

Figure 4.5.1

ALL MUNICIPALITIES PERFORMING

6.17 NATIONAL AVERAGE

	MUNICIPALITY	MCI
⇔	Lipjan/Lipljan	7.92
⇔	Viti/Vitina	7.69
⇔	Podujevë/Podujevo	7.55
⇔	Pejë/Peć	7.42
⇔	Mamushë/Mamuşa	7.13
↑ (1)	Rahovec/Orahovac	6.96
↑ (1)	Gjakovë/Đakovica	6.93
↑ (1)	Klokot/Kllokot	6.93
↓ (3)	Dragash/Dragaš	6.91
↑ (1)	Novobërdë/Novo Brdo	6.88
↑ (6)	Fushë Kosovë/ Kosovo Polje	6.86
↓ (2)	Istog/Istok	6.83
↑ (9)	Gllogoc/Glogovac	6.82
↓ (2)	Ranilug/Ranillug	6.81
↓ (2)	Parteš/Partesh	6.71
↓ (2)	Prizren	6.67
↓ (2)	Suharekë/Suva Reka	6.66
↑ (1)	Malishevë/Mališevo	6.17
↑ (2)	Mitrovicë/Mitrovica	6.12
⇔	Kaçanik/Kačanik	6.11
↑ (2)	Gračanica/Graçanicë	6.05
↑ (2)	Skenderaj/Srbica	6.00
↑ (2)	Gjilan/Gnjilane	6.00
↑ (2)	Vushtrri/Vučitrn	5.99
↑ (2)	Kamenicë/Kamenica	5.96
↑ (2)	Junik	5.95
↑ (2)	Obiliq/Obilić	5.95
↓ (10)	Ferizaj/Uroševac	5.78
↓ (13)	Deçan/Dečani	5.66
⇔	Shtime/Štimlje	5.62
⇔	Hani i Elezit/Elez Han	5.54
⇔	Prishtinë/Priština	5.46
⇔	Zvečan/Zveçan	4.73
⇔	Klinë/Klina	4.68
⇔	Leposavić/Leposaviq	4.53
⇔	Štrpce/Shtërpcë	4.27
⇔	Severna Mitrovica/Mitrovicë e Veriut	4.21
⇔	Zubin Potok	4.10

The table 4.5.2 shows the average rankings of all indicators related to the taxes and fees sub-index. There is a small progress in the declaration of sales by businesses at national level. On average businesses in Kosovo declare around 82% of sales for taxation purposes compared to 77.4% last year. The extent to which firms consider informal communication with municipal officials as acceptable has also increased from last year. On a score of 1 to 5, where 1 is 'do not agree' and 5 is 'agree fully', at the national level, firms have evaluated with an average of 3.27 the acceptability of informal communication with officials.

The other two indicators assess the extent to which local taxes and fines are perceived as barriers for businesses. The aggregate score for both indicators has slightly increased from last year indicating a slightly worse perception of businesses regarding taxes and fines.

TABLE 4.5.2 Taxes and fees sub-index components at the national level

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

INDICATOR: TAXES AND FEES	NATIONAL AVERAGE	
What percentage of annual sales, an enterprise on your business sector declares for taxation purposes? (Avg.)	81.75%	↑
Informal communication with municipal officials is accepted. (1- do not agree at all, 5- agree fully)	3.27	↑
Taxation and municipal taxes are a huge barrier for the business. (1- do not agree at all, 5- agree fully)	3.30	↑
How do you evaluate the level of municipal fines? (1-Very low, 5- Very high)	3.32	↑

TABLE 4.5.3. Taxes and Fees sub-index for each region and municipality

		% of sales declared for taxation	*informal communication with municipal officials is acceptable*	*municipal taxes and fees are a barrier for businesses*	*municipal fines are high*
Region	**Ferizaj/Uroševac**	**79.08**	**3.20**	**3.20**	**3.16**
	Ferizaj/Uroševac	85.58	2.30	4.36	2.80
	Hani i Elezit/Elez Han	81.22	2.97	3.14	3.62
	Kaçanik/Kačanik	71.19	3.45	2.58	2.99
	Štrpce/Shtërpcë	86.35	3.33	3.07	3.30
	Shtime/Štimlje	71.08	3.93	2.86	3.11
Region	**Gjakovë/Đakovica**	**73.59**	**3.31**	**2.83**	**3.22**
	Gjakovë/Đakovica	72.87	2.91	3.10	3.34
	Junik	61.58	3.38	2.89	3.40
	Malishevë/Mališevo	86.32	3.65	2.50	2.91
Region	**Gjilan/Gnjilane**	**88.46**	**4.02**	**4.15**	**4.19**
	Gjilan/Gnjilane	74.06	3.30	4.20	4.11
	Kamenice	67.20	3.65	4.04	3.96
	Klokot/Kllokot	95.92	4.51	4.78	4.57
	Novobërdë/Novo Brdo	100.00	4.71	4.60	4.68
	Parteš/Partesh	100.00	4.82	4.76	4.82
	Ranilluk/Ranillug	99.77	3.74	3.95	4.03
	Viti/Vitina	82.29	3.38	2.69	3.18
Region	**Pejë/Peć**	**71.89**	**3.32**	**3.07**	**3.10**
	Deçan/Dečani	59.67	3.30	3.11	3.49
	Istog/Istok	69.01	3.27	3.53	2.66
	Klinë/Klina	76.89	3.78	2.73	3.03
	Pejë/Peć	81.99	2.93	2.91	3.23
Region	**Mitrovica**	**74.55**	**2.99**	**2.90**	**2.74**
	Leposavić/Leposaviq	81.43	3.45	2.90	2.45
	Mitrovica	90.90	3.21	3.70	3.91
	Severna Mitrovica/ Mitrovica e Veriut	60.44	2.96	2.79	2.12
	Skenderaj/Srbica	78.98	1.70	2.99	3.36
	Vushtrri/Vučitrn	82.29	3.38	2.69	3.18
	Zubin Potok	78.50	3.08	2.45	2.23
	Zvečan/Zveçan	49.32	3.15	2.76	1.91
Region	**Prishtinë/Priština**	**87.38**	**3.29**	**3.19**	**3.31**
	Gllogovc/Glogovac	98.18	2.87	2.92	3.21
	Fushe Kosovo/ Kosovo Polje	87.28	2.14	3.17	3.29
	Gračanica/Graçanicë	99.19	4.01	2.83	3.05
	Lipjan/Lipljan	89.61	4.00	3.89	3.71
	Obiliq/Obilić	76.49	3.21	3.49	3.13
	Podujevë/Podujevo	67.48	3.04	2.69	3.23
	Prishtinë/Priština	93.43	3.74	3.36	3.55
Rajoni	**Prizren**	**91.16**	**2.63**	**3.24**	**3.34**
	Dragash/Dragaš	99.40	2.65	3.35	3.54
	Mamushë/Mamuşa	93.05	2.01	2.16	2.55
	Prizren	80.38	3.02	3.88	3.89
	Rahovec/Orahovac	91.14	2.32	3.24	3.31
	Suharekë/Suva Reka	91.81	3.14	3.59	3.40

SUB-INDEX 6: LOCAL ADMINISTRATION

A professional and efficient local administration is an imperative for creating an enabling business environment. The quality of services provided by the local administration and the skills that the administrative staff offers in cooperating with businesses stand at the core of the cooperation between businesses and administration.

In the MCI estimations, local administration's efficiency and professionalism is assessed through several indicators which capture the impact that the local administration has on business activities. Businesses were asked to assess the local officials' level of professionalism, provide information about potential engagement in corrupt practices with local officials as well as their perception about the importance of connections with regard to local public procurement activities. In addition, businesses provided information about subsidies received from local government and also whether the municipality where they operate have a business support office for promoting investment opportunities in that municipality.

In overall this subindex has shown a low performance. Small size municipalities in Kosovo, most of them with less than 50 thousand inhabitants, are ranked at the top of the list. They are consistent with the results from MCI 2018. The highest index score is 4.65 and belongs to the municipality of Rahovec/Orahovac followed by Lipjan/Lipljan (4.35) and Dragash/Dragaš (4.26). The list of top seven performers is provided in the table 4.6.1.

The bottom five municipalities regarding public administration, received a score of less than 3 points. Among those five are two large municipalities, namely Mitrovica and Gjilan/Gnjilane with 2.54 respectively 2.89 average score (figure 4.6.1).

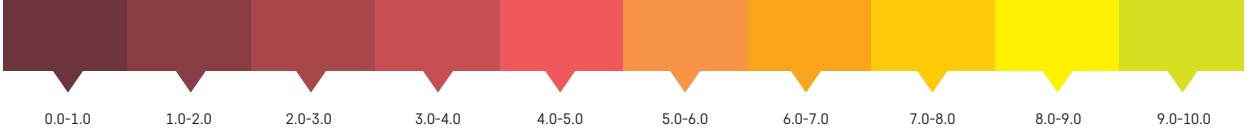
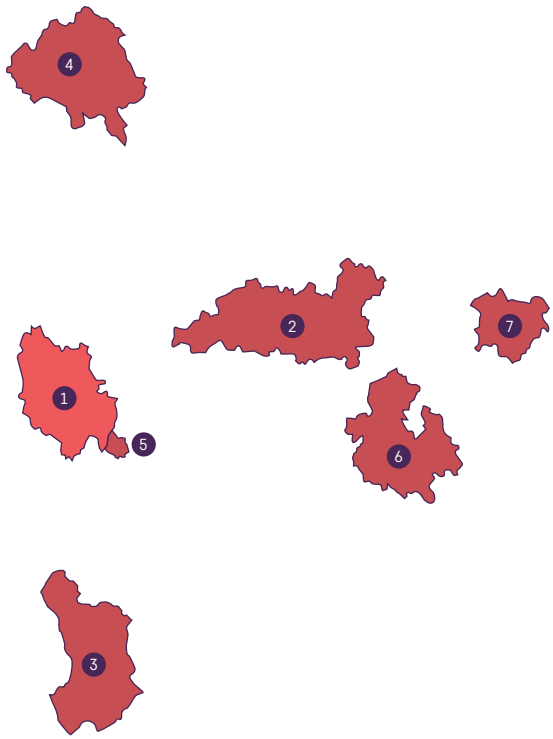


Table 4.6.1

BEST PERFORMINGMUNICIPALITIES



MUNICIPALITY		SUB-INDEX 6: LOCAL ADMINISTRATION
Rahovec/Orahovac	⇔	4.64
Lipjan/Lipljan	⇔	4.35
Dragash/Dragaš	⇔	4.26
Zubin Potok	⇔	4.22
Mamushë/Mamuşa	⇔	4.19
Viti/Vitina	⇔	4.14
Ranilug/Ranillug	⇔	4.04

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

Figure 4.6.1

ALL MUNICIPALITIES PERFORMING

3.51 NATIONAL AVERAGE

	MUNICIPALITY	MCI
⇔	Rahovec/Orahovac	4.64
⇔	Lipjan/Lipljan	4.35
⇔	Dragash/Dragaš	4.26
⇔	Zubin Potok	4.22
⇔	Mamushë/Mamuşa	4.19
⇔	Viti/Vitina	4.14
⇔	Ranilug/Ranillug	4.04
⇔	Suharekë/Suva Reka	3.96
⇔	Gjakovë/Đakovica	3.92
⇔	Gllogoc/Glogovac	3.84
⇔	Obiliq/Obilić	3.83
⇔	Malishevë/Mališevo	3.81
↑ (3)	Prizren	3.79
⇔	Istog/Istok	3.77
⇔	Hani i Elezit/Elez Han	3.75
↓ (3)	Štrpce/Shtërpcë	3.75
⇔	Ferizaj/Uroševac	3.74
⇔	Pejë/Peć	3.55
⇔	Kamenicë/Kamenica	3.54
↑ (1)	Kaçanik/Kačanik	3.51
↑ (2)	Fushë Kosovë/ Kosovo Polje	3.46
⇔	Junik	3.44
↑ (1)	Shtime/Štimlje	3.38
↑ (1)	Novobërdë/Novo Brdo	3.30
↓ (5)	Prishtinë/Priština	3.29
↑ (1)	Leposavić/Leposaviq	3.26
↓ (1)	Vushtrri/Vučitrn	3.20
⇔	Deçan/Dečani	3.20
⇔	Podujevë/Podujevo	3.17
⇔	Skenderaj/Srbica	3.06
↑ (1)	Severna Mitrovica/Mitrovicë e Veriut	3.03
↓ (1)	Zvečan/Zveçan	3.03
⇔	Gračanica/Graçanicë	2.89
⇔	Gjilan/Gnjilane	2.89
⇔	Klokot/Kllokot	2.79
⇔	Parteš/Partesh	2.66
⇔	Mitrovicë/Mitrovica	2.54
⇔	Klinë/Klina	2.28

The data on each individual indicator demonstrates the result of the low performance of MCI sub index 6. The professional level of local officials on a scale from 1 to 5 (where 1 is low and 5 high), on average was rated with a score of 3.37, indicating moderate level of professionalism. However, only 3.19 % of all surveyed businesses claimed to have bribed local officials in the past. In addition, businesses indicated that bribing local officials is relatively inefficient as the average score on this issues was 2.74 on a scale from 1 to 5, with 1 being very inefficient and 5 very efficient. Nevertheless this score demonstrates a rise on the approval of bribes since in 2018 the efficiency of bribing officials was rated with 2.3. Number of firms that benefited from local subsidies is relatively small (6%, a rise of two percentage points from 4% in 2019), while 14% of them declared that they are aware that in their municipalities there are special offices for promoting business and investment opportunities. Connections seem to be perceived, to some extent, as important for getting public tenders as the average score at the national level is 3.77 (from 3.6 last year) on a scale from 1 to 5, where 1 is 'do not agree at all' and 5 is 'fully agree' (table 4.6.2).

At the regional level, the least professional local officials are claimed to be in the region of Prizren. Local corruption is more prevalent in Gjilan/Gnjilane region, mainly in the two largest municipalities, Gjilan/Gnjilane and Mitrovica. Businesses from different regions seem to have benefited at different levels from the amount of local government subsidies in the last three years (i.e. 12% in municipality of Ferizaj/Uroševac and 3.2% Prizren and Prishtinë/Priština regions) (table 4.6.

TABLE 4.6.2 Local administration sub-index components at the national level

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

SUB- INDEX: LOCAL ADMINISTRATION	NATIONAL AVERAGE	
How do you rate the professional level of local officials?	3.2	↑
How your ever bribed local officials?	2.4 %	↑
How efficient is bribing of local officials to obtain public services?	2.8	↑
Did your company benefited from local subsidies during the last 3 years?	4.2% Yes	↑
Does your municipality have a special office for promoting investment opportunities?	19.2% Yes	↓
Connections are important to get public tenders at local level.	3.6	↑

TABLE 4.6.3 Local administration sub-index for each region and municipality

		How do you rate the professional level of local officials?	How your ever bribed local officials?	How efficient is bribing of local officials to obtain public services?	Did your company benefit from local subsidies during the last 3 years?	Does your municipality have a special office for promoting investment opportunities?	Connections are important to get public tenders at local level.
Region	**Ferizaj/Uroševac**	3.4	5.6%	2.9	12.2%	13.3%	3.8
	Ferizaj/Uroševac	3.2	21.0%	4.1	39.4%	4.1%	4.0
	Hani i Elezit/Elez Han	3.4	0.0%	3.6	0.0%	9.5%	4.0
	Kaçanik/Kačanik	3.2	1.0%	2.1	8.4%	38.1%	4.0
	Štrpce/Shtërpcë	3.8	0.0%	2.6	0.0%	7.7%	3.7
	Shtime/Štimlje	3.4	1.4%	2.9	4.1%	5.8%	3.2
Region	**Gjakovë/Đakovica**	3.1	1.4%	3.0	4.6%	10.7%	3.7
	Gjakovë/Đakovica	2.9	1.0%	2.2	8.1%	31.3%	3.7
	Junik	3.7	0.0%	3.6	0.0%	0.0%	4.1
	Malishevë/Mališevo	3.2	2.2%	3.7	2.1%	4.4%	3.7
Region	**Gjilan/Gnjilane**	3.6	4.2%	4.1	12.6%	23.8%	4.3
	Gjilan/Gnjilane	3.1	9.2%	4.7	4.0%	23.9%	4.7
	Kamenice	3.2	8.6%	4.0	13.1%	8.8%	4.1
	Klokot/Kllokot	4.0	2.0%	4.4	34.7%	42.2%	4.4
	Novobërdë/Novo Brdo	4.3	1.4%	4.6	8.0%	6.9%	4.5
	Parteš/Partesh	4.3	2.0%	4.5	30.6%	17.4%	4.6
	Ranilluk/Ranillug	3.9	0.0%	4.4	7.3%	10.0%	3.9
	Viti/Vitina	3.3	1.1%	2.5	6.3%	56.3%	3.5
Region	**Pejë/Peć**	3.4	5.4%	3.6	3.9%	3.8%	3.8
	Deçan/Dečani	3.7	1.1%	4.2	2.1%	11.8%	3.9
	Istog/Istok	3.0	19.6%	3.9	11.5%	4.8%	3.9
	Klinë/Klina	3.4	1.1%	3.5	1.0%	0.0%	3.9
	Pejë/Peć	3.4	0.8%	3.2	1.6%	2.4%	3.5

		How do you rate the professional level of local officials?	How your ever bribed local officials?	How efficient is bribing of local officials to obtain public services?	Did your company benefited from local subsidies during the last 3 years?	Does your municipality have a special office for promoting investment opportunities?	Connections are important to get public tenders at local level.
Region	**Mitrovica**	3.1	3.2%	3.7	5.9%	19.4%	4.0
	Leposavić/Leposaviq	3.0	0.0%	3.4	16.1%	5.0%	4.1
	Mitrovica	2.5	1.1%	2.2	0.0%	5.6%	4.5
	Severna Mitrovica/Mitrovica e Veriut	4.0	1.1%	3.6	4.0%	31.4%	3.7
	Skenderaj/Srbica	3.1	2.2%	4.5	9.3%	30.5%	3.9
	Vushtrri/Vučitrn	3.1	14.1%	3.3	6.6%	22.0%	3.7
	Zubin Potok						
	Zvečan/Zveçan	2.7	0.0%	2.3	4.2%	20.0%	4.3
Region	**Prishtinë/Priština**	3.4	1.2%	3.6	3.2%	8.8%	3.7
	Gllogovc/Glogovac	3.9	0.0%	2.6	1.1%	0.0%	2.8
	Fushe Kosovo/Kosovo Polje	2.7	0.0	3.1	0.0	0.3	3.3
	Gračanica/Graçanicë	3.8	0.0%	3.5	5.1%	0.0%	3.4
	Lipjan/Lipljan	3.3	0.0%	4.2	1.1%	0.0%	4.1
	Obiliq/Obilić	3.6	0.0%	2.5	5.3%	7.7%	3.2
	Podujevë/Podujevo	3.1	2.9%	4.4	2.9%	2.3%	4.7
	Prishtinë/Priština	3.4	2.6%	3.7	3.3%	15.3%	3.8
Region	**Prizren**	3.3	1.2%	2.2	3.2%	15.7%	2.9
	Dragash/Dragaš	3.5	5.2%	1.2	5.0%	66.1%	1.6
	Mamushë/Mamuşa						
	Prizren	3.0	0.0%	3.9	2.5%	0.0%	3.7
	Rahovec/Orahovac	3.2	0.0%	2.4	2.0%	15.4%	3.3
	Suharekë/Suva Reka	3.7	1.1%	2.6	6.3%	14.9%	3.7

SUB-INDEX 7: LABOR MARKET AND SUPPORT FOR BUSINESSES

Sub-index 7, Labor Market and support for businesses, is an index that that addresses both labor supply and labor demand in the labor market. The sub index captures the the quality of labor available to businesses in each municipality, as well as the support services that municipal administrations offer to them.

Considering an inherent mismatch between supply and demand of the labor market, MCI sub-index 7 explores both these phenomena by assessing some of the key factors leading the mismatch; it measures how contents are businesses with the level of education and professional skills characterizing the labor supply, as well the extent to which municipalities are engaged in supporting a better matching environment between supply and demand.

The overall performance of Kosovo municipalities in this indicator is unsatisfactory, as seen in figure 4.7.1. The. The sub-index score at the national level is 4.7 (maintaining the same result from 2018) and signaling both a poor match of labor demand from businesses, and an insufficient business support.

At the municipal level, the top performers are Ferizaj/Uroševac, Parteš/Partesh, Klokot/Kllokot, Rahovec/Orahovac, Skenderaj/Srbica and Vushtrri/Vučitrn, Skenderaj/Srbica.

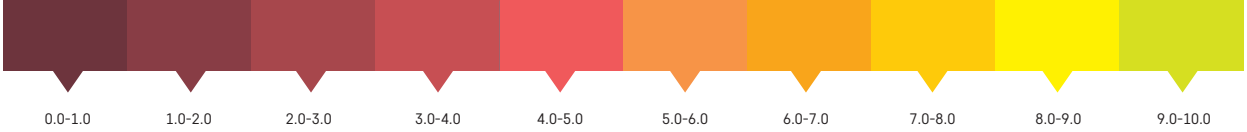
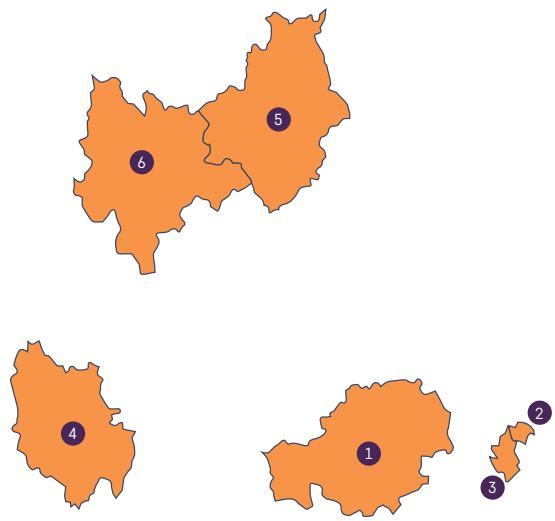


Table 4.7.1

BEST PERFORMINGMUNICIPALITIES



MUNICIPALITY		SUB-INDEX 7: LABOR MARKET AND SUPPORT SERVICES
Ferizaj/Uroševac	(15)	6.45
Parteš/Partesh	(12)	6.44
Klokot/Kllokot	(7)	6.38
Rahovec/Orahovac	(3)	6.17
Vushtrri/Vučitrn	(20)	6.01
Skenderaj/Srbica	(19)	6.01

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

Figure 4.7.1

ALL MUNICIPALITIES PERFORMING

4.72 NATIONAL AVERAGE

	MUNICIPALITY	MCI
(15)	Ferizaj/Uroševac	6.45
(12)	Parteš/Partesh	6.44
(7)	Klokot/Kllokot	6.38
(3)	Rahovec/Orahovac	6.17
(20)	Vushtrri/Vučitrn	6.01
(19)	Skenderaj/Srbica	6.01
(24)	Hani i Elezit/Elez Han	5.76
(21)	Obiliq/Obilić	5.66
(12)	Kaçanik/Kačanik	5.44
(10)	Mitrovicë/Mitrovica	5.37
(11)	Gllogoc/Glogovac	5.33
(15)	Kamenicë/Kamenica	5.13
	Gjakovë/Đakovica	5.09
	Viti/Vitina	5.00
	Lipjan/Lipljan	4.99
(1)	Deçan/Dečani	4.89
	Podujevë/Podujevo	4.77
	Suharekë/Suva Reka	4.73
(6)	Gjilan/Gnjilane	4.73
(12)	Prishtinë/Priština	4.71
(7)	Junik	4.69
	Istog/Istok	4.54
	Novobërdë/Novo Brdo	4.43
	Malishevë/Mališevo	4.38
	Gračanica/Graçanicë	4.23
(15)	Zubin Potok	4.14
	Dragash/Dragaš	4.14
(9)	Štrpce/Shtërpcë	4.09
	Shtime/Štimlje	3.97
	Prizren	3.93
	Fushë Kosovë/ Kosovo Polje	3.85
(4)	Severna Mitrovica/Mitrovicë e Veriut	3.80
(4)	Zvečan/Zveçan	3.71
	Pejë/Peć	3.53
	Leposavić/Leposaviq	3.31
	Ranilug/Ranillug	3.29
	Klinë/Klina	3.22
	Mamushë/Mamuşa	3.04

Table 4.7.2 reports the average scores of the component questions of sub-index 7. The national averages present the survey responses, which in overall remain at a close level to the reported scores in 2018.

Businesses rate the quality of education of the local labor market at the national level at average of 3.4 (3.3 in 2018). The measurement is done on a scale of 1 to 5, where 1 is very low and 5 is excellent. Similarly, they rate the quality of vocational training of the workers in the local market at 3.4 (3.2 in 2018).

The remaining two sub-index components assess the existing support service from municipalities for business operations, including support in recruitment services. This indicator shows that only 37 percent of the businesses interviewed said that the municipalities in which they are based offer business support services (3 percentage points decrease from 40 percent in 2018).

TABLE 4.7.2 Labor market and support services sub-index components -national level

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

INDICATOR: BUSINESS SUPPORT SERVICES	NATIONAL AVERAGE	
How do you rate the quality of education of workers that the local labor market offers? (1- very low, 5- excellent)	3.4	↑
How do you rate the quality of vocational training of the workers that the local market offers? (1- very low, 5- excellent)	3.4	↓
Does your municipality offer supporting services for businesses? (% yes)	37.3%	↓
If yes, did you ever rely on these services that the municipality offers? (% yes)	18.9%	↓

TABLE 4.7.3 Labor market and business support sub-index for each region and municipality

		quality of education of the labor market	*quality of professional skills*	*support services for businesses*	*usage of support services*
Region	**Ferizaj/Uroševac**	**3.5**	**3.4**	**0.4**	**0.1**
	Ferizaj/Uroševac	3.8	3.5	0.8	0.5
	Hani i Elezit/Elez Han	3.5	3.4	0.2	0.0
	Kaçanik/Kačanik	3.4	3.4	0.2	0.0
	Štrpce/Shtërpcë	3.2	3.2	0.5	0.1
	Shtime/Štimlje	3.5	3.7	0.2	0.1
Region	**Gjakovë/Đakovica**				
	Gjakovë/Đakovica	2.7	2.9	0.8	0.1
	Junik	3.8	3.6	0.0	
	Malishevë/Mališevo	3.5	3.4	0.1	0.6
Region	**Gjilan/Gnjilane**				
	Gjilan/Gnjilane	2.9	2.8	0.7	0.1
	Kamenice	3.1	2.9	0.6	0.1
	Klokot/Kllokot	4.2	4.2	0.9	0.8
	Novobërdë/Novo Brdo	4.4	4.4	0.4	0.4
	Parteš/Partesh	4.6	4.5	0.6	0.6
	Ranilluk/Ranillug	3.8	3.8	0.4	0.4
	Viti/Vitina	3.5	3.5	0.5	0.3
Region	**Pejë/Peć**				
	Deçan/Dečani	3.2	3.4	0.1	0.0
	Istog/Istok	3.5	3.6	0.1	0.1
	Klinë/Klina	3.6	3.5	0.1	0.0
	Pejë/Peć	3.4	3.4	0.5	0.1

		quality of education of the labor market	*quality of professional skills*	*support services for businesses*	*usage of support services*
Region	**Mitrovica**				
	Leposavić/Leposaviq	2.9	2.5	0.5	0.3
	Mitrovica	3.3	2.8	0.3	0.3
	Severna Mitrovica/Mitrovica e Veriut	3.9	4.1	0.9	0.2
	Skenderaj/Srbica	3.3	3.3	0.4	0.1
	Vushtrri/Vučitrn	3.4	3.3	0.2	0.3
	Zubin Potok	3.0	2.8	0.2	0.3
	Zvečan/Zveçan	2.7	2.4	0.4	0.0
Region	**Prishtinë/Priština**				
	Gllogovc/Glogovac	3.7	3.7	0.4	0.0
	Fushe Kosovo/ Kosovo Polje	3.0	3.1	0.2	0.0
	Gračanica/Graçanicë	3.5	3.5	0.0	0.3
	Lipjan/Lipljan	3.4	3.4	0.0	0.0
	Obiliq/Obilić	3.4	3.3	0.7	0.2
	Podujevë/Podujevo	3.4	3.4	0.2	0.1
	Prishtinë/Priština	3.7	3.7	0.5	0.1
Rajoni	**Prizren**				
	Dragash/Dragaš	3.6	3.9	0.8	0.2
	Mamushë/Mamuşa	2.1	2.0	0.0	0.0
	Prizren	2.9	2.9	0.0	0
	Rahovec/Orahovac	3.1	3.2	0.2	0.0
	Suharekë/Suva Reka	3.8	3.7	0.2	0.1

SUB-INDEX 8: LOCAL INFRASTRUCTURE

Municipal physical infrastructure enables businesses to maintain their operations, production, and connect their supply chains and efficiently move goods and services across regions. The lack of a reliable infrastructure poses a significant obstacle for businesses. Sub-index 8: Local infrastructure, The last MCI sub-index presents the perception of businesses related to different aspects of local infrastructure.

MCI sub-index on infrastructure assesses the quality of roads, the quality of the sewage system, maintenance and collection of waste and garbage, access to the public water supply network, as well as regular supply of energy and water. It also provides information on the collection rate from water utility business consumers.

Based on the perception of businesses, the table below shows the ranking of the top seven performing municipalities in terms of local infrastructure. The municipality of Rahovec/Orahovac tops the list with an average sub-index score of 7.6 points, followed by Suharekë/Suva Reka (7.5) and Lipjan/Lipljan (7.4)

The full ranking will all 38 municipalities is provided in the figure 4.8.1. Municipalities that received the lowest score are Leposavić/Leposaviq (5.01), Klinë/Klina (5.7) and Deçan/Dečani (5.74).

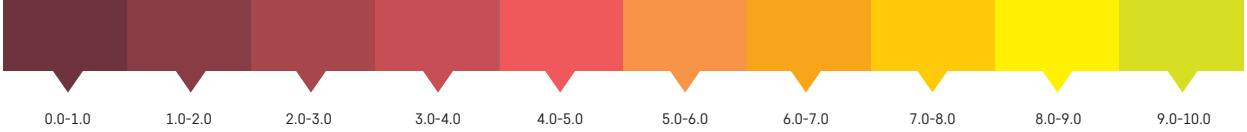
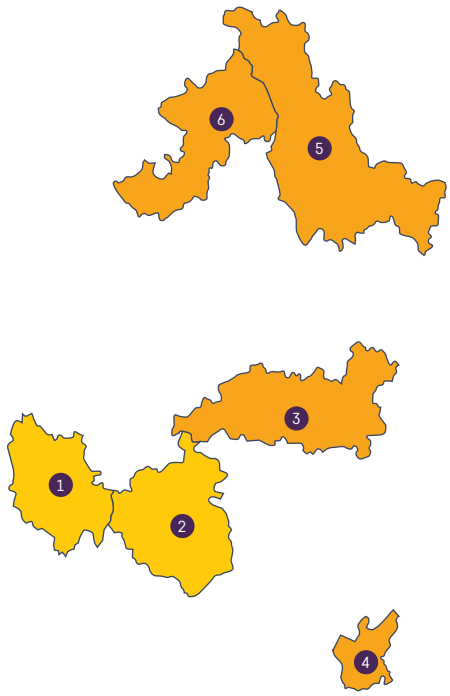


Table 4.8.1

BEST PERFORMINGMUNICIPALITIES



MUNICIPALITY		SUB-INDEX 8: LOCAL INFRASTRUCTURE
Rahovec/Orahovac	⇔	7.6
Suharekë/Suva Reka	⇔	7.5
Lipjan/Lipljan	⇔	7.4
Hani i Elezit/Elez Han	⇔	7.4
Podujevë/Podujevo	⇔	7.2
Mitrovicë/Mitrovica	↑ (3)	7.1

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

Figure 4.8.1

ALL MUNICIPALITIES PERFORMING

6.53 NATIONAL AVERAGE

	MUNICIPALITY	MCI
⇔	Rahovec/Orahovac	7.57
⇔	Suharekë/Suva Reka	7.52
⇔	Lipjan/Lipljan	7.35
⇔	Hani i Elezit/Elez Han	7.23
⇔	Podujevë/Podujevo	7.19
↑ (3)	Mitrovicë/Mitrovica	7.03
↓ (1)	Viti/Vitina	7.00
↓ (1)	Prizren	7.00
↑ (1)	Shtime/Štimlje	6.98
↓ (2)	Gračanica/Graçanicë	6.97
⇔	Istog/Istok	6.95
↑ (5)	Junik	6.92
↓ (1)	Pejë/Peć	6.85
↑ (1)	Obiliq/Obilić	6.77
↓ (1)	Prishtinë/Priština	6.76
↓ (3)	Zubin Potok	6.75
↑ (1)	Gjakovë/Đakovica	6.70
↓ (2)	Kamenicë/Kamenica	6.67
↑ (2)	Štrpce/Shtërpcë	6.58
↓ (1)	Mamushë/Mamuşa	6.58
↓ (1)	Gjilan/Gnjilane	6.57
⇔	Kaçanik/Kačanik	6.56
⇔	Malishevë/Mališevo	6.39
⇔	Fushë Kosovë/ Kosovo Polje	6.29
⇔	Ranilug/Ranillug	6.28
↑ (1)	Skenderaj/Srbica	6.25
↓ (1)	Klokot/Kllokot	6.20
⇔	Dragash/Dragaš	6.18
↑ (3)	Vushtrri/Vučitrn	6.11
↑ (1)	Novobërdë/Novo Brdo	6.04
↓ (2)	Severna Mitrovica/Mitrovicë e Veriut	6.04
↑ (1)	Ferizaj/Uroševac	6.01
↓ (3)	Zvečan/Zveçan	5.86
⇔	Parteš/Partesh	5.79
⇔	Gllogoc/Glogovac	5.79
↑ (1)	Deçan/Dečani	5.74
↓ (1)	Klinë/Klina	5.65
⇔	Leposavić/Leposaviq	5.01

As seen in Table 4.8.2, 27% of businesses in Kosovo do not have access to the public water supply network (an increase of 6 percentage points from MCI 2018).

Electricity and water supply are also an issue that businesses in Kosovo face on a regular basis; on average, businesses in Kosovo face 11 hours of power outages (a significant decrease from 20 hours a month last year) and 14 hours of water outages monthly.

Water outages are more evident in the in the region of Gjilan/Gnjilane and Prizren, where only 45% of businesses have declare access to public water supply network. Municipalities in the regions of Mitrovica and Pejë/Peć have the highest rate of access to public water supply (table 4.8.3).

TABLE 4.8.2 Local infrastructure sub-index components at the national level

SOURCE: SURVEY 2019, AUTHORS' CALCULATIONS.

SUB- INDEX: LOCAL INFRASTRUCTURE	NATIONAL AVERAGE	
How do you rate the quality of local roads?	3.3	↑
How do you rate the maintenance and collection of garbage at the local level?	3.2	↓
How do you rate the maintenance of sewage system in your municipality?	3.0	↑
Do you have access on the public water supply network?	73% Yes	↓
How many hours a months do you have water outages/cuts? (Number of hours)	10.7	↓
How many hours per month do you have electricity outages/cuts? (Number of hours)	14.4	↓
Regional water supplier collects 100% of water payments/bills from your business.	4.5	↑

TABELA 4.8.3 Local infrastructure support sub-index for each region and municipality

		How do you rate the quality of local roads?	*How do you rate the maintenance and collection of garbage at the local level?*	*How do you rate the maintenance of sewage system in your municipality?*	*Do you have access on the public water supply network?*	*How many hours a months do you have water outages/cuts? (Number of hours)*	*How many hours per month do you have electricity outages/cuts? (Number of hours)*	*Regional water supplier collects 100% of water payments/bills from your business.*
Region	**Ferizaj/Uroševac**	3.0	3.0	3.0	80%	9.8	19.2	4.4
	Ferizaj/Uroševac	1.5	2.2	3.1	74%	15.0	38.7	4.7
	Hani i Elezit/Elez Han	3.8	3.7	3.6	78%	17.2	8.1	3.4
	Kaçanik/Kačanik	2.9	2.8	2.6	79%	3.3	10.5	4.8
	Štrpce/Shtërpcë	3.5	3.6	3.3	78%	10.1	21.3	3.9
	Shtime/Štimlje	3.7	2.8	2.5	92%	5.4	9.4	4.8
Region	**Gjakovë/Đakovica**	3.2	2.9	2.8	68%	2.4	9.3	4.7
	Gjakovë/Đakovica	2.9	2.5	2.6	98%	0.2	5.1	4.9
	Junik	3.2	2.8	2.6	68%	2.3	18.5	5.0
	Malishevë/Mališevo	3.5	3.3	3.2	36%	4.8	11.3	4.4
Region	**Gjilan/Gnjilane**	3.7	3.7	3.5	48%	2.1	7.6	4.3
	Gjilan/Gnjilane	3.6	3.5	3.1	87%	1.0	1.1	4.35
	Kamenice	3.2	3.3	3.1	38%	0.2	2.4	3.61
	Klokot/Kllokot	4.3	4.3	4.1	35%	0.2	6.1	3.94
	Novobërdë/Novo Brdo	4.1	4.0	4.1	3%	0.2	8.2	5.00
	Parteš/Partesh	4.1	4.2	4.2	12%	0.0	8.5	
	Ranilluk/Ranillug	3.5	3.6	3.6	23%	0.4	7.3	4.62
	Viti/Vitina	3.5	3.5	2.9	85%	9.2	19.5	4.72
Region	**Pejë/Peć**	3.4	3.5	3.0	82%	4.9	22.4	4.7
		3.6	3.3	3.0	79%	1.9	38.7	4.48
	Deçan/Dečani	3.8	3.9	2.9	100%	7.9	15.7	4.55
	Istog/Istok	3.7	3.5	3.0	43%	4.4	18.9	4.78
	Klinë/Klina	2.6	3.2	3.1	100%	5.3	17.8	4.90
	Pejë/Peć	3.6	3.3	3.0	79%	1.9	38.7	4.48

		How do you rate the quality of local roads?	*How do you rate the maintenance and collection of garbage at the local level?*	*How do you rate the maintenance of sewage system in your municipality?*	*Do you have access on the public water supply network?*	*How many hours a months do you have water outages/cuts? (Number of hours)*	*How many hours per month do you have electricity outages/cuts? (Number of hours)*	*Regional water supplier collects 100% of water payments/bills from your business.*
Region	**Mitrovica**	2.8	2.5	2.5	84%	34.9	11.4	4.2
	Leposavić/Leposaviq	2.3	2.2	2.4	90%	54.4	7.1	4.2
	Mitrovica	1.8	1.6	1.9	97%	50.0	7.7	3.3
	Severna Mitrovica/Mitrovica e Veriut	3.4	3.2	3.2	84%	12.1	10.1	4.5
	Skenderaj/Srbica	3.3	2.2	2.0	96%	8.6	20.1	4.9
	Vushtrri/Vučitrn	3.3	3.2	3.2	56%	5.2	13.2	4.6
	Zubin Potok							
	Zvečan/Zveçan	2.2	1.9	1.9	87%	103.7	6.4	3.4
Region	**Prishtinë/Priština**	3.6	3.4	3.2	75%	9.1	17.8	4.6
	Gllogovc/Glogovac	3.8	3.7	3.6	63%	27.4	36.7	4.1
	Fushe Kosovo/Kosovo Polje							
	Gračanica/Graçanicë	4.3	3.9	3.4	98%	1.9	1.6	4.9
	Lipjan/ Lipljan	3.5	3.4	3.0	45%	2.8	9.9	4.9
	Obiliq/Obilić	3.6	3.5	3.4	89%	1.7	33.5	4.9
	Podujevë/Podujevo	3.7	3.9	3.9	95%	11.7	25.0	4.7
	Prishtinë/Priština	3.6	2.9	2.6	74%	4.9	5.9	4.2
Region	**Prizren**	3.2	3.2	2.9	75%	6.8	10.6	4.6
	Dragash/Dragaš	3.3	4.0	3.1	11%	17.2	9.0	4.8
	Mamushë/Mamuşa	3.0	2.1	2.0	0.0	0.0	10.2	
	Prizren	3.0	2.9	3.0	15%	8.9	5.3	4.5
	Rahovec/Orahovac	3.3	3.6	2.8	7%	5.0	17.5	4.6
	Suharekë/Suva Reka	3.7	3.6	3.4	5%	2.1	11.6	4.6

5 POLICY WEIGHTED MCI

The MCI policy weights applied a greater weight to four of the sub-indexes which are found as more relevant policy wise on the analysis explained in the methodology section of the report. The four more important indexes in Kosovo are: (1) Transparency, (2) Participation and Predictability, (3) Time Costs and (4) Taxes. Compared to the unweighted MCI where each of the sub-indexes has an equal weight on the overall score, the weighted MCI has 15 percent rounded weights of each of these four sub-indexes, compared to the less important sub-indexes which have a 10 percent weight.

Table 6.1 shows the weights outputted from the data analysis for each of the sub-indexes, and also the rounded weights used for generating the policy relevant MCI.

The usage of policy weights alters slightly the ranking of the top performers. Tables 5.2 and 5.3 show that except for Lipjan/Lipljan, Junik, and Gjakovë/Đakovica, the position of the rest of the municipalities is changed, but slightly. Suharekë/Suva Reka is also no longer on the list, while Istog/Istok is a new entrant. The top ten performers are also the third or upper quartile of the full list of municipalities. Graph 1 shows the weighted policy index for each municipality.

TABLE 5.1 MCI- sub-indexes, national aggregates

	MCI SUB-INDEX	WEIGHTS FROM ANALYSIS	ROUNDED WEIGHTS
01	Barriers to entry	10.2%	10%
02	Predictability and Participation	13.3%	15%
03	Transparency	16.9%	15%
04	Time Costs	15.2%	15%
05	Taxes and Fees	15.2%	15%
06	Municipal Administration	11.4%	10%
07	Labor and Business Support Services	9.9%	10%
08	Municipal Infrastructure	7.9%	10%

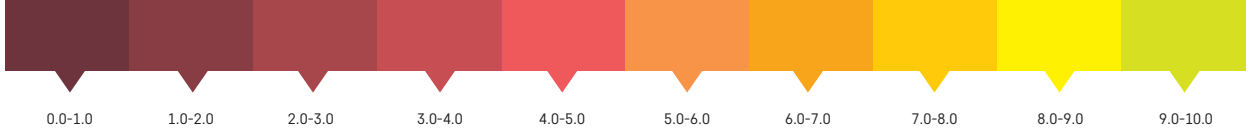


TABLE 5.2 MCI- unweighted

	MUNICIPALITY		MCI
1	Lipjan/Lipljan		6.87
2	Rahovec/Orahovac		6.63
3	Viti/Vitina		6.58
4	Junik		6.44
5	Gjakovë/Đakovica	(1)	6.27
6	Hani i Elezit/Elez Han	(1)	6.20
7	Parteš/Partesh	(4)	6.17
8	Suharekë/Suva Reka	(2)	6.14
9	Obiliq/Obilić		6.13
10	Podujevë/Podujevo	(3)	6.13

TABLE 5.3 MCI- policy weighted

	MUNICIPALITY		MCI
1	Lipjan/Lipljan		6.87
2	Viti/Vitina	(1)	6.63
3	Rahovec/Orahovac	(1)	6.58
4	Junik		6.44
5	Gjakovë/Đakovica	(1)	6.27
6	Parteš/Partesh	(1)	6.20
7	Hani i Elezit/ Elez Han	(1)	6.17
8	Podujevë/Podujevo	(2)	6.14
9	Istog/Istok	(4)	6.13
10	Obiliq/Obilić	(11)	6.13

Figure 5.1

MUNICIPAL COMPETITIVENESS INDEX 2018 – WEIGHTED FOR POLICY RELEVANCE

MUNICIPALITY	MCI
Lipjan/Lipljan	6.40
Junik	6.03
Rahovec/Orahovac	6.02
Viti/Vitina	6.02
Fushë Kosovë/ Kosovo Polje	5.87
Podujevë/Podujevo	5.82
Parteš/Partesh	5.80
Gračanica/Graçanicë	5.80
Prishtinë/Priština	5.71
Obiliq/Obilić	5.70
Istog/Istok	5.68
Novobërdë/Novo Brdo	5.64
Kaçanik/Kačanik	5.59
Pejë/Peć	5.57
Suharekë/Suva Reka	5.57
Klokot/Kllokot	5.53
Zubin Potok	5.50
Mamushë/Mamuşa	5.48
Prizren	5.48
Shtime/Štimlje	5.47
Malishevë/Mališevo	5.46
Gllogoc/Glogovac	5.45
Skenderaj/Srbica	5.44
Vushtrri/Vučitrn	5.37
Mitrovicë/Mitrovica	5.31
Deçan/Dečani	5.31
Ranilug/Ranillug	5.31
Hani i Elezit/Elez Han	5.30
Gjilan/Gnjilane	5.21
Kamenicë/Kamenica	5.18
Dragash/Dragaš	5.18
Gjakovë/Đakovica	5.13
Ferizaj/Uroševac	5.13
Štrpce/Shtërpcë	5.03
Leposavić/Leposaviq	4.83
Severna Mitrovica/Mitrovicë e Veriut	4.75
Zvečan/Zveçan	4.74
Klinë/Klina	4.54

6 FINDINGS FROM THE FOCUS GROUPS

Another essential part of MCI project is the addition of focus groups as part of qualitative research methods. This is an important aspect that enables us to measure the level of municipality economic governance. Focus Group Discussion (FGD) is one of the methods that is usually used in qualitative research methodology to explore the opinions, knowledge, perceptions and concerns of individuals in relation to a specific topic and subsequently understand relevant issues.

The findings from focus group discussions have been grouped into thematic observations organized according to the topics covered by sub-indexes, making a summary of the discussions and categorizing findings in the form of recommendations for municipalities. Many of the issues that have been discussed in this year's focus groups are similar to those discussed last year. Local Administration and Infrastructure, and Labor and Business supporting services remain top sub-indices that deserve immediate attention from municipalities to address their shortcomings in relation to the businesses and private sector at large. On the other hand, there have been some improvements when it comes especially to Transparency. Business representatives claimed that some municipalities such as Prishtinë/Priština, Gjakovë/Đakovica and Pejë/Peć have shown progress in their standing in transparency, namely, the right to information and access to public documents. This has come as an overall improvement in Kosovo's strive to improve its open data policies.

FINDINGS FROM FOCUS GROUP DISCUSSIONS ARE SUMMARIZED BELOW BASED ON THE EIGHT SUB-INDICES USED IN THE 2019 MCI SURVEY.

SUB-INDEX	FINDINGS
TAXES AND FEES	Most of the municipalities has exempted businesses from taxes and fees. For example, Rahovec/Orahovac has initiated last year the proposal to create economic zones inside its municipality and also a touristic zone. However the municipality has struggled to address other issues such as establishing a municipal collecting depot.
MUNICIPAL ADMINISTRATION LABOR AND BUSINESS SUPPORT SERVICES	Another important factor raised during our discussions is the lack of a comprehensive competitiveness strategy. The Government of Kosovo together with local administrations must develop a regional competiveness report that addresses regional competiveness advantages.Municipal representatives stated that their small and therefore limited budgets hinder their competiveness, especially since the business sector in Kosovo is diffused around the country and not only cities such as Prishtinë/Priština, Prizren or Peja/Peć have large concentration of industries and other economic sectors.
LABOR AND BUSINESS SUPPORT SERVICES	Not all municipalities have Departments for Economic Development and most of the municipalities do not have separate offices that deal with matters related to business environment and private sector development.
TRANSPARENCY PREDICTABILITY AND PARTICIPATION	Municipal representatives regard the Law on Public Procurement to be quite inefficient and restrictive. Municipality across Kosovo have identified the inadequate legal framework as a barrier which limits the competencies of municipalities, especially in large municipalities such as Prishtinë/Priština and Prizren.
LABOR AND BUSINESS SUPPORT SERVICES	Lack of skilled labor force remains one of the biggest problems that businesses face in operating a healthy and successful business. Similar to last year, businesses have listed the shortage of skilled workers as one of the main causes affecting the operation of their businesses. Although in some municipalities such as Ferizaj/ Uroševac, Mitrovicë/Mitrovica, Peja/Peć, Lipjan/Lipljan and Rahovec/Orahovac vocational schools have been established, results remain scarce.
TAXES AND FEES	Some municipal representative coming from smaller municipalities such as Gllogovc/ Glogovac, Vushtrri/ Vučitrn and Viti/Vitina claimed that for some of their businesses taxes and fees were a burden and therefore they assessed that it was better to exempt small business which make the largest share of their private sector from taxes on business registration or on obtaining permits and licenses.
MUNICIPAL ADMINISTRATION	The sub-index local administration is another important sub-index where municipalities across Kosovo underperform. Many municipalities lack qualified staff in many departments and this negatively affect business environment. On the other hand, some municipalities are overstaffed but lack proper management. This negatively affect the efficiency of local government.

TRANSPARENCY PREDICTABILITY AND PARTICIPATION	Municipal representatives claimed that they regularly organize public debates with businesses as required by Law, but it is on businesses discretion if they want to attend or not, whereas businesses stated that they often are not timely informed about these meetings. Furthermore, businesses and municipalities representatives present in our focus groups shared different opinions on the utility of these debates. Businesses regard public meetings and debates to have no particular significance in addressing their issues and concerns. There is a discrepancy on the usefulness and success of public meetings and debates between small and medium sized municipalities on one hand, and large municipalities with higher concentration of businesses on the other hand.Small and medium sized municipalities in all seven regions claimed that they do not have any problems with business attendance in the public debates and they regard these debates to be very important in addressing and hearing the concerns of the private sector.
TAXES AND FEES	Businesses have stated that it is of great importance to have a centralized system of business registration, obtaining licenses and permits and of tax payments between municipalities and ministries.
TIME COSTS	This would greatly improve time costs and efficiency. Often, businesses spend a lot of time filling in different forms in offices and agencies, and even if municipalities have digitized their system, the very fact that many licenses and permits must be issued in different offices in relevant ministries create unnecessary bureaucracy.

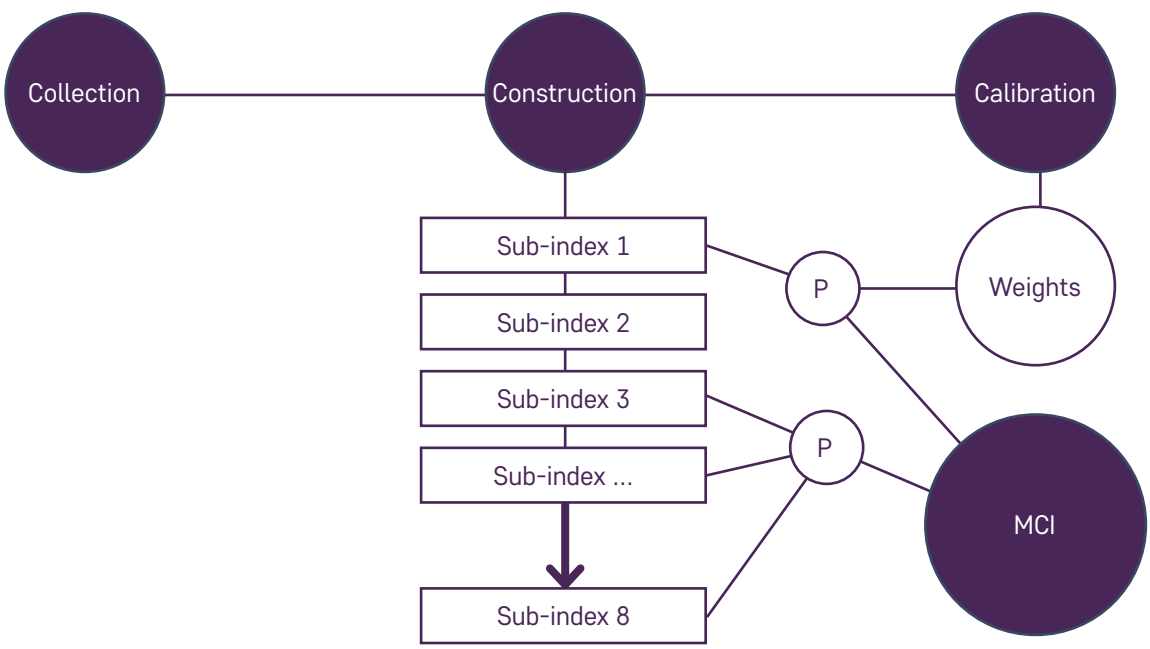
The findings from focus group discussions have been grouped into thematic observations organized according to the topics covered by sub-indexes, making a summary of the discussions and categorizing findings in the form of recommendations for municipalities. Many of the issues that have been discussed in this year's focus groups are similar to those discussed last year.

7 MCI METHODOLOGY

The MCI methodology is based on the standardized methodology of the Local Economic Governance Index (EGI) from the Asia Foundation. The competitiveness indexes and sub-indexes are created based on economic transition literature and close consultations with key stakeholders inlocal economic development. Although details of the methodologies differ slightly among countries where indexes have been created, all EGIs involve the same core elements, which are: Collection, Construction, and Calibration. This year's Kosovo MCI is anchored on USAID's (2011) methodology for governance indexes which contextualizes the research framework to the Kosovar setting . As such, the report allows transition from the previous reports and indexes for the country.

A distinct contribution of this report is the assessment of indexes in both a simple additive form, as well as in the policy weighted version. The latter version addresses the variation on the importance of each sub-index in explaining the local governance (i.e. governance transparency is more important than the number of days to register the business in the overall governance competitiveness in competitive business environment). To determine the index weights, a three steps statistical approach including Factor Analysis was used. The technique is explained in the methodology section.

FIGURE 7.1. MCI Methodology framework



7.1. Collection

Data collection is the first stage of research implementation and involves the selection of governance indicators relevant to private sector development at the municipal level. The indicators are decided based on relevant theoretical and country-specific literature, as well as input from economic experts. The data used is primarily collected through the survey conducted in 38 Kosovo municipalities. The main instrument used for the collection of data was the survey with businesses in Kosovo. In 2019, the sample of firms interviewed was 70% identical to the ones interviewed in 2019. The effort to interview the same sample over time is the idea of building a longitudinal databased with MCI indexes.

Survey Design

MCI is an aggregate indicator comprising of an established set of 8 core primary sub-indexes to measure competitiveness. In order to design the 8 sub- indexes, 48 questions were asked. This is the fifth year of implementation of MCI in Kosovo from USAID, and the questionnaire used maintained coherence with the questions used to derive indexes in the past.

The first 6 questions were general questions about the local economic sentiment and general firm performance. These questions were used to describe the characteristics of the firm interviewed, and the local business environment as perceived by the firms.

The rest of the questions were organized in groups of 5 to 7 questions, with each group specifying a sub- index including: (1) Barriers to Entry, (2) Transparency, (3) Participation and Predictability, (4) Time Costs, (5) Taxes, (6) Municipal Administration, (7) Municipal Business Support, and (8) Infrastructure. Questions were articulated with the use of understandable words and concepts which were also tested during the test stage.

Sample

The population from which a stratified randomized sample of 3270 firms for 38 Kosovo municipalities was drawn, is the list of active businesses from KBRA, with n=100 firms for each applicable municipality. The randomized sampling started with obtaining the database of active Kosovo businesses from the KBRA and filtering for active businesses only, as there is a significant presence of 'Ghost firms'. To do this, the team compared the KBRA database to information from the Kosovo Tax Administration.

Consequently, since the purpose of the research was to compare governance between municipalities, 38 separate samples of firms at the municipal level were randomly generated by controlling for differences on the industry, municipality and type of legal status of the firms, based on the practice of the Kosovo MCI design.

In general, the targeted sample of 100 interviews per municipality was achieved in the majority of the municipalities. The municipalities with a smaller sample are typically small municipalities were the population of businesses is smaller than 100. In these cases, all the population was surveyed (i.e.Hani i Elezit/Elez Han and Junik). Bigger municipalities like Prishtinë/Priština, Mitrovica, and Prizren, on the other hand, have slightly larger survey samples of up to 122 responses.

TABLE 7.1.1 MCI 2019 Sample distribution

Municipality	# of Surveys completed	Komuna	# of Surveys completed
Deçan/Dečani	97	Mitrovicë/Mitrovica	88
Dragash/Dragaš	84	Severna Mitrovica/Mitrovica e Veriut	99
Gllogovc/Glogovac	99	Novobërdë/Novo Brdo	75
Ferizaj/Uroševac	100	Obiliq/Obilić	98
Fushe Kosove/Kosovo Polje	83	Parteš/Partesh	51
Gjakovë/Đakovica	99	Pejë/Peć	120
Gjilan/Gnjilane	98	Podujevë/Podujevo	101
Gračanica/Graçanicë	99	Prishtinë/Priština	122
Hani i Elezit/Elez Han	47	Prizren	119
Istog/Istok	96	Rahovec/Orahovac	101
Junik	24	Ranilluk/Ranillug	42
Kaçanik/Kačanik	97	Štrpce/Shtërpcë	99
Kamenice	96	Shtime/Štimlje	94
Klinë/Klinë/Klina	99	Skenderaj/Srbica	64
Klokot/Kllokot	49	Suharekë/Suva Reka	94
Leposavić/Leposaviq	31	Viti/Vitina	90
Lipjan/Lipljan/Lipljan	91	Vushtrri/Vučitrn	92
Malishevë/Mališevo	93	Zubin Potok	40
Mamushë/Mamuşa	76	Zvečan/Zveçan	47

Data Collection

Field work during the collection of primary data was implemented through face to face interviews with representatives of businesses throughout Kosovo. Interviews were arranged via telephone calls with the owners, or high level managers of firms.

70 enumerators were engaged in conducting interviews across Kosovo with an average of 50 interviews conducted by a single enumerator. The larger number of staff involved helped reduce the enumerator bias in terms of the individual treatment of the interviewing process.

Following the research protocol, the enumerators' team was trained by first being introduced to the purpose of the study, the process of data collection, and finally a group review of each question.

15 percent of surveys were re-verified by the team to ensure thatselected answers correspond to the ones filled by enumerator. These questions included those considered most crucial to the research effort, as well as any for which the original responses suggested possible inconsistencies. This activity was part of a field control which occurred through telephone interviews and field visits.

A logical control was also conducted once the questionnaires were returned. Each questionnaire was verified by researchers to check if there is any irrational answer or non-fitting answers with previous claims. These helped detect potential defects within each survey. Once the logical failures were found, the team in cooperation with enumerators called or re-visited the respondent. Logical control served to identify false filled questionnaires by enumerators. The number of revisited questionnaires because of logical uncertainties was 20.

7.2. Construction

Each of the 8 MCI sub-indexes have a maximum score of ten points. The construction of the MCI index is first implemented as an unweighted simple average of the sub-indexes, and also as a weighted average using policy-weighted scores estimated through additional econometric analysis.

Prior to conducting the analysis, the team tested the database for outliers using interquartile range to avoid the risk of skewing statistical analysis such as averages and standard deviations. First, the first and third quartiles were computed and then the difference between the two was found. The data that fell beyond the upper and lower bound were tested with the outlier functions, and finally outliers were removed.

Unweighted MCI

The sub-indexes were standardized using a ten point scale, which removes the differences in measurement when assessing the final MCI scores. To standardize the indexes, the following formula was used:

$$9 * \left[\frac{Municipality_i - Minimum}{Maximum - Minimum}\right] + 1$$

, where Municipality1 is the individual municipal value, Minimum is the smallest municipal value in any of the municipalities, and Maximum is the largest municipal value in any of the municipalities.

For some sub-index components, a large number has negative interpretation. In these cases, the formula was reversed by subtracting the entire quantity from eleven. An example of a negative component would be the number of days that it takes to register a business, as experienced by each firm:

$$11 - \left[9 * \left[\frac{Municipality_i - Minimum}{Maximum - Minimum}\right] + 1\right]$$

Finally, sub-index scores were calculated as a simple average of the standardized indicator components.

7.3. Calibration

Weighted MCI

A significant contribution of this MCI report is the estimation of policy relevant weights for the weighting of the sub-indexes, which indicates the areas with greater policy relevance for reform. In order to estimate the contribution of each of the sub-indexes on private sector performance, the team followed a technique that includes three steps of statistical analysis.

First, factor analysis was used to divide the sub-indexes into two uncorrelated factors (baskets of variables). In addition, this step generated "factor loadings," which are the bivariate correlation between each sub-index and these uncorrelated factors. Second, the dependent variable for private sector performance (firm growth proxy) is regressed on the two factors estimated in 'Step 1'. The regression is tested with controls for firm size and legal status, and in each specification factor coefficients remain of high significance and an insignificant change in coefficient magnitude. Third the regression coefficients are multiplied with the factor loads of each sub-index outputted in the first step in order to isolate the effect of each sub- index in the dataset to the dependent variable. The weights are then rounded to create a total of 100 points for the index.

Table below briefly summarizes the main steps generating the weights. The detailed output of the generation of indexes is added to the report appendix.

The support for the selected strategy to estimate the sub-index weights is necessary because of the high correlation between sub-indexes and the threat of biased results due to multicollinearity. To test the validity of factor analysis for our data, the team also used the Kaiser-Meyer-Olkin (KMO) Test which measures the covariance between the variables. As a rule of thumb, a KMO larger than 0.5 shows that the data is suited for factor analysis and thus our KMO of 0.58 confirms that the data are suited for factor analysis, thus validating our research strategy.

TABLE 7.3.1 Procedures Used to Derive the MCI Index Weights

STEP 1

Find the contribution of the factors to the proxy variable for private sector performance

	(1)	(2)	(3)	(4)
VARIABLES	**Specification 1**	**Specification 2**	**Specification 3**	**Specification 4**
factor1	-0.0641**	-0.0735**	-0.0656**	-0.0706**
	(0.0309)	(0.0312)	(0.0315)	(0.0318)
factor2	-0.143***	-0.141***	-0.131***	-0.131***
	(0.0346)	(0.0346)	(0.0380)	(0.0380)
legal_status		0.108***		0.0681*
		(0.0335)		(0.0348)
empl			0.0295***	0.0279***
			(0.00606)	(0.00614)
Constant	1.000***	0.867***	0.887***	0.809***
	(0.0263)	(0.0484)	(0.0343)	(0.0523)
Observations	3,343	3,343	3,217	3,217

Standard errors in parentheses

*** p<0.01, ** p< 0.05, * p<0.1

STEP 2

Multiply Derived Factor Scores (in Step 1, specification 1) with Sub-index Loadings on the Factors and Divide by Total contribution to derive weights

	Factor 1	Factor 2	Weights	Rounded Weights
sub_1	0.08	0.21	10.2%	10
sub_2	0.20	0.18	13.3%	15
sub_3	0.19	0.29	16.9%	15
sub_4	0.05	0.38	15.2%	15
sub_5	0.15	0.28	15.2%	15
sub_6	0.17	0.15	11.4%	10
sub_7	0.08	0.21	9.9%	10
sub_8	0.22	0.01	7.9%	10
			100.0%	100

TABLE 7.3.2 Kaiser-Meyer-Olkin measure of sampling adequacy

Variable	KMO
sub_1	0.5035
sub_2	0.6064
sub_3	0.6552
sub_4	0.3743
sub_5	0.6020
sub_6	0.6294
sub_7	0.4950
sub_8	0.6683
Overall	**0.5871**

7.4. Focus Group Discussions- Methodology

This year, the Municipal Competitiveness Index has added a new aspect, collecting primary data in the form of focus groups from discussions with municipal officials, various local NGOs and businesses. This addition (introduction) was intended to produce qualitative data, based on the results collected from surveys that where conducted with businesses in all 38 municipalities of Kosovo. Focus groups were conducted in seven regions of Kosovo with 6-10 participants. Over the course of two weeks, our team organized focus groups with municipalities falling on the administrative borders of these seven regions. Focus groups were organized in Prishtinë/Priština at the premises of our Institute.

The guideline for organizing focus groups was developed having in mind the need to collect additional data in terms of qualitative research. The research process started with qualitative analysis, where seven focus group discussions took place. Participants in all focus group discussions (FGDs) were representatives from local municipal administration mostly Heads of Economic Development Directorates. The average duration of Focus Group Discussion was approximately 120 minutes. Focus Groups were moderated and transcribed by the main researcher of our team, and subsequently analyzed for the final report through a coding procedure by another researcher to avoid any methodological gaps.

The inquiry of questions asked during focus group discussions stemmed from the topics covered in the survey's sub-indexes for 3270 businesses in the 38 municipalities of Kosovo. Questions based on the sub-indexes were intended to avoid deviations from the discussion. The introduction of the opening questions was intended to inform the participants about the nature of this project. Participants were informed with the preliminary results from the survey in order to have a more accurate picture of what is expected of this research. Questions were constructed in such a way that participants were given the opportunity to express their opinions from their professional perspective. The largest group of participants were municipal officials from the Directorates for Economic Development. Business relations and the private sector development in most of the Kosovo municipalities is within the responsibilities of the Directorate for Economic Development. The second group of participants consisted of representatives from NGOS or foundations operating on a regional level or nation-wide. Their expertise and experience has been indispensable and has served as a catalyst between the public and private sector. The last group was made up of businesses from different industries operating in those regions where focus groups were held. Since the core focus on which this report was written comes from the opinions and experiences of businesses, in focus groups participation rate of businesses was smaller compared to other groups.

TABLE 7.4.1 Representation of the Focus Group Discussions; Structure of participants in all seven focus groups

	Municipal representatives	Local NGOs	Business representatives
FOCUS GROUP DISCUSSIONS	26	12	7

TABLE 7.4.2 Main questions for Focus Group Discussions

Type of Question	Leading Questions in FGDs
Opening Question	After the introduction of the participants an opening question for the MCI report was asked: What, to you, are the main advantages and disadvantages to doing business in your municipality?
Introductory Question	What do you believe is the role of local (municipality) governance in improving the business environment?
Transition Question	In your opinion, to what extent there is a cooperation between your municipality and businesses?
Key Questions	QUESTIONS FOR MUNICIPAL OFFICIALS: Which are the main barriers that businesses face in your municipality? - Has your municipality identified these barriers? - What are the means of information for new tenders, grants, public debates or changes to the regulations? - What were the measures that your municipality has undertaken to reduce taxes? - Does the municipality have any long-term strategies for revitalizing vocational schools in your municipalities? - Has the municipality ever conducted an evaluation of municipal officials? Does your municipality have a legal advisory office and a business promotion office? QUESTIONS FOR BUSINESSES: Have you encountered problems in the municipality regarding procedures for registering or obtaining permits and licenses? - How many days are needed and how many documents were requested for obtaining licenses? - Are you aware of the public notices and debates? Do you participate? - Is there a tax or fee that burdens your business operation? - Do you always find skilled labor force? - How are your experiences with municipal officials
Ending Questions	Finally, is there anything connected to the discussion today, that has not been discussed and seems important to you, or you feel strongly about, and would like to bring up now?

8 CONCLUSIONS

MCI is an aggregate indicator comprising of an established set of 8 core primary sub-indexes to measure competitiveness. The standardized sub-indexes measure key dimensions of the impact of local governance on the business environment: (1) Barriers to Entry, (2) Transparency, (3) Participation and Predictability, (4) Time Costs, (5) Taxes, (6) Municipal Administration, (7) Municipal Business Support, and (8) Infrastructure.

This is the sixth year of implementation of MCI in Kosovo supported by the USAID, and the questionnaire used maintained coherence with the questions used to derive indexes in the past. The report consistently draws comparisons with MCI 2018, by referring to the differences that have occurred in the main index and sub-index rankings from 2018 to 2019 (the arrow next to the municipality name).

The Collection stage involved the selection of governance sub-indexes relevant to private sector at the municipal level. Then, data were primarily collected through the survey. 3270 firms were interviewed in all of the 38 Kosovo municipalities using a stratified randomized sample. From the sample interviewed in 2018, we have managed to interview almost 70% of the same sample, which builds the way towards creating a longitudinal database for MCI Kosovo.

The construction of the MCI index is first implemented as an unweighted simple average of the standardized sub-indexes. Whereas the calibration stage constructs the indexes as a weighted average using policy-weighted scores estimated through additional econometric analysis.

The aggregate MCI variation of the index values is not too widespread, as the index provides a simple average of sub-index values, and thus disregards the variation within the indexes (presented in detail in the sub-index sections). The ten best performing municipalities are very similar to the top 10 performers in 2018. Theyinclude Lipjan/Lipljan, Rahovec/Orahovac, Viti/Vitina, Junik, Gjakovë/Đakovica, Hani i Elezit/Elez Han, Parteš/Partesh, Suharekë/Suva Reka, Obiliq/Obilić and Podujevë/Podujevo. The same best municipalities also fall on the upper quartile of the list, confirming the limit of the top 10 performers.

The usage of policy weights alters slightly the ranking of the top performers. Tables 5.2 and 5.3 show that except for Lipjan/Lipljan, Junik, and Gjakovë/Đakovica, the position of the rest of the municipalities is changed, but slightly. Suharekë/Suva Reka is also no longer on the list, while Istog/Istok is a new entrant.

The conclusions drawn by the focus group discussions show the limitations in local economic governance in relation to the business sector. It is of a paramount importance to increase communication between businesses and municipalities. Similar to last year's results, municipal administrations lack a clear strategy on business environment promotion and local economic development. Therefore, municipalities should as soon as possible, create a special office within the economic development directorates dealing only with issues related to the private sector.

9 APPENDIX

. * Factor analysis
. factor $xlist, mineigen (0.9)
(obs=38)

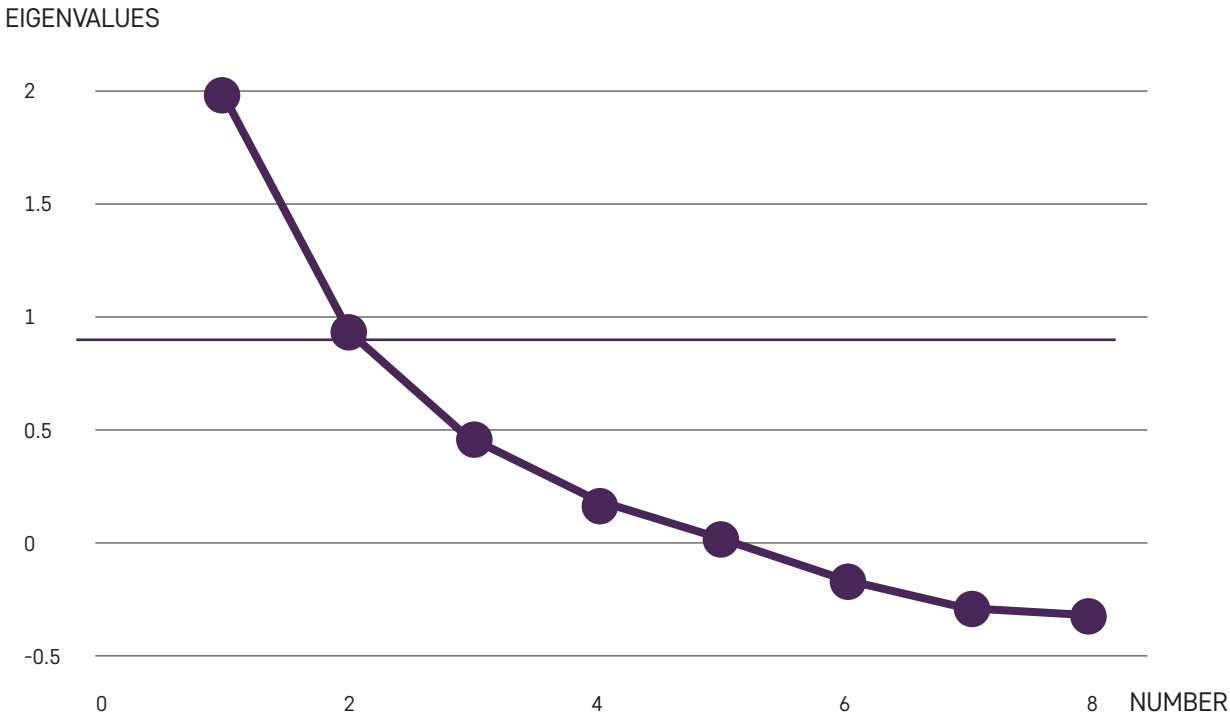
Number of obs = 38
Retained factors = 2
Number of params = 15

Factor analysis/correlation
Method: principal factors
Rotation: (unrotated)

Factor	Eigenvalue	Difference	Proportion	Comulative
Factor1	2.01986	1.06053	0.6724	0.6724
Factor2	0.95933	0.45964	0.3193	0.9917
Factor3	0.49968	0.29457	0.1663	1.1581
Factor4	0.20512	0.16390	0.0683	1.2263
Factor5	0.04122	0.18024	0.0137	1.2401
Factor6	-0.13902	0.13148	-0.0463	1.1938
Factor7	-0.27050	0.04112	-0.0900	1.1037
Factor8	-0.31162		-0.1037	1.0000

LR test: independent vs. saturated: chi2 (28) = 70.69 Prob>chi2 = 0.0000

SCREE PLOT OF EIGENVALUES AFTER FACTOR



Factor loading (pattern matrix) and unique variances

Variable	Factor 1	Factor 2	Uniqueness
sub_1	0.2500	0.3108	0.8409
sub_2	0.6454	-0.2624	0.5146
sub_3	0.6188	-0.4238	0.4375
sub_4	0.1683	0.5546	0.6641
sub_5	0.4930	0.4101	0.5885
sub_6	0.5633	0.2222	0.6333
sub_7	0.2537	-0.2980	0.8468
sub_8	0.7106	0.0121	0.4949

VARIABLES	(1) Specification 1	(2) Specification 2	(3) Specification 3	(4) Specification 4
factor1	-0.0641**	-0.0735**	-0.0656**	-0.0706**
	(0.0309)	(0.0312)	(0.0315)	(0.0318)
factor2	-0.143***	-0.141***	-0.131***	-0.131***
	(0.0346)	(0.0346)	(0.0380)	(0.0380)
legal_status		0.108***		0.0681*
		(0.0335)		(0.0348)
empl			0.0295***	0.0279***
			(0.00606)	(0.00614)
Constant	1.000***	0.867***	0.887***	0.809***
	(0.0263)	(0.0484)	(0.0343)	(0.0523)
Observations	3,343	3,343	3,217	3,217

Standard errors in parentheses

*** p<0.01, ** p< 0.05, * p<0.1

. * Scores of the components

. predict f1 f2

(regression scoring assumed

Scoring coefficients (method = regression)

Variable	Factor 1	Factor 2
sub_1	0.06865	0.16112
sub_2	0.25585	-0.17898
sub_3	0.24873	-0.31166
sub_4	0.06462	0.34496
sub_5	0.19663	0.26187
sub_6	0.18742	0.15137
sub_7	0.06742	-0.14871
sub_8	0.30268	0.03365