MUNICIPAL COMPETITIVENESS INDEX

2020

CONTENTS

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 the 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-indices each capturing a specific dimension of economic governance that range from opening a business to local physical infrastructure. The 2018, 2019 and 2020 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 report provides comparisons of municipalities' performance with the previous year.

The overall MCI results of 2020 show a similar trend to the findings of MCI 2019, though with some improvements. The ten best performing municipalities are very similar to the top 10 performers in 2019. They include Lipjan/Lipljan, Gjakovë/Đakovica, Viti/Vitina, Rahovec/Orahovac, Junik, Hani i Elezit/Elez Han, Parteš/Partesh, Obiliq/Obilić, Vushtrri/Vučitrn and Mitrovicë/Mitrovica. The best performing municipalities in 2020, to a large extent, are also the ones which performed best in 2019 with few exceptions. The usage of policy weights alters slightly the ranking of the top performers. The position of most of the municipalities remains the same, with the exception of Mamushë/Mamuşa which joins the list of top ten performers, dropping Mitrovicë/Mitrovica out of this list.

Data suggest that the overall national MCI score has increased. A slight drop of the score was time costs sub-index, even though it still remains the best ranked indicator. Signif-icant improvements were noted in transparency sub-index and labor and business support services sub-index. As in 2019, the sub-index with the highest score remains the time cost, suggesting that time spent by business owners in dealing with administrative procedures is not a significant barrier. The municipal administration sub-index - which looks at the municipal officials' capabilities and attitudes towards businesses and fairness in public tendering - has performed the worst, with an average national score of 3.94, with slight improvement from last year. The biggest changes in scores can be noticed when looking at a disaggregated level of data for each municipality. Here significant changes in rankings can be noticed for all municipalities. This can serve as a good source of information to better inform policy-making processes at 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 indices at an aggregate level. The fourth section is divided into 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 index and sub-indices. Finally, the eighth section summarizes the report with a brief conclusion.

1 OVERVIEW OF THE ECONOMIC BACKGROUND AND BUSINESS ENVIRONMENT

Municipal Competitiveness Index (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. Kosovo is at early stages of a functioning market economy, with little progress, especially in supporting export-oriented businesses. The situation regarding the contract enforcement (mainly in the financial sector) as well as access to finance has improved. But unsustainable fiscal decisions by the government - expanding categories for social benefits - raise concerns about the possibility of macroeconomic destabilization and strained relations with international financial institutions. The large trade deficit reflects the poor manufacturing base and weak position in international competitiveness. Dependence on remittances and the high rate of the informal economy continue to reduce employment incentives, which is reflected in the low level of labour force participation in the labour market, especially among women, and in high unemployment, especially among young people and unskilled workers. Moreover, limited steps have been taken to improve the quality of education, which is the key to long-term economic growth.

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 the 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, lack of capacity among 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.

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.

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 the economic governance index is to inform policy makers about their opportunities to improve the productivity and performance of the 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-indices, 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. The methodology used for extracting sub-indexes is discussed in a separate methodology section. MCI introduces a new opportunity to under-

stand the barriers that businesses identified within their respective municipalities. These results give a clear picture of the main priorities where municipalities should focus on, increasing competitiveness and at the same time creating better conditions for doing business. The index used for Kosovo is based on the Economic Governance Index (EGI) developed by the Asia Foundation. The methodology of EGI has a prominent presence in the South East Asian countries, and it has received widespread attention from policymakers around the world.

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-indices measuring key dimensions of the impact of local governance on the business environment:

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

2 TRANSPARENCY - the overall business access to information and different public documents at 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, 2019 and 2020. From an aggregate perspective, the index of **Time Costs** is the sub-index with the highest score for both years (9.2, 9.0, and 8.1 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, 7.30, and 7.22 respectively), confirming a favorable environment for starting a business from the perspective of the bureaucracy related to it.

On the other hand, **Municipal Administration** sub-index has received the lowest score (3.9), similar to last year, and showing a low satisfaction with the municipal officials' capabilities and their attitudes towards business and fairness in tendering.

The overall MCI results (table 3.1) show a similar trend to the findings of MCI 2019, with some improvements, especially in terms of transparency and labor and business support services.

The ten best performing municipalities are very similar to the top 10 performers in 2019 (Table 3.2). It includes Lipjan/Lipljan, Gjakovë/Đakovica, Viti/Vitina, Rahovec/Orahovac, Junik, Hani i Elezit/Elez Han, Parteš/Partesh, Obiliq/Obilić, Vushtrri/Vučitrn and Mitrovicë/Mitrovica. The same best municipalities also fall on the upper quartile of the list, confirming the limit of the top 10 performers.[1] The best performing municipalities in 2020, to a large extent, are also the ones which performed best in 2019 with few exceptions. Figure 3.1 shows the composite MCI index for each municipality.

1 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	2020
Barriers to entry	7.9	7.3	7.2
Predictability and Participation	5.3	5.3	5.7
Transparency	4.1	4.3	4.9
Time Costs	9.2	9.1	8.1
Taxes and Fees	6.2	6.2	5.9
Municipal Administration	4.6	3.5	3.9
Labor and Business Support Services	4.7	4.7	6.1
Municipal Infrastructure	6.5	6.5	6.3

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

MUNICIPAL COMPETITIVENESS INDEX 2020

MCI - BEST PERFORMING MUNICIPALITIES

MUNICIPALITY	MCI		
	2020	**2019**	**2018**
Lipjan/Lipljan	7.6	6.8	7.0
Gjakovë/Đakovica	7.5	6.2	6.5
Viti/Vitina	7.4	6.5	6.6
Rahovec/Orahovac	7.3	6.6	6.8
Junik	6.8	6.4	6.6
Hani i Elezit/Elez Han	6.7	6.2	6.5
Parteš/Partesh	6.7	6.1	6.3
Obiliq/Obilić	6.6	6.1	6.3
Vushtrri/Vučitrn	6.5	5.8	5.9
Mitrovicë/Mitrovica	6.5	5.7	6.0

0.0-1.0	1.0-2.0	2.0-3.0	3.0-4.0	4.0-5.0	5.0-6.0	6.0-7.0	7.0-8.0	8.0-9.0	9.0-10.0

Zubin Potok

Istog
Istok

Skënderaj
Srbica

Peja
Peć

Klinë
Klina

Malisheva
Mališe

Deçan
Dečani

Junik

Rahovec
Orahovac

Gjakovë
Đakovica

Mamushë
Mamuša

Prizren

Dragash
Dragaš
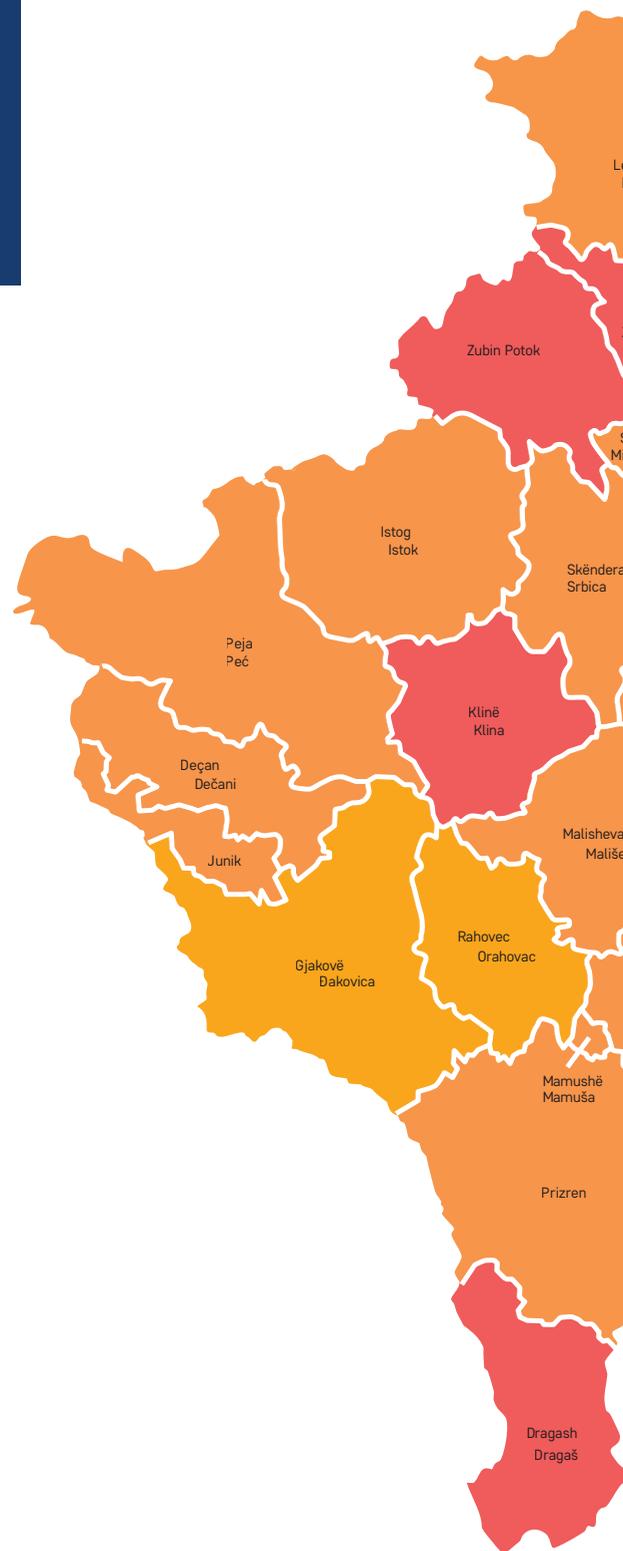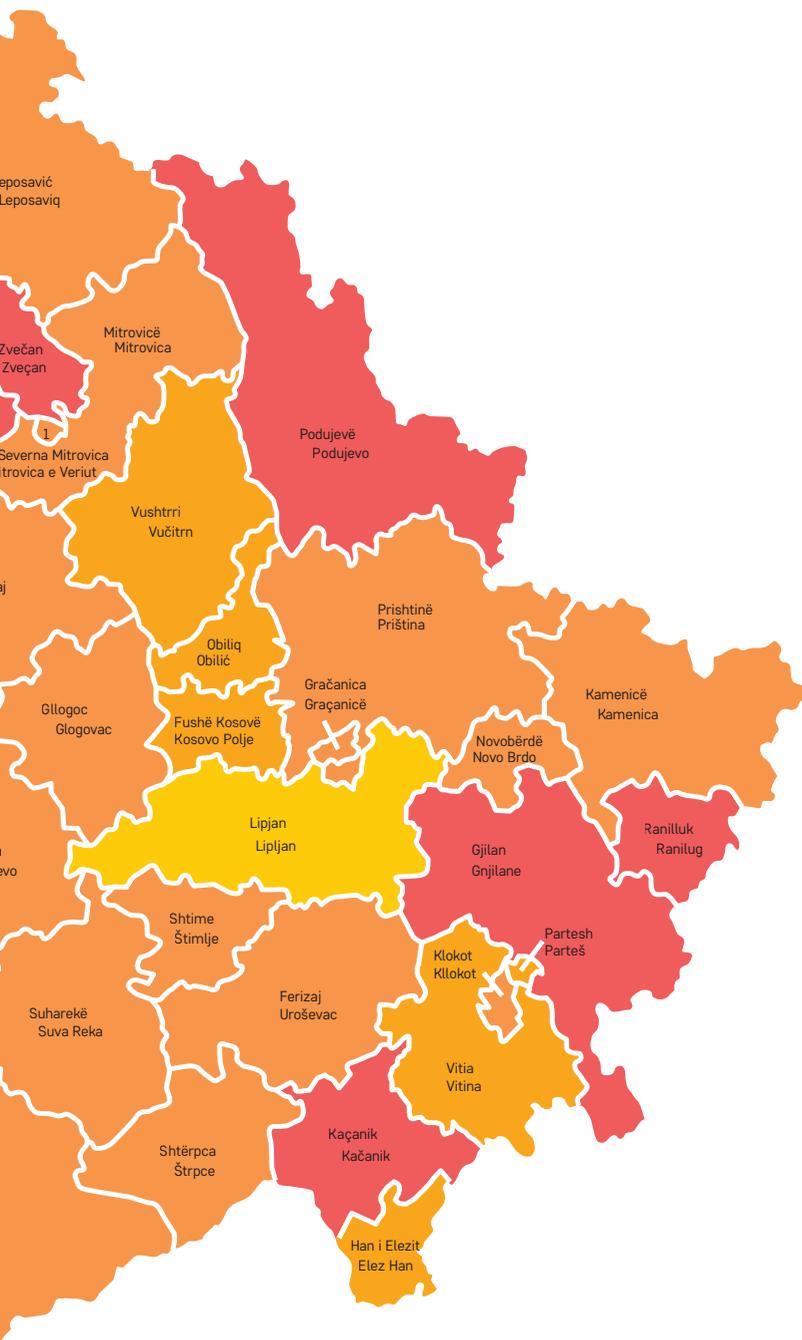
MUNICIPALITY	MCI
Lipjan/Lipljan	7.62
Gjakovë/Đakovica	7.45
Viti/Vitina	7.40
Rahovec/Orahovac	7.35
Fushë Kosovë/ Kosovo Polje	6.86
Hani i Elezit/Elez Han	6.74
Parteš/Partesh	6.66
Obiliq/Obilić	6.57
Vushtrri/Vučitrn	6.53
Mitrovicë/Mitrovica	6.49
Mamushë/Mamuşa	6.47
Junik	6.47
Shtime/Štimlje	6.41
Prishtinë/Priština	6.41
Štrpce/Shtërpcë	6.35
Klokot/Kllokot	6.23
Kamenicë/Kamenica	6.10
Suharekë/Suva Reka	5.93
Istog/Istok	5.86
Gračanica/Graçanicë	5.84
Gllogoc/Glogovac	5.77
Novobërdë/Novo Brdo	5.76
Ferizaj/Uroševac	5.76
Pejë/Peć	5.75
Leposavić/Leposaviq	5.74
Deçan/Dečani	5.74
Severna Mitrovica/Mitrovicë e Veriut	5.74
Prizren	5.64
Malishevë/Mališevo	5.51
Klinë/Klina	5.47
Gjilan/Gnjilane	5.40
Kaçanik/Kačanik	5.37
Podujevë/Podujevo	5.36
Ranilug/Ranillug	5.34
Zubin Potok	4.84
Zvečan/Zveçan	4.78
Dragash/Dragaš	4.73
Skenderaj/Srbica	4.67

Source: Survey 2020, 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 at 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 the 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 57th position globally which is higher than the last two years (44th position in 2019 and 40th position in 2018.

On this sub-index, in 2020 data suggest that the municipality with the best rank is Viti/Vitina, with the highest index of 9.99 out of a maximum of 10. The following top performing municipalities are Mamushë/Mamuşa (9.93), Lipjan/Lipljan (9.71), Novobërdë/NovoBrdo (9.01), Gjakovë/Đakovica (9.67), Rahovec/Orahovac (9.47), Klokot/Kllokot (8.80), Severna Mitrovica/Mitrovicë e Veriut (8.36), Suharekë/Suva Reka (8.27), Novobërdë/Novo Brdo (8.23) and Leposavić/Leposaviq (8.22) (Table 4.1.1.). Compared to last year, this year municipalities in barriers to entry sub-index slightly underperformed. Nevertheless, barriers to entry remain 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. 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).

Table 4.1.1

BARRIERS TO ENTRY, BEST PERFORMING MUNICIPALITIES

Figure 4.1.1

BARRIERS TO ENTRY

7.23 NATIONAL AVERAGE

MUNICIPALITY	MCI
Viti/Vitina	9.99
Mamushë/Mamuşa	9.93
Lipjan/Lipljan	9.71
Gjakovë/Đakovica	9.67
Rahovec/Orahovac	9.47
Klokot/Kllokot	8.80
Severna Mitrovica/Mitrovicë e Veriut	8.36
Suharekë/Suva Reka	8.27
Novobërdë/Novo Brdo	8.23
Leposavić/Leposaviq	8.22
Fushë Kosovë/ Kosovo Polje	8.14
Vushtrri/Vučitrn	8.09
Junik	7.89
Mitrovicë/Mitrovica	7.86
Gllogoc/Glogovac	7.76
Pejë/Peć	7.75
Štrpce/Shtërpcë	7.58
Prishtinë/Priština	7.57
Zubin Potok	7.57
Shtime/Štimlje	7.25
Obiliq/Obilić	7.10
Hani i Elezit/Elez Han	6.99
Kaçanik/Kačanik	6.95
Malishevë/Mališevo	6.79
Gračanica/Graçanicë	6.68
Gjilan/Gnjilane	6.51
Kamenicë/Kamenica	6.45
Klinë/Klina	6.39
Deçan/Dečani	6.15
Zvečan/Zveçan	5.95
Prizren	5.92
Skenderaj/Srbica	5.57
Ranilug/Ranillug	5.36
Istog/Istok	5.33
Podujevë/Podujevo	4.79
Parteš/Partesh	4.75
Dragash/Dragaš	4.60
Ferizaj/Uroševac	4.39

	MUNICIPALITY	SUB-INDEX 1: BARRIERS TO ENTRY
1	Viti/Vitina	9.99
2	Mamushë/Mamuşa	9.93
3	Lipjan/Lipljan	9.71
4	Gjakovë/Đakovica	9.67
5	Rahovec/Orahovac	9.47
6	Klokot/Kllokot	8.80
7	Severna Mitrovica/Mitrovicë e Veriut	8.36
8	Suharekë/Suva Reka	8.27
9	Novobërdë/Novo Brdo	8.23
10	Leposavić/Leposaviq	8.22

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS.

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 8.09 days a drop from last year's average of 13.7 days. The number of documents required, regardless of the type of the business legal entity is 7.63. 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 one third of GDP, businesses are pushed to engage in some type of informal economy. On average, 12.5 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 presented.

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

SUB- INDEX: BARRIERS TO ENTRY	NATIONAL AVERAGE
How many days did it take to start the business?(number of days)	8.09
How many documents were required for the business registration?(number)	7.63
Do you think your competitors are engaged in an informal economy?	12.5%
Do you consider the number of documents required for opening the business as a barrier? (% yes)	22.05%

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

	How many did it take to start the business? (number of days)	How many documents were required for business registration? (number)	Do you think your competitors are engaged in an informal economy?	Do you consider the number of documents required for opening the business as a barrier? (% yes)
Region **Ferizaj/Uroševac**	**8.68**	**4.19**	**12%**	**25%**
Ferizaj/Uroševac	3.46	6.53	23.0%	60.0%
Hani i Elezit/Elez Han	5.04	3.07	4.4%	8.4%
Kaçanik/Kačanik	7.20	4.02	12.9%	22.8%
Shtime/Štimlje	8.84	4.59	16.1%	27.7%
Štrpce/Shtërpcë	18.83	2.75	3.4%	6.5%
Region **Gjakovë/Đakovica**	**11.30**	**3.50**	**8%**	**15%**
Gjakovë/Đakovica	2.08	2.06	2.1%	4.2%
Junik	11.54	3.94	3.3%	6.4%
Malishevë/Mališevo	20.28	4.49	20.0%	33.3%
Region **Gjilan/Gnjilane**	**8.86**	**5.15**	**15%**	**31%**
Gjilan/Gnjilane	10.38	4.18	5.0%	9.5%
Kamenicë/Kamenica	10.71	5.01	19.4%	32.5%
Kllokot/Klokot	4.76	5.28	1.2%	55.0%
Novobërdë/Novo Brdo	4.43	2.36	1.6%	3.1%
Parteš/Partesh	13.00	13.48	30.8%	47.1%
Ranilug/Ranillug	17.57	4.58	48.6%	65.4%
Viti/Vitina	1.16	1.18	1.8%	1.6%
Region **Pejë/Peć**	**13.57**	**5.67**	**13%**	**22%**
Deçan/Dečani	20.10	4.40	15.3%	26.5%
Istog/Istok	24.51	9.44	12.4%	22.1%
Klinë/Klina	7.29	4.89	21.3%	35.1%
Pejë/Peć	2.37	3.95	3.2%	6.1%

	How many did it take to start the business? (number of days)	How many documents were required for business registration? (number)	Do you think your competitors are engaged in an informal economy?	Do you consider the number of documents required for opening the business as a barrier? (% yes)
Region **Mitrovicë/Mitrovica**	**7.79**	**5.02**	**13%**	**27%**
Leposavić/Leposaviq	5.00	3.24	1.0%	60.0%
Severna Mitrovica/Mitrovicë e Veriut	4.60	4.96	3.3%	6.5%
Mitrovicë/Mitrovica	10.66	5.24	0.6%	1.2%
Skenderaj/Srbica	4.28	3.53	59.4%	74.5%
Vushtrri/Vučitrn	9.60	3.85	3.3%	6.4%
Zubin Potok	14.96	6.23	13.6%	24.0%
Zvečan/Zveçan	5.45	8.07	8.9%	16.4%
Region **Prishtinë/Priština**	**10.51**	**3.71**	**9%**	**15%**
Gllogoc/Glogovac	2.60	2.28	0.5%	1.0%
Fushë Kosovë/Kosovo Polje	5.72	2.00	17.1%	29.2%
Gračanica/Graçanicë	16.24	5.54	1.3%	2.5%
Lipjan/Lipljan	1.12	1.11	3.2%	6.3%
Obiliq/Obilić	7.01	3.75	18.5%	31.2%
Podujevë/Podujevo	38.20	6.13	19.7%	32.9%
Prishtinë/Priština	2.69	5.13	1.3%	1.1%
Rajoni **Prizren**	**3.82**	**2.88**	**26**	**31%**
Dragash/Dragaš	9.55	4.93	68.6%	33.0%
Mamushë/Mamuşa	1.82	1.28	4.1%	33.0%
Prizren	3.47	4.64	31.6%	48.0%
Rahovec/Orahovac	1.21	1.23	5.7%	10.9%
Suharekë/Suva Reka	3.04	2.32	18.5%	31.3%

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS.

SUB-INDEX 2:
TRANSPARENCY

The second sub-index measures the performance of municipalities in terms of 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 businesses alike to exercise their individual rights. Kosovo is still struggling to build transparent and accountable institutions which would ensure higher levels of accountability towards its citizens. According to Transparency International, Kosovo ranked 36 in Corruption Perceptions Index, this is itself a slight improvement from last year.[2] 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 9.56 out of 10, followed by Gjakovë/Đakovica (9.15), Viti/Vitina (9.11), Rahovec/Orahovac (8.77), Fushë Kosovë/Kosovo Polje (8.05).

On the other hand, as the Figure 4.2.1 below shows, at the bottom of the list are ranked Zvečan/Zveçan (1.21), Zubin Potok (2.14) and Leposavić/Leposaviq (3.05).

2 Transparency International (2020). The 2019 Corruption Perceptions Index (CPI). Available online: https://www.transparency.org/cpi2019

TRANSPARENCY, BEST PERFORMING MUNICIPALITIES

Table 4.2.1

TRANSPARENCY SUB-INDEX SCORE

Figure 4.2.1

5.70 NATIONAL AVERAGE

MUNICIPALITY	MCI
Lipjan/Lipljan	9.56
Gjakovë/Đakovica	9.15
Viti/Vitina	9.11
Rahovec/Orahovac	8.77
Junik	8.05
Ferizaj/Uroševac	7.47
Štrpce/Shtërpcë	7.46
Parteš/Partesh	7.22
Fushë Kosovë/ Kosovo Polje	7.18
Mamushë/Mamuşa	7.01
Shtime/Štimlje	6.96
Hani i Elezit/Elez Han	6.95
Vushtrri/Vučitrn	6.84
Mitrovicë/Mitrovica	6.61
Skenderaj/Srbica	6.22
Kaçanik/Kačanik	6.19
Kamenicë/Kamenica	6.18
Obiliq/Obilić	5.85
Klokot/Kllokot	5.66
Prizren	5.49
Podujevë/Podujevo	5.30
Novobërdë/Novo Brdo	5.15
Klinë/Klina	5.13
Istog/Istok	4.96
Gračanica/Graçanicë	4.77
Gjilan/Gnjilane	4.54
Pejë/Peć	4.53
Suharekë/Suva Reka	4.48
Prishtinë/Priština	4.36
Ranilug/Ranillug	4.34
Severna Mitrovica/Mitrovicë e Veriut	4.24
Malishevë/Mališevo	4.19
Deçan/Dečani	4.12
Dragash/Dragaš	3.11
Gllogoc/Glogovac	3.06
Leposavić/Leposaviq	3.05
Zubin Potok	2.14
Zvečan/Zveçan	1.21

	MUNICIPALITY	SUB-INDEX 1: TRANSPARENCY
1	Lipjan/Lipljan	9.56
2	Gjakovë/Đakovica	9.15
3	Viti/Vitina	9.11
4	Rahovec/Orahovac	8.77
5	Fushë Kosovë/ Kosovo Polje	8.05
6	Ferizaj/Uroševac	7.47
7	Štrpce/Shtërpcë	7.46
8	Parteš/Partesh	7.22
9	Junik	7.18
10	Mamushë/Mamuşa	7.01

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS.

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 3.09 while access to information about local business-related regulations was 3.3. 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 the last year, this year the sub-index assessing transparency levels showed slight improvements in two of the 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 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

SUB- INDEX: TRANSPARENCY	NATIONAL AVERAGE
How do you rate the access to information on the municipal budget?	3.09
How do you rate the access to information about local regulations?	3.27
How do you rate the access to information regarding local business licenses for business operation?	3.27
How would you rate the access to information regarding the upcoming tenders to be announced by your municipality?	2.68

Table 4.2.3 Transparency sub-index for each region and municipality

Region	How do you rate the access to information on the municipal budget?	How do you rate the access to information about local regulations?	How do you rate the access to information regarding local business licenses for business operation?	How would you rate the access to information regarding the upcoming tenders to be announced by your municipality?
Ferizaj/Uroševac	**3.47**	**3.71**	**3.77**	**2.88**
Ferizaj/Uroševac	3.81	3.80	3.75	3.02
Hani i Elezit/Elez Han	3.50	3.59	3.98	2.70
Kaçanik/Kačanik	2.84	3.42	3.85	2.78
Shtime/Štimlje	3.74	3.97	3.56	2.48
Shtrpcë/Štrpce	3.45	3.76	3.71	3.43
Gjakovë/Đakovica	**3.41**	**3.49**	**3.48**	**3.34**
Gjakovë/Đakovica	4.31	4.08	4.00	3.92
Junik	3.16	3.66	3.72	3.49
Malishevë/Mališevo	2.76	2.72	2.71	2.61
Gjilan/Gnjilane	**3.40**	**3.42**	**3.23**	**2.73**
Gjilan/Gnjilane	3.05	3.06	3.10	1.89
Kamenicë/Kamenica	3.46	3.57	3.57	2.31
Klokot/Kllokot	3.44	3.63	2.83	2.43
Novobërdë/Novo Brdo	2.87	3.29	2.93	2.69
Parteš/Partesh	3.55	3.65	3.59	3.33
Ranilug/Ranillug	2.64	2.80	2.76	2.74
Viti/Vitina	4.80	3.98	3.80	3.76
Pejë/Peć	**2.87**	**3.12**	**2.92**	**2.35**
Deçan/Dečani	2.93	3.03	2.60	2.10
Istog/Istok	2.93	3.27	3.09	2.25
Klinë/Klina	2.99	3.10	3.04	2.68
Pejë/Peć	2.63	3.10	2.95	2.39

Region	How do you rate the access to information on the municipal budget?	How do you rate the access to information about local regulations?	How do you rate the access to information regarding local business licenses for business operation?	How would you rate the access to information regarding the upcoming tenders to be announced by your municipality?
Mitrovicë/Mitrovica	**2.69**	**2.83**	**2.88**	**2.51**
Leposavić/Leposaviq	2.31	2.28	2.96	1.96
Severna Mitrovica/Mitrovicë e Veriut	2.90	3.09	2.68	2.11
Mitrovicë/Mitrovica	3.06	3.55	3.45	3.34
Skenderaj/Srbica	3.23	3.32	3.31	3.15
Vushtrri/Vučitrn	3.29	3.42	3.83	3.14
Zubin Potok	2.07	2.12	2.14	2.20
Zvečan/Zveçan	2.00	2.05	1.78	1.65
Prishtinë/Priština	**3.12**	**3.36**	**3.39**	**2.68**
Gllogoc/Glogovac	1.93	2.57	3.09	1.81
Fushë Kosovë/Kosovo Polje	3.81	3.82	3.93	3.48
Gračanica/Graçanicë	3.09	3.02	2.94	2.35
Lipjan/Lipljan	4.24	4.16	4.21	4.13
Obiliq/Obilić	2.98	3.65	3.64	2.18
Podujevë/Podujevo	2.75	3.24	3.34	2.59
Prishtinë/Priština	3.05	3.10	2.59	2.19
Prizren	**4.24**	**3.51**	**3.21**	**4.09**
Dragash/Dragaš	7.47	4.12	2.85	9.27
Mamushë/Mamuşa	3.37	3.47	3.86	3.18
Prizren	3.11	3.27	2.98	2.83
Rahovec/Orahovac	4.50	3.98	3.76	3.68
Dragash/Dragaš	2.76	2.70	2.61	1.47

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 open 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 levels also the expectations of each.

This sub-index assesses two important dimensions as far as local government – business 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, Gjakovë/Đakovica received the highest score (9.67) and is the best performer. Similar to the previous year, Viti/Vitina (9.31) and Lipjan/Lipljan (9.17) are among the best performers, joined by Rahovec/Orahovac (9.22) and Klokot/Kllokot (7.03).

The average ranking of the component questions of sub-index 3 are presented in the 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 2.68 out of the maximum of 5 which is a drop of almost 0.2 points from last year. Businesses' actual participation in public debates is not satisfactory and has received the lowest score (1.93).

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

	0.0-1.0	1.0-2.0	2.0-3.0	3.0-4.0	4.0-5.0	5.0-6.0	6.0-7.0	7.0-8.0	8.0-9.0	9.0-10.0

Table 4.3.1

PARTICIPATION AND PREDICTABILITY, BEST PERFORMING MUNICIPALITIES

Figure 4.3.1

ALL MUNICIPALITIES PERFORMING

4.94 NATIONAL AVERAGE
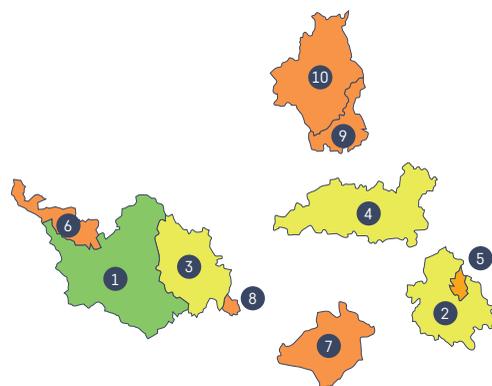
	MUNICIPALITY	SUB-INDEX 3: PARTICIPATION AND PREDICTABILITY
1	Gjakovë/Đakovica	9.67
2	Viti/Vitina	9.31
3	Rahovec/Orahovac	9.22
4	Lipjan/Lipljan	9.17
5	Klokot/Kllokot	7.03
6	Junik	6.45
7	Štrpce/Shtërpcë	6.45
8	Mamushë/Mamuşa	6.40
9	Obiliq/Obilić	6.32
10	Vushtrri/Vučitrn	6.01

SOURCE: MCI 2019, AUTHORS' CALCULATIONS.

MUNICIPALITY	MCI
Gjakovë/Đakovica	9.67
Viti/Vitina	9.31
Rahovec/Orahovac	9.22
Lipjan/Lipljan	9.17
Klokot/Kllokot	7.03
Štrpce/Shtërpcë	6.45
Fushë Kosovë/ Kosovo Polje	6.45
Mamushë/Mamuşa	6.40
Obiliq/Obilić	6.32
Vushtrri/Vučitrn	6.01
Skenderaj/Srbica	5.73
Mitrovicë/Mitrovica	5.73
Parteš/Partesh	5.61
Hani i Elezit/Elez Han	5.53
Shtime/Štimlje	5.48
Prishtinë/Priština	5.36
Istog/Istok	5.17
Junik	5.14
Suharekë/Suva Reka	5.12
Severna Mitrovica/Mitrovicë e Veriut	4.88
Klinë/Klina	4.39
Kamenicë/Kamenica	4.22
Podujevë/Podujevo	4.22
Deçan/Dečani	3.76
Pejë/Peć	3.74
Prizren	3.66
Ferizaj/Uroševac	3.60
Dragash/Dragaš	3.55
Gjilan/Gnjilane	3.53
Novobërdë/Novo Brdo	3.50
Zubin Potok	3.01
Leposavić/Leposaviq	2.95
Kaçanik/Kačanik	2.85
Gllogoc/Glogovac	2.64
Zvečan/Zveçan	2.28
Malishevë/Mališevo	2.26
Gračanica/Graçanicë	1.90
Ranilug/Ranillug	1.71

The average ranking of the component questions of sub-index 3 are presented in the 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 2.68 out of the maximum of 5 which is a drop of almost 0.2 points from last year. Businesses' actual participation in public debates is not satisfactory and has received the lowest score (1.93).

Results from the table below show that there is somewhat dissatisfactory performance of local administrations in actively involving businesses and when it comes to coop-eration 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 last year, and suggest that the local government – private sector cooperation is a country wide issue.

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

SUB- INDEX: PARTICIPATION AND 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)	2.68
How often have you participated in public debates that are organized by the municipality? (1- never, 5- always)	1.93
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)	2.62
How often do you expect municipal regulations to be implemented? (1- never, 5- always)	2.90
Are you informed on time about municipal public debates related to changes on municipal policies, rules and regulations? (1- never, 5- always)	2.45

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

	Municipality	Are you informed on time about the changes in administrative regulations and instructions from the municipality? (1- never, 5- always)	How often have you participated in public debates that are organized by the municipality? (1- never, 5- always)	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)	How often do you expect municipal regulations to be implemented? (1- never, 5- always)	Are you informed on time about municipal public debates related to changes on municipal policies, rules and regulations? (1- never, 5- always)
Region	**Ferizaj/Uroševac**	**2.72**	**1.91**	**2.54**	**3.03**	**2.50**
	Ferizaj/Uroševac	2.45	2.14	2.30	2.26	2.15
	Hani i Elezit/Elez Han	3.01	2.21	2.85	2.85	2.84
	Kaçanik/Kačanik	2.31	1.37	1.97	2.56	1.91
	Shtime/Štimlje	3.12	1.75	2.17	3.63	2.91
	Štrpce/Shtërpcë	2.69	2.08	3.42	3.84	2.71
Region	**Gjakovë/Đakovica**	**3.12**	**2.40**	**3.11**	**3.12**	**2.80**
	Gjakovë/Đakovica	4.06	4.04	3.90	3.78	3.71
	Junik	3.73	1.75	2.99	3.17	3.25
	Malishevë/Mališevo	1.58	1.40	2.45	2.41	1.42
Region	**Gjilan/Gnjilane**	**2.86**	**1.93**	**2.75**	**2.94**	**2.50**
	Gjilan/Gnjilane	2.48	1.67	2.01	2.66	2.25
	Kamenicë/Kamenica	2.19	1.70	2.40	2.95	2.62
	Klokot/Kllokot	3.51	1.09	3.62	3.81	3.31
	Novobërdë/Novo Brdo	2.50	1.28	2.26	2.69	2.20
	Parteš/Partesh	3.41	2.39	2.82	2.94	2.40
	Ranilug/Ranillug	1.71	1.25	2.13	2.06	1.45
	Viti/Vitina	4.24	4.11	4.02	3.47	3.24
Region	**Pejë/Peć**	**2.44**	**1.98**	**2.51**	**2.95**	**2.14**
	Deçan/Dečani	2.07	2.02	2.53	2.84	1.88
	Istog/Istok	2.48	2.50	2.92	3.07	2.31
	Klinë/Klina	2.80	1.73	2.48	2.83	2.34
	Pejë/Peć	2.40	1.66	2.12	3.08	2.03
Region	**Mitrovicë/Mitrovica**	**2.54**	**1.78**	**2.50**	**2.82**	**2.50**
	Leposavić/Leposaviq	1.71	1.42	2.33	3.00	1.66
	Severna Mitrovica/Mitrovicë e Veriut	2.64	1.35	2.94	3.07	2.66
	Mitrovicë/Mitrovica	3.54	1.93	2.60	2.76	3.21
	Skenderaj/Srbica	2.99	2.65	2.81	2.88	2.79
	Vushtrri/Vučitrn	3.25	1.60	2.73	3.37	3.28
	Zubin Potok	1.81	1.42	2.27	2.90	1.82
	Zvečan/Zveçan	1.86	2.07	1.85	1.74	2.06
Region	**Prishtinë/Priština**	**2.74**	**2.06**	**2.69**	**3.03**	**2.44**
	Gllogoc/Glogovac	1.69	1.11	2.21	2.77	1.89
	Fushë Kosovë/Kosovo Polje	2.38	1.69	2.65	3.52	2.77
	Gračanica/Graçanicë	2.01	1.60	2.01	1.91	1.46
	Lipjan/Lipljan	4.19	3.69	3.65	3.61	3.67
	Obiliq/Obilić	3.36	2.08	3.39	3.38	2.50
	Podujevë/Podujevo	2.55	1.98	2.23	2.97	2.27
	Prishtinë/Priština	3.02	2.29	2.64	3.04	2.56
Rajoni	**Prizren**	**2.89**	**2.29**	**2.91**	**3.04**	**2.69**
	Dragash/Dragaš	2.32	1.63	2.14	2.84	2.11
	Mamushë/Mamuşa	2.89	1.66	3.68	3.22	3.19
	Prizren	2.45	1.64	2.27	2.54	2.32
	Rahovec/Orahovac	4.00	3.96	3.89	3.70	3.34
	Suharekë/Suva Reka	2.77	2.58	2.55	2.93	2.48

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS.

SUB-INDEX 4:
TIME COST

LLocal 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 do 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.

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 ten 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 Leposavić/Leposaviq (9.93) is ranked as a top performer with the highest score of 9.93 out of 10, followed by Severna Mitrovica/Mitrovicë e Veriut (9.57) and Viti/Vitina (9.39).

At the bottom of the list the worst performing municipalities are different from the last year. The lowest performing municipalities are Skenderaj/Srbica (1.38), Istog/Istok (3.8) and Shtime/Štimlje (6.33). The figure 4.4.1 visualizes the full sub-index ranking.

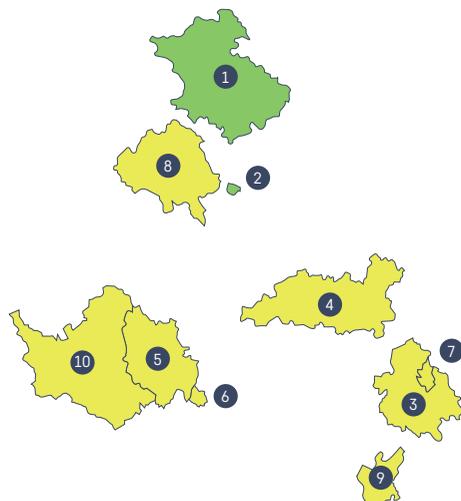| 0.0-1.0 | 1.0-2.0 | 2.0-3.0 | 3.0-4.0 | 4.0-5.0 | 5.0-6.0 | 6.0-7.0 | 7.0-8.0 | 8.0-9.0 | 9.0-10.0 |

Table 4.4.1
TIME COST - BEST PERFORMING MUNICIPALITIES

	MUNICIPALITY	SUB-INDEX 4: TIME COST
1	Leposavić/Leposaviq	9.93
2	Severna Mitrovica/ Mitrovicë e Veriut	9.57
3	Viti/Vitina	9.39
4	Lipjan/Lipljan	9.27
5	Rahovec/Orahovac	9.22
6	Mamushë/Mamuşa	9.21
7	Klokot/Kllokot	9.16
8	Zubin Potok	9.09
9	Hani i Elezit/Elez Han	9.04
10	Gjakovë/Đakovica	8.88

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS.

Figure 4.4.1
TIME COSTS SUB-INDEX SCORE

8.10 NATIONAL AVERAGE

MUNICIPALITY	MCI
Leposavić/Leposaviq	9.93
Severna Mitrovica/Mitrovicë e Veriut	9.57
Viti/Vitina	9.39
Lipjan/Lipljan	9.27
Rahovec/Orahovac	9.22
Mamushë/Mamuşa	9.21
Klokot/Kllokot	9.16
Zubin Potok	9.09
Hani i Elezit/Elez Han	9.04
Gjakovë/Đakovica	8.88
Prishtinë/Priština	8.82
Novobërdë/Novo Brdo	8.77
Ferizaj/Uroševac	8.71
Malishevë/Mališevo	8.66
Pejë/Peć	8.61
Zvečan/Zveçan	8.53
Kamenicë/Kamenica	8.50
Suharekë/Suva Reka	8.50
Obiliq/Obilić	8.48
Gllogoc/Glogovac	8.38
Dragash/Dragaš	8.32
Ranilug/Ranillug	8.30
Kaçanik/Kačanik	8.29
Gračanica/Graçanicë	8.20
Štrpce/Shtërpcë	8.19
Prizren	8.16
Fushë Kosovë/ Kosovo Polje	8.13
Vushtrri/Vučitrn	7.98
Parteš/Partesh	7.72
Mitrovicë/Mitrovica	7.71
Klinë/Klina	7.64
Gjilan/Gnjilane	7.58
Junik	7.50
Podujevë/Podujevo	7.30
Deçan/Dečani	6.71
Shtime/Štimlje	6.33
Istog/Istok	3.80
Skenderaj/Srbica	1.38

each indicator that was used to construct this sub-index. On average businesses in Kosovo spend on average 4.73 days during the year for formal meetings with local public officials, which is almost a day less than the previous year. The number of visits by inspectors on average remains more or less the same; businesses have on average 4.46 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 frequent on average 2.15 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. The data for this year show that businesses in Shtime/Štimlje, Istog/Istok and Skenderaj/Srbica are visited by local inspectors throughout the year on average two times more than the national average.

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

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?	4.73
How many times during the year have you been visited by different inspectors?	4.69
On average, how many offices do you need to visit within a year to fulfil your obligations towards the municipality?	2.15

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 by 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**	**3.65**	**4.74**	**2.09**
	Ferizaj/Uroševac	2.85	1.50	1.80
	Hani i Elezit/Elez Han	2.10	1.53	1.37
	Kaçanik/Kačanik	2.16	4.17	2.15
	Shtime/Štimlje	7.72	7.68	3.89
	Štrpce/Shtërpcë	3.43	8.81	1.24
Region	**Gjakovë/Đakovica**	**2.67**	**3.73**	**1.68**
	Gjakovë/Đakovica	1.80	1.84	1.63
	Junik	3.20	4.83	2.12
	Malishevë/Mališevo	3.01	4.51	1.30
Region	**Gjilan/Gnjilane**	**3.40**	**3.00**	**1.81**
	Gjilan/Gnjilane	8.10	2.92	2.55
	Kamenicë/Kamenica	3.46	5.05	1.39
	Klokot/Kllokot	1.37	0.11	1.55
	Novobërdë/Novo Brdo	1.62	2.69	1.70
	Parteš/Partesh	2.60	5.93	2.74
	Ranilug/Ranillug	5.64	3.28	1.68
	Viti/Vitina	1.04	1.04	1.04
Region	**Pejë/Peć**	**10.37**	**5.41**	**3.22**
	Deçan/Dečani	14.54	3.57	2.78
	Istog/Istok	21.16	10.00	5.44
	Klinë/Klina	3.99	4.72	2.85
	Pejë/Peć	1.79	3.36	1.82

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 by different inspectors?	On average, how many offices do you need to visit within a year to fulfil your obligations towards the municipality?
Region	**Mitrovicë/Mitrovica**	**6.16**	**6.61**	**1.94**
	Leposavić/Leposaviq	0.48	0.74	0.26
	Severna Mitrovica/Mitrovicë e Veriut	0.98	0.17	0.90
	Mitrovicë/Mitrovica	3.45	7.71	2.28
	Skenderaj/Srbica	29.42	28.07	4.79
	Vushtrri/Vučitrn	3.30	5.90	2.16
	Zubin Potok	3.70	0.51	1.19
	Zvečan/Zveçan	1.79	3.17	1.99
Region	**Prishtinë/Priština**	**3.58**	**4.22**	**1.91**
	Gllogoc/Glogovac	3.67	3.17	1.92
	Fushë Kosovë/Kosovo Polje	3.70	7.71	2.59
	Gračanica/Graçanicë	4.01	4.38	1.94
	Lipjan/Lipljan	1.22	1.32	1.16
	Obiliq/Obilić	3.96	3.54	1.62
	Podujevë/Podujevo	6.78	5.00	2.89
	Prishtinë/Priština	1.71	4.44	1.27
Region	**Prizren**	**2.11**	**2.79**	**1.75**
	Dragash/Dragaš	3.76	4.00	1.85
	Mamushë/Mamuša	1.04	2.91	1.00
	Prizren	2.49	3.00	2.55
	Rahovec/Orahovac	1.21	1.23	1.27
	Suharekë/Suva Reka	2.06	2.80	2.06

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS.

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 as 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 (2020) 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 Mamushë/Mamuşa received the highest score of 7.54 for the sub-index, followed by Gllogoc/Glogovac (7.50) and Malishevë/Mališevo (7.40). The ranking of the top performers as far as taxes and fees are concerned has slightly changed from the last year.

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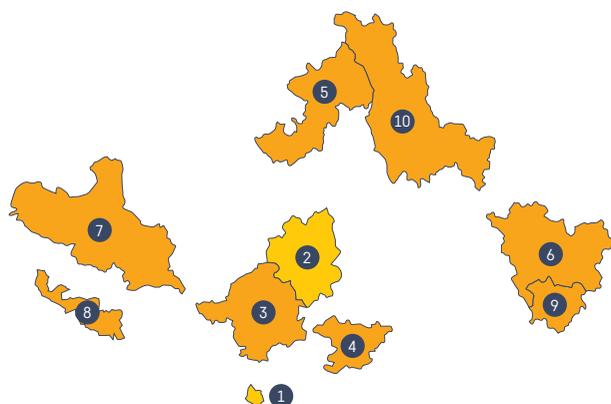| | | 0.0-1.0 | 1.0-2.0 | 2.0-3.0 | 3.0-4.0 | 4.0-5.0 | 5.0-6.0 | 6.0-7.0 | 7.0-8.0 | 8.0-9.0 | 9.0-10.0 |

TAXES AND FEES, BEST PERFORMING MUNICIPALITIES

Table 4.5.1

MUNICIPALITY	SUB-INDEX 5: TAXES AND FEES
1 Mamushë/Mamuşa	7.54
2 Gllogoc/Glogovac	7.50
3 Malishevë/Mališevo	7.40
4 Shtime/Štimlje	7.17
5 Mitrovicë/Mitrovica	6.91
6 Kamenicë/Kamenica	6.81
7 Pejë/Peć	6.68
8 Junik	6.68
9 Ranilug/Ranillug	6.61
10 Podujevë/Podujevo	6.58

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS

TAXES AND FEES

Figure 4.5.1

5.91 NATIONAL AVERAGE

MUNICIPALITY	MCI
Mamushë/Mamuşa	7.54
Gllogoc/Glogovac	7.50
Malishevë/Mališevo	7.40
Shtime/Štimlje	7.17
Mitrovicë/Mitrovica	6.91
Kamenicë/Kamenica	6.81
Fushë Kosovë/ Kosovo Polje	6.68
Pejë/Peć	6.68
Ranilug/Ranillug	6.61
Podujevë/Podujevo	6.58
Gračanica/Graçanicë	6.57
Hani i Elezit/Elez Han	6.54
Parteš/Partesh	6.53
Viti/Vitina	6.43
Prishtinë/Priština	6.26
Rahovec/Orahovac	6.21
Obiliq/Obilić	6.17
Dragash/Dragaš	6.15
Gjakovë/Đakovica	6.09
Skenderaj/Srbica	6.08
Istog/Istok	6.04
Deçan/Dečani	5.93
Gjilan/Gnjilane	5.92
Vushtrri/Vučitrn	5.90
Novobërdë/Novo Brdo	5.89
Klinë/Klina	5.82
Lipjan/Lipljan	5.70
Zveçan/Zvečan	5.64
Prizren	5.51
Ferizaj/Uroševac	5.46
Junik	5.43
Štrpce/Shtërpcë	5.05
Suharekë/Suva Reka	4.89
Kaçanik/Kačanik	4.65
Klokot/Kllokot	3.80
Severna Mitrovica/Mitrovicë e Veriut	3.52
Zubin Potok	3.52
Leposavić/Leposaviq	3.16

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 72.08% of sales for taxation purposes compared to around 80% from the last year. The extent to which firms consider informal communication with municipal officials as acceptable has also increased from the 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 2.96 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 the 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

INDICATOR: TAXES AND FEES	NATIONAL AVERAGE
What percentage of annual sales, an enterprise in your business sector declares for taxation purposes? (Avg.)	72.08%
Informal communication with municipal officials is accepted. (1- do not agree at all, 5- agree fully)	2.96
Taxation and municipal taxes are a huge barrier for the business. (1- do not agree at all, 5- agree fully)	3.27
How do you evaluate the level of municipal fines? (1-Very low, 5- Very high)	3.40

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

	What percentage of annual sales, an enterprise in your business sector declares for taxation purposes? (Avg.)	Informal communication with municipal officials is accepted. (1- do not agree at all, 5- agree fully)	Taxation and municipal taxes are a huge barrier for the business. (1- do not agree at all, 5- agree fully)	How do you evaluate the level of municipal fines? (1- Very low, 5- Very high)
Region	**Ferizaj/Uroševac**	**60.33**	**3.01**	**2.85**	**3.15**
Ferizaj/Uroševac	80.85	2.93	3.22	2.70
Hani i Elezit/Elez Han	93.14	3.28	3.31	3.56
Kaçanik/Kačanik	39.01	2.60	2.89	2.45
Shtime/Štimlje	83.69	2.52	2.74	3.43
Štrpce/Shtërpcë	4.98	3.71	2.12	3.60
Region	**Gjakovë/Đakovica**	**91.47**	**2.93**	**3.57**	**3.66**
Gjakovë/Đakovica	100.00	4.00	4.04	3.95
Junik	82.99	2.71	2.88	3.26
Malishevë/Mališevo	91.43	2.07	3.78	3.77
Region	**Gjilan/Gnjilane**	**71.38**	**3.12**	**3.57**	**3.59**
Gjilan/Gnjilane	72.00	3.37	3.55	3.65
Kamenicë/Kamenica	64.93	1.55	3.61	3.39
Kllokot/Klokot	7.50	3.86	2.62	3
Novobërdë/Novo Brdo	80.22	3.20	3.73	3.49
Parteš/Partesh	92.11	3.53	3.83	4.02
Ranilug/Ranillug	82.87	2.69	3.94	3.80
Viti/Vitina	100.00	3.62	3.69	3.77
Region	**Pejë/Peć**	**67.22**	**3.15**	**3.12**	**3.53**
Deçan/Dečani	48.62	2.93	2.80	3.4
Istog/Istok	49.50	3.36	2.60	3.62
Klinë/Klina	94.43	3.66	3.35	3.25
Pejë/Peć	76.33	2.66	3.74	3.83

	What percentage of annual sales, an enterprise in your business sector declares for taxation purposes? (Avg.)	Informal communication with municipal officials is accepted. (1- do not agree at all, 5- agree fully)	Taxation and municipal taxes are a huge barrier for the business. (1- do not agree at all, 5- agree fully)	How do you evaluate the level of municipal fines? (1-Very low, 5- Very high)
Region	**Mitrovicë/Mitrovica**	**39.23**	**2.92**	**3.25**	**3.09**
Leposavić/Leposaviq	11.32	3.28	3.04	2.33
Severna Mitrovica/Mitrovicë e Veriut	4.97	3.71	2.72	2.8
Mitrovicë/Mitrovica	88.92	2.42	2.87	3.15
Skenderaj/Srbica	71.00	3.10	3.32	3.51
Vushtrri/Vučitrn	45.84	2.22	2.94	3.07
Zubin Potok	8.73	3.64	3.28	3
Region	**Prishtinë/Priština**	**77.20**	**2.89**	**3.16**	**3.36**
Gllogoc/Glogovac	72.70	2.99	1.58	3.5
Fushë Kosovë/Kosovo Polje	42.49	1.95	2.56	2.40
Gračanica/Graçanicë	81.82	2.71	2.80	3.15
Lipjan/Lipljan	100.00	4.34	4.18	3.94
Obiliq/Obilić	87.91	2.88	4.09	3.57
Podujevë/Podujevo	80.48	2.94	2.78	3.31
Prishtinë/Priština	75.00	2.41	4.16	3.62
Rajoni	**Prizren**	**86.22**	**3.15**	**3.42**	**3.31**
Dragash/Dragaš	99.37	3.33	3.81	3.46
Mamushë/Mamuşa	99.80	2.01	2.49	2.97
Prizren	79.33	2.96	3.57	2.99
Rahovec/Orahovac	100.00	3.90	3.71	3.79
Suharekë/Suva Reka	52.59	3.57	3.51	3.33

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 governments and whether the municipality where they operate has a business support office for promoting investment opportunities in that municipality.

Overall this sub-index 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 2019. The highest index score is 6.37 and belongs to the municipality of Istog/Istok (6.37) followed by Deçan/Dečani (5.81) and Leposavić/Leposaviq (5.74). The list of top ten 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 from the bottom Dragash/Dragaš (2.03) Skenderaj/Srbica (2.37) and Novobërdë/Novo Brdo (2.44) (figure 4.6.1).

Legend scale:

| 0.0-1.0 | 1.0-2.0 | 2.0-3.0 | 3.0-4.0 | 4.0-5.0 | 5.0-6.0 | 6.0-7.0 | 7.0-8.0 | 8.0-9.0 | 9.0-10.0 |

Table 4.6.1 — LOCAL ADMINISTRATION, BEST PERFORMING MUNICIPALITIES
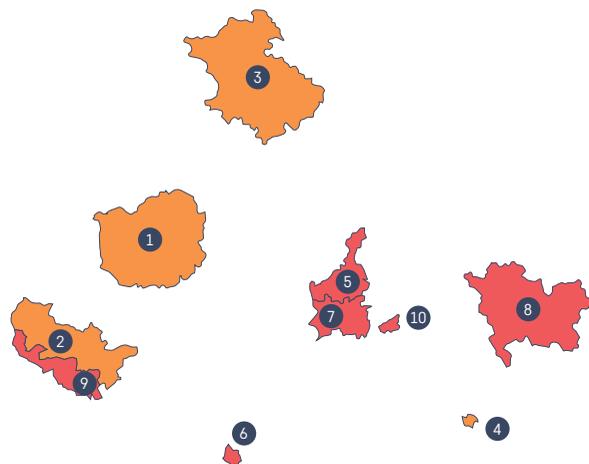
	MUNICIPALITY	SUB-INDEX 6: LOCAL ADMINISTRATION
1	Istog/Istok	6.37
2	Deçan/Dečani	5.81
3	Leposavić/Leposaviq	5.74
4	Parteš/Partesh	5.68
5	Obiliq/Obilić	5.32
6	Mamushë/Mamuşa	4.89
7	Fushë Kosovë/ Kosovo Polje	4.72
8	Kamenicë/Kamenica	4.69
9	Junik	4.63
10	Gračanica/Graçanicë	4.57

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS

Figure 4.6.1 — LOCAL ADMINISTRATION SUB-INDEX SCORE

3.94 NATIONAL AVERAGE

MUNICIPALITY	MCI
Istog/Istok	6.37
Deçan/Dečani	5.81
Leposavić/Leposaviq	5.74
Parteš/Partesh	5.68
Obiliq/Obilić	5.32
Mamushë/Mamuşa	4.89
Junik	4.72
Kamenicë/Kamenica	4.69
Fushë Kosovë/ Kosovo Polje	4.63
Gračanica/Graçanicë	4.57
Prizren	4.50
Ferizaj/Uroševac	4.50
Mitrovicë/Mitrovica	4.42
Vushtrri/Vučitrn	4.38
Suharekë/Suva Reka	4.22
Klokot/Kllokot	4.20
Shtime/Štimlje	4.12
Hani i Elezit/Elez Han	4.07
Severna Mitrovica/Mitrovicë e Veriut	4.03
Štrpce/Shtërpcë	4.01
Gllogoc/Glogovac	3.98
Prishtinë/Priština	3.65
Kaçanik/Kačanik	3.59
Rahovec/Orahovac	3.47
Podujevë/Podujevo	3.40
Lipjan/Lipljan	3.23
Klinë/Klina	3.19
Gjakovë/Đakovica	3.15
Viti/Vitina	3.09
Zvečan/Zveçan	2.98
Malishevë/Mališevo	2.97
Zubin Potok	2.97
Ranilug/Ranillug	2.96
Pejë/Peć	2.95
Gjilan/Gnjilane	2.53
Novobërdë/Novo Brdo	2.44
Skenderaj/Srbica	2.37
Dragash/Dragaš	2.03

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 3.36, indicating moderate level of professionalism. However, only 1.7% of all surveyed businesses claimed to have bribed local officials in the past which is an improvement from the last year. In addition, businesses indicated that bribing local officials is relatively inefficient as the average score on this issue was 2.93 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 2019 and the efficiency of bribing officials was rated with 2.8. Number of firms that benefited from local subsidies is relatively small (5.6 slightly lower than 2019), while 23% of them declared that they are aware that in their municipalities there are special offices for promoting business and investment opportunities which is an increase of 4 percentage points. Connections seem to be perceived, to some extent, as important for getting public tenders as the average score at the national level is 3.49 (compared to the last year's 3.6) on a scale from 1 to 5, where 1 is 'do not agree at all' and 5 is 'fully agree' (table 4.6.2).

The disaggregated data at the regional level are presented in table 4.6.3.

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

SUB- INDEX: LOCAL ADMINISTRATION	NATIONAL AVERAGE
How do you rate the professional level of local officials?	3.36
Have your ever bribed local officials?	1.7%
How efficient is bribing of local officials to obtain public services?	2.93
Did your company benefit from local subsidies during the last 3 years?	5.6%
Does your municipality have a special office for promoting investment opportunities?	23%
Connections are important to get public tenders at local level.	3.49

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

Region		How do you rate the professional level of local officials?	Have you 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**	3.31	1%	2.80	4.00%	39.00%	3.55
	Ferizaj/Uroševac	2.90	1%	2.52	5.00%	63.00%	3.40
	Hani i Elezit/Elez Han	3.36	0%	4.02	8.00%	60.00%	3.73
	Kaçanik/Kačanik	3.25	1%	2.18	1.00%	9.00%	3.31
	Shtime/Štimlje	3.41	0%	2.44	4.00%	40.00%	3.82
	Štrpce/Shtërpcë	3.66	2%	2.84	0.00%	24.00%	3.51
Region	**Gjakovë/Đakovica**	3.55	0%	3.17	2.00%	21.00%	3.47
	Gjakovë/Đakovica	3.92	0%	3.94	2.00%	2.00%	3.55
	Junik	3.69	0%	2.45	3.00%	31.00%	3.13
	Malishevë/Mališevo	3.03	0%	3.13	1.00%	29.00%	3.74
Region	**Gjilan/Gnjilane**	3.49	1%	3.33	4.00%	28.00%	3.81
	Gjilan/Gnjilane	3.45	1%	4.13	0.00%	29.00%	4.46
	Kamenicë/Kamenica	3.72	0%	2.17	8.00%	38.00%	4.01
	Klokot/Kllokot	3.80	2%	3.00	0.00%	9.00%	2.94
	Novobërdë/Novo Brdo	2.85	0%	2.89	1.00%	15.00%	3.85
	Parteš/Partesh	3.77	4%	3.39	12.00%	62.00%	3.76
	Ranilug/Ranillug	2.96	2%	3.84	1.00%	39.00%	3.87
	Viti/Vitina	3.91	0%	3.87	2.00%	5.00%	3.78
Region	**Pejë/Peć**	3.31	6%	3.25	12.00%	18.00%	3.43
	Deçan/Dečani	3.38	12%	3.35	22.00%	14.00%	3.48
	Istog/Istok	3.56	7%	2.51	20.00%	25.00%	2.90
	Klinë/Klina	3.14	4%	3.49	6.00%	13.00%	3.88
	Pejë/Peć	3.16	1%	3.65	2.00%	19.00%	3.47

Region		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	**Mitrovicë/Mitrovica**	3.35	0%	2.74	4.00%	21.00%	3.28
	Leposavić/Leposaviq	3.70	0%	1.00	10.00%	40.00%	3.44
	Severna Mitrovica/Mitrovicë e Veriut	3.39	0%	2.17	3.00%	17.00%	3.22
	Mitrovicë/Mitrovica	3.67	0%	2.43	0.00%	22.00%	2.83
	Skenderaj/Srbica	3.10	0%	3.88	1.00%	0.00%	3.16
	Vushtrri/Vučitrn	3.18	0%	2.13	8.00%	20.00%	2.90
	Zubin Potok	3.33	2%	3.70	0.00%	19.00%	3.77
	Zvečan/Zveçan	3.05	0%	3.89	7.00%	27.00%	3.66
Region	**Prishtinë/Priština**	3.33	2%	2.97	7.00%	25.00%	3.39
	Gllogoc/Glogovac	2.99	0%	1.37	0.00%	0.00%	2.27
	Fushë Kosovë/Kosovo Polje	3.56	0%	1.61	1.00%	29.00%	3.12
	Gračanica/Graçanicë	3.34	0%	2.98	4.00%	54.00%	3.12
	Lipjan/Lipljan	3.58	0%	4.08	9.00%	14.00%	3.79
	Obiliq/Obilić	3.40	11%	4.00	25.00%	17.00%	3.95
	Podujevë/Podujevo	2.97	3%	3.02	8.00%	21.00%	3.95
	Prishtinë/Priština	3.47	0%	3.75	2.00%	41.00%	3.56
Region	**Prizren**	3.49	1%	2.84	5.00%	17.00%	3.54
	Dragash/Dragaš	2.98	0%	2.67	0.00%	8.00%	4.49
	Mamushë/Mamuša	4.13	0%	1.92	0.00%	0.00%	2.52
	Prizren	2.95	0%	2.02	9.00%	49.00%	3.46
	Rahovec/Orahovac	4.06	0%	4.00	6.00%	6.00%	3.81
	Suharekë/Suva Reka	3.33	3%	3.58	12.00%	23.00%	3.42

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS.

SUB-INDEX 7: LABOR MARKET AND SUPPORT FOR BUSINESSES

Sub-index 7, Labor Market and support for businesses, is an index that addresses both labor supply and labor demand in the labor market. The sub index captures 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 sub-index has improved, as seen in the figure 4.7.1. The sub-index score at the national level is 6.09 (an increase of almost two index points from 2019) and signaling both a better match of labor demand from businesses, and an insufficient business support.

At the municipal level, the top performers are Parteš/Partesh (9.61), Hani i Elezit/Elez Han (8.86), and Prishtinë/Priština (8.16).

Table 4.7.1

LABOR AND SUPPORT SERVICES, BEST PERFORMING MUNICIPALITIES

Figure 4.7.1

LABOR MARKET AND SUPPORT FOR BUSINESSES.

6.09 NATIONAL AVERAGE
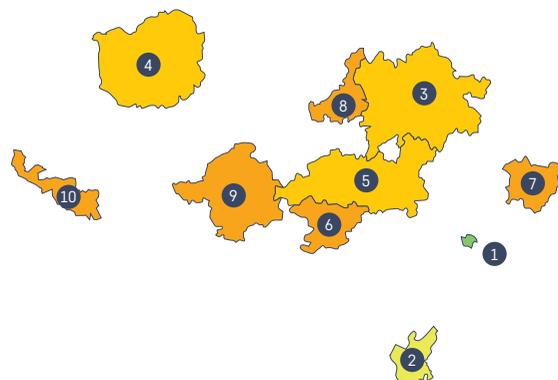
MUNICIPALITY	SUB-INDEX 7: LABOR MARKET AND SUPPORT SERVICES
1 Parteš/Partesh	9.61
2 Hani i Elezit/Elez Han	8.86
3 Prishtinë/Priština	8.16
4 Istog/Istok	7.72
5 Lipjan/Lipljan	7.70
6 Shtime/Štimlje	7.48
7 Ranilug/Ranillug	7.40
8 Obiliq/Obilić	7.34
9 Malishevë/Mališevo	7.01
10 Junik	6.90

SOURCE: MCI 2020, AUTHORS' CALCULATIONS

MUNICIPALITY	MCI
Parteš/Partesh	9.61
Hani i Elezit/Elez Han	8.86
Prishtinë/Priština	8.16
Istog/Istok	7.72
Lipjan/Lipljan	7.70
Shtime/Štimlje	7.48
Ranilug/Ranillug	7.40
Obiliq/Obilić	7.34
Malishevë/Mališevo	7.01
Fushë Kosovë/ Kosovo Polje	6.90
Gjilan/Gnjilane	6.80
Gjakovë/Đakovica	6.55
Leposavić/Leposaviq	6.44
Zubin Potok	6.37
Suharekë/Suva Reka	6.30
Deçan/Dečani	6.28
Štrpce/Shtërpcë	6.24
Mitrovicë/Mitrovica	6.19
Kamenicë/Kamenica	5.92
Novobërdë/Novo Brdo	5.88
Zvečan/Zveçan	5.86
Ferizaj/Uroševac	5.80
Rahovec/Orahovac	5.75
Gllogoc/Glogovac	5.75
Junik	5.71
Dragash/Dragaš	5.58
Gračanica/Graçanicë	5.50
Viti/Vitina	5.49
Prizren	5.33
Kaçanik/Kačanik	5.15
Klokot/Kllokot	5.08
Severna Mitrovica/Mitrovicë e Veriut	5.05
Pejë/Peć	5.03
Podujevë/Podujevo	5.02
Vushtrri/Vučitrn	4.49
Klinë/Klina	4.02
Skenderaj/Srbica	3.20
Mamushë/Mamuşa	2.42

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 2019.

Businesses rate the quality of education of the local labor market at the national level at an average of 3.27 (3.4 in 2019). 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 3.29 (3.4 in 2019).

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 43.57 percent of the businesses interviewed said that the municipalities in which they are based offer business support services (7 percentage point increase from 2019). Around a third of those that are aware of the support offered for businesses, have actually relied on such services.

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

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)	3.27
How do you rate the quality of vocational training of the workers that the local market offers? (1- very low, 5- excellent)	3.29
Does your municipality offer supporting services for businesses? (% yes)	43.57%
If yes, did you ever rely on these services that the municipality offers? (% yes)	37.88%

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

Region		How do you rate the quality of education of workers that the local labor market offers? (1- very low, 5- excellent)	How do you rate the quality of vocational training of the workers that the local market offers? (1- very low, 5- excellent)	Does your municipality offer supporting services for businesses? (% yes)	If yes, did you ever rely on these services that the municipality offers? (% yes)
Region	**Ferizaj/Uroševac**	**3.35**	**3.37**	**54%**	**33%**
	Ferizaj/Uroševac	2.94	2.92	56%	37%
	Hani i Elezit/Elez Han	3.94	3.89	80%	29%
	Kaçanik/Kačanik	3.07	3.23	17%	33%
	Shtime/Štimlje	3.29	3.41	81%	60%
	Shtrpce/Shtërpcë	3.49	3.38	37%	8%
Region	**Gjakovë/Đakovica**	**3.54**	**3.55**	**38%**	**45%**
	Gjakovë/Đakovica	3.57	3.55	19%	14%
	Junik	3.19	3.48	70%	63%
	Malishevë/Mališevo	3.85	3.61	26%	58%
Region	**Gjilan/Gnjilane**	**3.39**	**3.42**	**48%**	**39%**
	Gjilan/Gnjilane	3.28	3.25	77%	21%
	Kamenicë/Kamenica	3.07	3.25	37%	49%
	Klokot/Kllokot	3.34	3.29	5%	23%
	Novobërdë/Novo Brdo	2.79	2.88	93%	85%
	Parteš/Partesh	4.03	3.96	84%	27%
	Ranilug/Ranillug	3.79	3.92	37%	63%
	Viti/Vitina	3.44	3.40	4%	1%
Region	**Pejë/Peć**	**3.49**	**3.47**	**25%**	**37%**
	Deçan/Dečani	3.70	3.63	13%	48%
	Istog/Istok	3.73	3.77	51%	47%
	Klinë/Klina	3.34	3.30	19%	42%
	Pejë/Peć	3.18	3.17	16%	10%

Region		How do you rate the quality of education of workers that the local labor market offers? (1- very low, 5- excellent)	How do you rate the quality of vocational training of the workers that the local market offers? (1- very low, 5- excellent)	Does your municipality offer supporting services for businesses? (% yes)	If yes, did you ever rely on these services that the municipality offers? (% yes)
Region	**Mitrovicë/Mitrovica**	**3.11**	**3.03**	**43%**	**35%**
	Leposavić/Leposaviq	3.32	3.23	63%	79%
	Severna Mitrovica/Mitrovicë e Veriut	3.20	3.12	21%	30%
	Mitrovicë/Mitrovica	2.91	3.13	81%	51%
	Skenderaj/Srbica	2.88	2.53	0%	0%
	Vushtrri/Vučitrn	2.96	2.92	23%	32%
	Zubin Potok	3.50	3.42	33%	50%
	Zvečan/Zveçan	2.99	2.90	80%	0%
Region	**Prishtinë/Priština**	**3.22**	**3.34**	**50%**	**27%**
	Gllogoc/Glogovac	2.85	2.89	84%	53%
	Fushë Kosovë/ Kosovo Polje	3.33	3.32	28%	21%
	Gračanica/Graçanicë	3.01	3.08	50%	23%
	Lipjan/Lipljan	3.72	3.92	28%	4%
	Obiliq/Obilić	3.13	3.45	67%	42%
	Podujevë/Podujevo	2.99	3.16	19%	41%
	Prishtinë/Priština	3.51	3.56	73%	7%
Rajoni	**Prizren**	**3.13**	**3.13**	**21%**	**36%**
	Dragash/Dragaš	3.41	3.43	9%	90%
	Mamushë/Mamuşa	2.46	2.40	0%	0%
	Prizren	2.88	3.03	49%	56%
	Rahovec/Orahovac	3.52	3.44	6%	0%
	Suharekë/Suva Reka	3.38	3.38	39%	32%

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS.

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 Gračanica/Graçanicë tops the list with an average sub-index score of 8.55 points, followed by Vushtrri/Vučitrn (8.52) and Istog/Istok (7.50).

The full ranking in all 38 municipalities is provided in the figure 4.8.1.

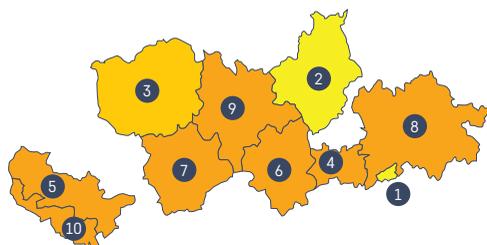| 0.0-1.0 | 1.0-2.0 | 2.0-3.0 | 3.0-4.0 | 4.0-5.0 | 5.0-6.0 | 6.0-7.0 | 7.0-8.0 | 8.0-9.0 | 9.0-10.0 |

Table 4.8.1

LOCAL INFRASTRUCTURE, BEST PERFORMING MUNICIPALITIES

Figure 4.8.1

LOCAL INFRASTRUCTURE SUB-INDEX SCORE

6.53 NATIONAL AVERAGE

MUNICIPALITY	MCI
Gračanica/Graçanicë	8.55
Vushtrri/Vučitrn	8.52
Istog/Istok	7.50
Junik	7.30
Deçan/Dečani	7.17
Klinë/Klina	7.14
Gllogoc/Glogovac	7.14
Prishtinë/Priština	7.09
Skenderaj/Srbica	6.81
Fushë Kosovë/ Kosovo Polje	6.78
Pejë/Peć	6.75
Rahovec/Orahovac	6.66
Lipjan/Lipljan	6.60
Prizren	6.54
Shtime/Štimlje	6.49
Mitrovicë/Mitrovica	6.47
Gjakovë/Đakovica	6.46
Leposavić/Leposaviq	6.44
Viti/Vitina	6.37
Podujevë/Podujevo	6.31
Severna Mitrovica/Mitrovicë e Veriut	6.26
Novobërdë/Novo Brdo	6.25
Parteš/Partesh	6.15
Ferizaj/Uroševac	6.14
Klokot/Kllokot	6.09
Ranilug/Ranillug	6.06
Kamenicë/Kamenica	6.03
Obiliq/Obilić	6.01
Hani i Elezit/Elez Han	5.99
Zvečan/Zveçan	5.83
Štrpce/Shtërpcë	5.80
Gjilan/Gnjilane	5.79
Suharekë/Suva Reka	5.63
Kaçanik/Kačanik	5.29
Malishevë/Mališevo	4.83
Dragash/Dragaš	4.54
Mamushë/Mamuşa	4.39
Zubin Potok	4.06

	MUNICIPALITY	SUB-INDEX 8: LOCAL INFRASTRUCTURE
1	Gračanica/Graçanicë	8.55
2	Vushtrri/Vučitrn	8.52
3	Istog/Istok	7.50
4	Fushë Kosovë/ Kosovo Polje	7.30
5	Deçan/Dečani	7.17
6	Gllogoc/Glogovac	7.14
7	Klinë/Klina	7.14
8	Prishtinë/Priština	7.09
9	Skenderaj/Srbica	6.81
10	Junik	6.78

SOURCE: SURVEY 2020, AUTHORS' CALCULATIONS

As seen in Table 4.8.2, around one fifth of businesses in Kosovo do not have access to the public water supply network (a drop of 7 percentage points from MCI 2019).

Electricity and water supply are also an issue that businesses in Kosovo face on a regular basis; on average, businesses in Kosovo face 9.82 hours of power outages (a slight decrease from the last year) and 8.18 hours of water outages monthly.

Regionally disaggregated data are presented in Table 4.8.3.

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

SUB- INDEX: LOCAL INFRASTRUCTURE	NATIONAL AVERAGE
How do you rate the quality of local roads?	3.31
How do you rate the maintenance and collection of garbage at the local level?	3.33
How do you rate the maintenance of the sewage system in your municipality?	3.01
Do you have access on the public water supply network?	80.63%
How many hours a month do you have water outages/cuts? (Number of hours)	8.18
How many hours per month do you have electricity outages/cuts? (Number of hours)	9.82
Regional water suppliers collect 100% of water payments/bills from your business.	4.49

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 the sewage system in your municipality?	Do you have access on the public water supply network?	How many hours a month 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 suppliers collect 100% of water payments/bills from your business.
Region	Mitrovicë/Mitrovica	3.29	3.41	3.16	0.84	14.54	16.49	4.11
	Leposavić/Leposaviq	2.84	2.94	2.94	0.77	9.13	16.71	2.96
	Severna Mitrovica/Mitrovicë e Veriut	2.71	2.88	2.89	0.93	4.48	8.55	3.95
	Mitrovicë/Mitrovica	3.15	3.57	3.70	0.77	2.23	14.59	4.84
	Skenderaj/Srbica	4.33	4.02	3.64	0.96	33.88	21.27	4.55
	Vushtrri/Vučitrn	4.22	4.35	3.04	0.69	4.10	3.12	3.29
	Zubin Potok	2.98	3.05	3.02	0.88	43.77	42.16	4.43
	Zvečan/Zveçan	2.83	3.07	2.89	0.84	4.16	9.06	4.74
Region	Prishtinë/Priština	3.43	3.59	3.60	0.86	3.97	5.84	4.54
	Gllogoc/Glogovac	3.70	3.77	3.71	0.99	9.93	14.06	4.69
	Fushë Kosovë/Kosovo Polje	3.72	3.79	3.68	0.92	11.17	4.43	4.72
	Gračanica/Graçanicë	3.64	3.82	4.27	0.90	0.29	0.46	3.77
	Lipjan/Lipljan	3.76	3.69	3.68	0.90	0.22	4.23	4.62
	Obiliq/Obilić	2.94	3.37	3.58	0.61	3.24	8.87	4.95
	Podujevë/Podujevo	2.85	3.02	2.90	0.82	1.25	1.88	4.42
	Prishtinë/Priština	3.38	3.67	3.38	0.91	1.69	6.98	4.62
Region	Prizren	3.19	3.01	2.56	0.65	5.77	14.85	4.18
	Dragash/Dragaš	2.91	3.21	1.59	0.98	19.77	21.84	4.95
	Mamushë/Mamuşa	2.91	2.09	2.01	0.03	0.00	30.65	3.00
	Prizren	3.02	2.84	2.64	0.95	5.51	10.68	3.53
	Rahovec/Orahovac	3.91	3.91	3.80	0.66	0.04	4.65	4.83
	Suharekë/Suva Reka	3.21	2.99	2.75	0.62	3.53	6.42	4.61

		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 the sewage system in your municipality?	Do you have access on the public water supply network?	How many hours a month 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 suppliers collect 100% of water payments/bills from your business.
Region	Ferizaj/Uroševac	3.41	3.25	2.45	0.85	13.33	10.89	4.66
	Ferizaj/Uroševac	2.94	2.94	2.54	0.85	7.33	12.26	3.71
	Hani i Elezit/Elez Han	3.97	3.26	2.45	0.88	12.22	19.59	4.81
	Kaçanik/Kačanik	3.15	3.03	1.96	0.87	12.10	9.43	4.89
	Shtime/Štimlje	3.16	3.85	2.43	0.91	3.21	3.30	4.90
	Štrpce/Shtërpcë	3.84	3.18	2.87	0.75	31.79	9.88	5.00
Region	Gjakovë/Đakovica	3.19	3.34	3.10	0.64	3.48	8.73	4.89
	Gjakovë/Đakovica	3.71	3.69	3.67	0.15	0.31	3.69	4.92
	Junik	3.35	3.77	3.66	0.86	3.18	12.80	4.94
	Malishevë/Mališevo	2.50	2.55	1.98	0.92	6.95	9.70	4.80
Region	Gjilan/Gnjilane	3.17	3.30	3.08	0.80	9.19	4.77	4.67
	Gjilan/Gnjilane	3.30	3.16	2.81	0.76	28.83	1.27	4.41
	Kamenicë/Kamenica	3.10	3.70	2.96	0.67	9.82	4.81	4.96
	Kllokot/Klokot	2.65	3.13	3.11	0.76	1.72	3.48	4.56
	Novobërdë/Novo Brdo	2.92	3.27	3.12	0.96	1.87	6.63	5.00
	Parteš/Partesh	3.41	3.21	3.23	0.56	13.96	0.05	4.69
	Ranilug/Ranillug	2.91	2.96	2.86	0.95	8.03	12.53	4.22
	Viti/Vitina	3.89	3.69	3.51	0.96	0.09	4.60	4.88
Region	Pejë/Peć	3.67	3.57	3.13	0.93	4.24	9.52	4.39
	Deçan/Dečani	3.95	3.72	2.82	0.96	3.38	9.92	4.65
	Istog/Istok	4.10	4.14	3.92	0.95	9.50	20.25	4.68
	Klinë/Klina	3.27	3.10	2.53	0.87	1.06	1.91	3.46
	Pejë/Peć	3.34	3.34	3.27	0.92	3.03	6.01	4.76

5 POLICY WEIGHTED MCI

The MCI policy weights applied a greater weight to four of the sub-indices which are found as more relevant policy wise on the analysis explained in the methodology section of the report. The four more important sub-indices 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-indices has an equal weight on the overall score, the weighted MCI has 15 percent rounded weights of each of these four sub-indices, compared to the less important sub-indices which have a 10 percent weight. Table 5.1 shows the weights outputted from the data analysis for each of the sub-indices, and also the rounded weights used for generating the policy relevant MCI.

The application of policy weights alters slightly the ranking of the top performers. The position of most of the municipalities remains the same, with the exception of Mamushë/Mamuşa which joins the list of top ten performers, dropping Mitrovicë/Mitrovica out of this list. Table 5.2 presents the results of the MCI 2020 without applying any weight while table 5.3 shows the results after the weights have been applied. Figure 5.1 presents the MCI 2020, weighted for policy relevance for all municipalities.

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%

0.0-1.0	1.0-2.0	2.0-3.0	3.0-4.0	4.0-5.0	5.0-6.0	6.0-7.0	7.0-8.0	8.0-9.0	9.0-10.0

TABLE 5.2 MCI- unweighted

	MUNICIPALITY	MCI
1	Lipjan/Lipljan	7.6
2	Gjakovë/Đakovica	7.5
3	Viti/Vitina	7.4
4	Rahovec/Orahovac	7.3
5	Junik	6.8
6	Hani i Elezit/Elez Han	6.7
7	Parteš/Partesh	6.7
8	Obiliq/Obilić	6.6
9	Vushtrri/Vučitrn	6.5
10	Mitrovicë/Mitrovica	6.5

TABLE 5.3 MCI- policy weighted

	MUNICIPALITY	MCI
1	Lipjan/Lipljan	7.78
2	Gjakovë/Đakovica	7.66
3	Viti/Vitina	7.63
4	Rahovec/Orahovac	7.55
5	Junik	6.91
6	Hani i Elezit/Elez Han	6.80
7	Mamushë/Mamuşa	6.69
8	Parteš/Partesh	6.68
9	Obiliq/Obilić	6.60
10	Vushtrri/Vučitrn	6.56

Figure 5.1

MUNICIPAL COMPETITIVENESS INDEX 2020 – WEIGHTED FOR POLICY RELEVANCE

MUNICIPALITY	MCI
Lipjan/Lipljan	7.8
Gjakovë/Đakovica	7.7
Viti/Vitina	7.6
Rahovec/Orahovac	7.5
Junik	6.9
Hani i Elezit/Elez Han	6.8
Mamushë/Mamuşa	6.7
Parteš/Partesh	6.7
Obiliq/Obilić	6.6
Vushtrri/Vučitrn	6.6
Mitrovicë/Mitrovica	6.5
Fushë Kosovë/ Kosovo Polje	6.5
Štrpce/Shtërpcë	6.4
Shtime/Štimlje	6.4
Prishtinë/Priština	6.4
Klokot/Kllokot	6.3
Kamenicë/Kamenica	6.2
Suharekë/Suva Reka	5.9
Ferizaj/Uroševac	5.9
Pejë/Peć	5.8
Novobërdë/Novo Brdo	5.8
Gračanica/Graçanicë	5.7
Severna Mitrovica/Mitrovicë e Veriut	5.7
Gllogoc/Glogovac	5.7
Istog/Istok	5.7
Prizren	5.7
Deçan/Dečani	5.6
Leposavić/Leposaviq	5.5
Malishevë/Mališevo	5.5
Klinë/Klina	5.5
Podujevë/Podujevo	5.5
Gjilan/Gnjilane	5.4
Kaçanik/Kačanik	5.4
Ranilug/Ranillug	5.3
Dragash/Dragaš	4.8
Zubin Potok	4.8
Zvečan/Zveçan	4.7
Skenderaj/Srbica	4.7

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. It should be noted that this year, due to the COVID 19 pandemic, the focus groups were organized online, with the exception of the one in Prishtinë/Priština.

The findings from focus group discussions have been grouped into thematic observations organized according to the topics covered by sub-indices, 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. Findings from focus group discussions are summarized below based on the eight sub-indices used in the 2020 MCI survey.

| SUB-INDEX	FINDINGS
PREDICTABILITY AND PARTICIPATION	Municipal representatives claimed that they regularly organize public debates with businesses as required by Law, but it is on businesses' discretion whether they want to attend or not, whereas businesses stated that they often are not timely informed about these meetings. Furthermore, business and municipality's representatives present in our focus groups shared different opinions on the usefulness of these debates. Businesses regard public meetings and debates to have no particular significance in addressing their issues and concerns. There is a discrepancy in 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 businesses' attendance in the public debates and they regard these debates to be very important in addressing and hearing the concerns of the private sector.
TRANSPARENCY	The level of transparency has increased. The role of the e-procurement platform as well as the outreach of grass-root NGOs has improved transparency and has started to establish preconditions for greater accountability.
TIME COSTS	Participants of the focus groups suggest that the time needed to deal with public administration is relatively little. As such it does not add much to the costs of doing business. However, there is some heterogeneity among regions as depicted by the survey as well.
TAXES AND FEES	Most of the municipalities have exempted businesses from taxes and fees. In the aftermath of the pandemic, businesses suggest that the fees for use of public space ought to be lowered or removed for a certain period.
MUNICIPAL ADMINISTRATION	Businesses suggest that the communication with the municipal administration has improved, however there is still room for further significant improvements. In particular, in cases when businesses and individuals will face limitations to access the municipality due to the pandemic, the communication should considerably improve. Many municipalities lack qualified staff in many departments and this negatively affects the business environment. On the other hand, some municipalities are overstaffed but lack proper management. This negatively affects the efficiency of local government. The quality of service that businesses receive is perceived to be poor.
LABOR AND BUSINESS SUPPORT SERVICES	Lack of a skilled labor force remains one of the biggest problems that businesses face in operating a healthy and successful business. Similar to the last year, businesses have listed the shortage of skilled workers as one of the main causes affecting the operation of their businesses. The issue of migration is becoming ever more critical for businesses; particularly for those operating in smaller localities.
LOCAL INFRASTRUCTURE	In terms of local infrastructure, most participants in focus groups agree that it has significantly improved over the last years. Better maintenance of roads and the environment are issues that raise concerns.

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 index and sub-indices are created based on economic transition literature and close consultations with key stakeholders in local economic development. Although details of the methodologies differ slightly among countries where indices 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 sub-indices which contextualizes the research framework to the Kosovar setting[3]. As such, the report allows transition from the previous reports and sub-indices for the country.

A distinct contribution of this report is the assessment of sub-indices 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 a 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

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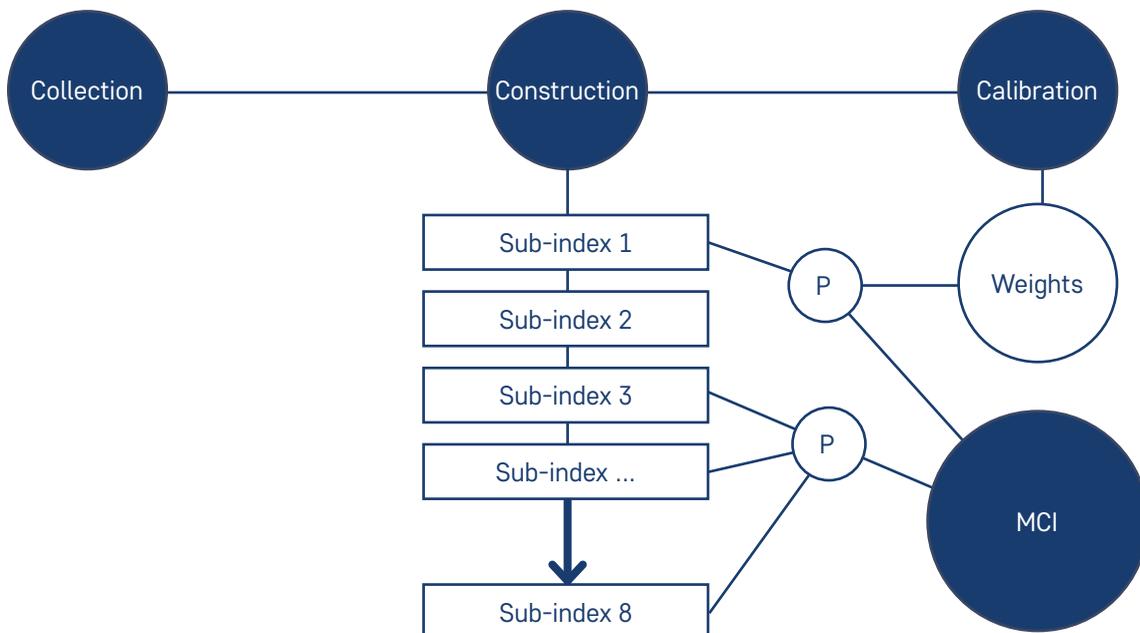
3 USAID Kosovo (2011). The Kosovo Municipal Competitiveness Index Report 2011.

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 2020, 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 database with MCI sub- indices.

Survey Design

MCI is an aggregate indicator consisting of an established set of 8 core primary sub-indices to measure competitiveness. In order to design the 8 sub- indices, 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 sub-indices 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 3337 firms for 38 Kosovo municipalities was drawn, is the list of active businesses from Kosovo Business Registration Agency(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 in 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 160 responses.

TABLE 7.1.1 MCI 2020 Sample distribution

Municipality	# of Surveys completed	Komuna	# of Surveys completed
Deçan/Dečani	87	Mitrovicë/Mitrovica	101
Dragash/Dragaš	83	Novobërdë/Novo Brdo	74
Ferizaj/Uroševac	100	Obiliq/Obilić	100
Fushë Kosovë/ Kosovo Polje	100	Parteš/Partesh	45
Gjakovë/Đakovica	100	Pejë/Peć	120
Gjilan/Gnjilane	100	Podujevë/Podujevo	100
Gllogoc/Glogovac	100	Prishtinë/Priština	160
Gračanica/Graçanicë	99	Prizren	113
Hani i Elezit/Elez Han	50	Rahovec/Orahovac	92
Istog/Istok	101	Ranilug/Ranillug	48
Junik	45	Severna Mitrovica/Mitrovicë e Veriut	89
Kaçanik/Kačanik	100	Shtime/Štimlje	102
Kamenicë/Kamenica	98	Skenderaj/Srbica	101
Klinë/Klina	100	Štrpce/Shtërpcë	56
Klokot/Kllokot	49	Suharekë/Suva Reka	102
Leposavić/Leposaviq	31	Viti/Vitina	100
Lipjan/Lipljan	101	Vushtrri/Vučitrn	100
Malishevë/Mališevo	100	Zubin Potok	44
Mamushë/Mamuşa	100	Zvečan/Zveçan	46
Grand Total	**3,337**		

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 that selected answers correspond to the ones filled by the 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-indices have a maximum score of ten points. The construction of the MCI index is first implemented as an unweighted simple average of the sub-indices, 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-indices were standardized using a ten point scale, which removes the differences in measurement when assessing the final MCI scores. To standardize the sub-indices, 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-indices 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-indices, which indicates the areas with greater policy relevance for reform. In order to estimate the contribution of each of the sub-indices 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-indices 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.

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

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

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

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

The Municipal Competitiveness Index is also augmented by the data collected through focus groups from discussions with municipal officials, various local NGOs and businesses. This is intended to produce qualitative data, based on the results collected from surveys that were conducted with businesses in all 38 municipalities of Kosovo. Focus groups were conducted in seven regions of Kosovo with 6-10 participants. Due to COVID-19 pandemic, this year focus groups were organized online apart from the one in Prishtinë/Priština which was organized at the premises of Riinvest 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-indices with businesses in the 38 municipalities of Kosovo. Questions based on the sub-indices 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 have 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 7.4.2 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 consisting of an established set of 8 core primary sub-indices to measure competitiveness. The standardized sub-indices 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 eighth year of implementation of MCI in Kosovo supported by the USAID, and the questionnaire used maintained coherence with the questions used to derive sub-indices in the past. The report consistently draws comparisons with MCI 2019, by referring to the differences that have occurred in the main index and sub-index rankings from 2019 to 2020.

The Collection stage involved the selection of governance sub-indices relevant to the private sector at the municipal level. Then, data were primarily collected through the survey. There were 3,337 firms that were interviewed in all 38 Kosovo municipalities using a stratified randomized sample. From the sample interviewed in 2019, 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-indices. Whereas the calibration stage constructs the indices 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 sub-indices (presented in detail in the sub-index sections). The ten best performing municipalities are very similar to the top 10 performers in 2019. They include Lipjan/Lipljan, Gjakovë/

Đakovica, Viti/Vitina, Rahovec/Orahovac, Junik, Hani i Elezit/Elez Han, Parteš/Partesh, Obiliq/Obilić, Vushtrri/Vučitrn and Mitrovicë/Mitrovica. The same best municipalities also fall on the upper quartile of the list, confirming the limit of the top 10 performers. The application of policy weights alters slightly the ranking of the top performers. The position of most of the municipalities remains the same, with the exception of Mamushë/Mamuşa which joins the list of top ten performers, dropping Mitrovicë/Mitrovica out of this list.

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

EIGENVALUES
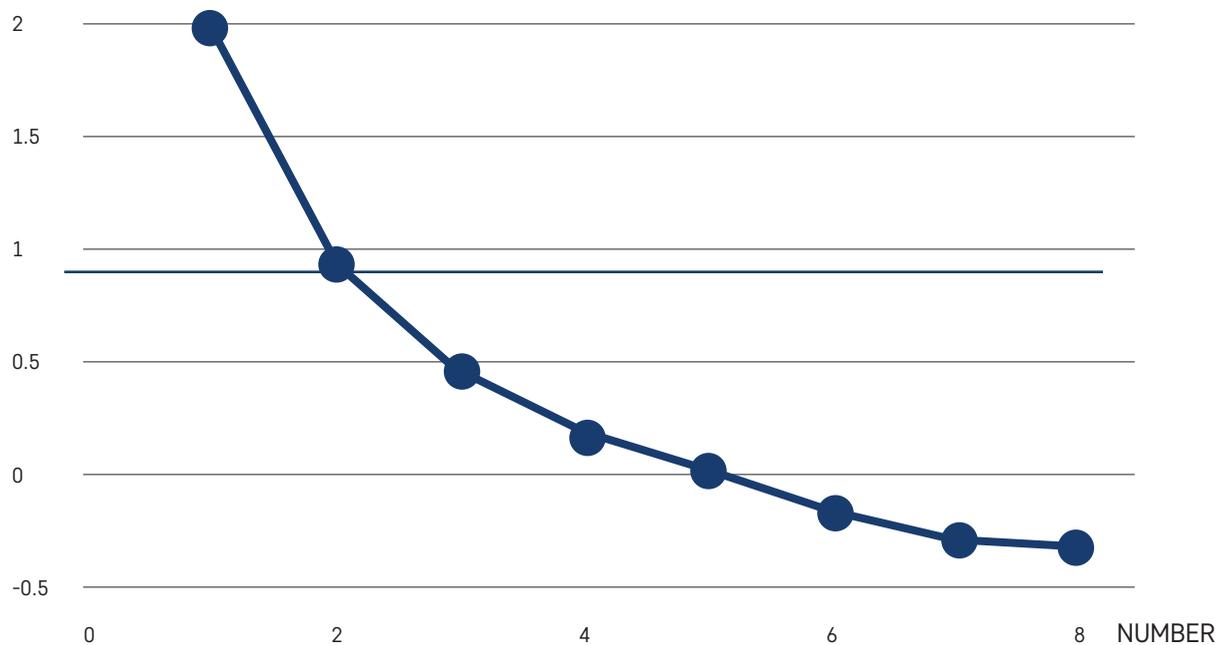
Factor loading (pattern matrix) and unique variances

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