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A RESEARCH STUDY ON THE DYNAMICS OF SUPPLY-SIDE CORRUPTION IN KOSOVO

FEBRUARY 2024



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LIST OF ABBREVIATIONS

ABC	Anti-Bribery Convention
ABCR	Anti-Bribery Convention and Recommendation
APC	Agency for the Prevention of Corruption
APCLCC	Additional Protocol to the Criminal Law Convention on Corruption
BAK	Business Associations in Kosovo
CECL	Council of Europe Civil Law
CLCC	Criminal Law Convention on Corruption
CPI	Corruption Perception Index
EC	European Commission
FACA	French Anti-Corruption Agency
GFG	German Federal Government
GFP	German Federal Parliament
HRP	Human Resources Practices
IP	Integrity Pacts
KBRA	Kosovo Business Registration Agency
KMI	Kosovo Municipality Integrity
LWP	Law on Whistle-Blower Protection
NAS	National Anticorruption Strategy
OECD	Organization for Economic Co-operation and Development
PPRC	Public Procurement Regulatory Commission
PPRC	Public Procurement Regulatory Commission
PRB	Procurement Review Body
Riinvest	Institute for Development Research
SCC	Criminal Code
SCPC	State Commission for the Prevention of Corruption
TIS	Transparency International Secretariat
UNCAC	United Nations Convention Against Corruption
WB	World Bank
WEF	World Economic Forum
WGI	World Governance Indicators



EXECUTIVE SUMMARY

The issue of supply-side corruption in Kosovo, particularly within the private sector, stands as a persistent challenge that has regrettably received insufficient attention and corrective actions throughout its historical trajectory. This longstanding gap in both awareness and effective mitigation strategies has catalyzed the imperative for proactive intervention. In response to this pressing need, Riinvest Institute, supported by USAID funded Kosovo Municipality Integrity (KMI) activity, has conducted this research study on the dynamics of supply-side corruption in Kosovo and initiated targeted interventions in collaboration with prominent business associations. The overarching objective of this initiative is to increase awareness and catalyze collaborative endeavors among key stakeholders, all aimed at decisively combatting the rooted supply-side corruption.

Central to this initiative is the imperative to comprehensively understand the nuanced dynamics and multifaceted dimensions of supply-side corruption within Kosovo's private sector landscape. To this end, Riinvest has conducted a research study, thoroughly designed to draw insights from a diverse range of both primary and secondary sources. This study has scrutinized the prevailing perceptions of corruption within the business environment, shedding light on its manifestations, probing the depth of commitment to ethical norms and principles, and offering critical assessments of the prevailing state of public procurement services in Kosovo.

The foundational cornerstone of this study lies in the systematic analysis of both primary and secondary data streams, each meticulously examined to offer invaluable insights into the complexities of supply-side corruption. The primary was collected through a survey of 500 selected businesses of varying sizes and sectors. The sample was drawn from the list of those who have participated in pub-

lic procurement activities at least once over the past five years, based on the database of active businesses registered in the e-procurement platform from the Public Procurement Regulatory Commission (PPRC). Complementing the primary data, the research study has also undertaken an exhaustive investigation through the secondary data landscape. This component has been especially focused on identifying the prevailing policy gaps within the Kosovo ecosystem, particularly those with direct orientation on the pervasive specter of corruption. Through a rigorous desk research process, the study has endeavored to pinpoint the systemic fault lines and regulatory shortcomings that serve as catalysts for the propagation of supply-side corruption. Furthermore, the study examines international and regional best practices in addressing supply-side corruption comprehensive examination of international and regional best practices, which offers invaluable benchmarks and comparative insights aimed at informing the design and implementation of effective anti-corruption strategies tailored to the Kosovo context.

Key findings:

- A significant majority of respondents agree that corruption negatively impacts the country's competition and development. Additionally, a large proportion (63.4 percent fully agreeing and 19.3 percent to some extent) believe that corruption hinders economic growth, raises business costs, and deters investment. Survey results suggest that businesses see that corruption practices are widespread in the sector where they operate.
- A notable portion of respondents agree that gifts are required for obtaining public services. Additionally, the view that tight connections between business and politics contribute to corruption is widespread, with over two thirds of respondents

partially or fully agreeing. Similarly, a considerable number of respondents perceive bribery and leveraging connections as convenient means to access public services, with over two thirds of respondents partially or fully agreeing.

- Around two-thirds of businesses perceive the supply side of corruption as widespread. While bribery is considered the most prevalent corruption practice, most businesses (56.1 percent) do not justify providing gifts or bribes. The primary corruption practices include bribery, offering gifts to public officials, and providing monetary incentives.

- There is a distinct disparity in how businesses perceive corruption at different government levels. Many businesses view the procurement processes overseen by national authorities as being more susceptible to corruption compared to those at the local or municipal level.

- The reasons businesses cite for offering gifts to public officials vary. Common motives include speeding up processes, seeking help with complex procedures, and gaining insights into specific processes. It is observed that larger businesses tend to be more prone to engaging in bribery compared to their smaller counterparts.

- Providing bribes is positively correlated with the size of businesses; the highest propensity of being involved in bribery were among businesses (49.3 percent) with turnover ranging from €1,000,000 to €3,000,000 (49.3 percent), followed by businesses (42.1 percent) with turnover above €3,000,000.

- Common practices in public procurement include changing contracts after completion, lack of clear evaluation criteria during the bidding process, and conflicts of interest during the evaluation of similar offers. Notably, most of the surveyed businesses do not have direct experience of public officials requesting gifts or rewards.

- Businesses encountering corrupt practices often took formal action and reported these incidents to the Anti-Corruption Agency. While 25 percent of these businesses reported taking no specific measures, nearly half (45.5 percent) initiated formal proceedings against the implicated officials.

- Several factors deter businesses from reporting bribery: the belief that the reporting process is lengthy and cumbersome, the assumption that such incidents don't necessitate reporting, a fear of repercussions, and the perception that the bribery was mutually beneficial. Survey findings also reveal that in instances of corruption involving public officials or businesses, the parties involved often do not face adequate punishment.

- Most businesses do not currently have internal whistleblower systems or specific regulations against bribery, yet they show a readiness to develop these policies. Although there is a reported eagerness among management to regularly oversee and enforce anti-corruption measures, 46.7 percent of businesses have yet to put in place formal disciplinary processes for dealing with instances of bribery.

- A significant portion of businesses (58.8 percent) were unaware of the existence of a Code of Ethics established by Business Associations. However, an overwhelming majority (89.9 percent) indicated their willingness to adopt this Code of Ethics, recognizing its potential effectiveness in curbing corrupt practices within the public procurement process.

- Most businesses do not have internal regulations to prevent bribery and expressed their willingness to adopt such regulations. Although most businesses positively respond in adopting ethical principles and responding to bribery practices, 95.4 percent have not initiated any disciplinary procedures against employees involved in corruption affairs.

- Nearly half of the businesses (47.1 percent) assigned an individual responsible for overseeing public procurement opportunities. Some businesses have established a dedicated office for this purpose, while others opt to hire external professionals for identifying and preparing bids. However, it is noteworthy that the majority of these businesses have not received training, support, or guidance on the public procurement process.

- Businesses face several challenges when applying for public procurement contracts. These include difficulties in identifying available contracts, comprehending the terms of reference, bearing

the costs associated with preparing tender applications, meeting the requirements set by public authorities, experiencing delays in receiving payments, and having the organizational capacity to effectively manage public contracts.

- When encountering dissatisfaction with services or decisions made by public authorities, a substantial 68.2 percent of businesses did not pursue any remedial action. However, a few opted to lodge complaints with the Public Procurement Regulatory Commission (PPRC) and the Procurement Review Body (PRB). Furthermore, less than half of the businesses expressed satisfaction with the improvements in the public procurement process, its transparency, the ease of application, and the system's overall responsiveness to business needs, highlighting key areas that require enhancement.

- There are several good practices in anti-bribery that are influenced by international and domestic standards. Anti-bribery legislation-built components such as risk assessment, third-party due diligence, gifts and hospitality, charitable donations, political contributions, and the protection of whistleblowers have been shown to be efficient in combating the supply side of corruption. France, through Anti-Corruption Agency guidelines; the United Kingdom, through the Bribery Act 2010; and Germany have established a robust legal framework criminalizing various corrupt practices. The advanced legal framework, comprehensive strategies, and commitment to integrity in business are among the best international standards that these countries have built to combat supply-side corruption.

- Countries around the globe have adopted integrity pacts involving stakeholders from the government, private sector, and civil society, effectively monitoring, and promoting transparency and accountability in the public procurement process. The European Commission's project on Integrity Pacts implemented in eleven EU countries demonstrates a reduction in corruption cases and a more efficient use of taxpayers' money.

- The legislation of the regional countries prohibits the supply-and-demand side of corruption, which has been adopted within their criminal codes. The

legislation is aligned with EU and international standards. While North Macedonia has adopted the United Nations Convention against Corruption (UNCAC), other countries in the region adopted distinct laws on the protection of whistleblowers.

Based on the above research findings, the following recommendations are proposed to different stakeholders:

- Business associations should take a proactive role in creating, signing, and implementing a Business Anti-Corruption Code. They should establish task forces responsible for monitoring the adherence of member businesses to this code. As part of this initiative, the Riinvest Institute is actively collaborating with prominent business associations in Kosovo to advance this reform.

- The judiciary, including prosecutors and courts, should enhance their capacity and commitment to impose stricter penalties on individuals involved in corrupt practices. This will improve business confidence and public perception of the judiciary's effectiveness in tackling corruption.

- There is a need for comprehensive training programs on public procurement processes, ethical standards, and legal compliance for these businesses. Training should also support businesses to develop and refine internal policies and procedures that define clear standards of integrity and ethical conduct.

- Encourage businesses to establish internal whistleblower systems and specific anti-bribery regulations. This should be coupled with the development of formal disciplinary procedures for handling bribery incidents.

- Tackle the factors that deter businesses from reporting bribery, such as fears of lengthy procedures and repercussions. This can involve simplifying the reporting process and ensuring protection for those who report corrupt practices.



1. INTRODUCTION

The supply side of corruption has become a crucial topic of discussion among academia, policymakers, and national and international organizations. It involves the participation of the private sector in the payment of bribes and engagement in corrupt practices to achieve practical objectives. The motivation behind the supply side of corruption lies in rent-seeking entrepreneurs seeking to exploit their influence, including political leverage, to induce public officials to make decisions favorable to them. The influences exerted by the supply side of corruption can take various forms, both monetary and non-monetary, aimed at securing specific contracts and influencing decision-making within public administration (Osei-Tutu et al., 2010). Corruption is pervasive across sectors and countries, thriving particularly in nations with weak incentives, inadequate monitoring, and poor transparency and accountability for public officials. In these environments, officials exploit their positions for personal gain, extracting unlawful benefits. Bribery transactions derive from the supply side, where firms may offer kickbacks to secure public contracts, evade taxes, or access specific services (Gauthier et al., 2021). While studies have predominantly concentrated on the supply side of corruption, two distinct streams of research have emerged within this realm. The first stream delves into the supply side of corruption regarding the role of multinational corporations dealing with public officials in foreign countries—the international level.¹ The second stream focuses on the supply side of corruption at the national level. This section specifically focuses on the supply side of corruption at the national level, more specifically analyzing corruption within the procurement process.

The level of corruption in Kosovo is perceived as the second major problem in society, and it is ranked only after unemployment.² International rankings place Kosovo in the bottom half of the list of 180 countries (104), with a Corruption Perception Index (CPI) of 39.³ This is further confirmed by the World Bank's World Governance Indicators showing clear signs of deterioration in several critical areas of governance, including government effectiveness and control of corruption. The European Commission's country report also points to the same conclusions. The level of corruption remains a severe problem, hindering developments in strengthening the rule of law and improving the country's business climate and investment attractiveness. On the one hand, the legal and institutional frameworks to prevent and punish corruption are largely in place. But on the other hand, the judicial system has not been perceived as successful in addressing cases against corruption. In addition, key governmental institutions still fail to address this issue adequately; overall, achievements in combatting corruption are considered modest. So far, the focus of different stakeholders in combating corruption has been on the demand side, i.e., the procurement process in the local and central government was perceived as the primary driver of corrupt practices. This is true, but only to a certain extent. In overall engagements against corruption in Kosovo, the supply side of corruption was neglected, i.e., when companies initiate corruption towards the government officials. This is a situation when a certain number of companies, through bribery, orchestrate the bidding process. Creating competitive advantage through illegal practices distorts the market, and we end up receiving far less than the best value for taxpayers' money. The unfair competition resulting

1 See Picci (2018) and Darrough (2004)

2 UNDP Public Pulse (2020) accessible at shorturl.at/hKLZ6

3 Transparency International, 2023. Corruption Perception Index. Online: shorturl.at/gkF46

from corruption, is considered the major obstacle in doing business in Kosovo for many years.⁴ While companies are quick to condemn the corrupt practices of government officials, they have largely

neglected to address the corruptive elements and behavior of the business sector that is “creative” in finding ways to avoid fair competition.

⁴ Riinvest annual business surveys.



2. LEGAL FRAMEWORK

Corruption in Kosovo continues to undermine socio-economic and democratic development, with its source rooted in the lack of readiness and political will to detect and address instances of corruption (Riinvest, 2019). According to the European Commission progress report, the fight against corruption in 2023 was characterized by limited progress (European Commission, 2023).

The legal framework concerning anti-corruption is robust, criminalizing active and passive bribery, extortion, money laundering, and the abuse of officials' positions, including bribery of foreign officials. Accepting and giving bribes in the private sector are regulated within the Criminal Code (Article 309 and 310) and are punishable by six to five years of imprisonment. Article 421 criminalizes the acceptance of bribes by official persons, including foreign official persons, with punishment by fine and imprisonment. Moreover, Article 421 clearly outlines the consequences for those who promise, offer, directly or indirectly, any gift or advantage to an official person, intending to influence that person. Such individuals are subject to fines and imprisonment (Criminal Code: The Assembly of the Republic of Kosovo, 2019). Additionally, the Code on Criminal Procedure (Article 88 and 89) defines special procedures for criminal offenses, enabling the initiation of special investigative measures in cases involving the acceptance or giving of bribes in the private sector (Criminal Code Procedure: The Assembly of the Republic of Kosovo, 2022).

The application of the provisions of the Criminal Code to public officials regarding corruption offenses and their accountability for acts of corruption is of crucial importance and is logically sound. On the supply side of corruption, legal entities like businesses, business associations, and communities are less susceptible to the legal provisions of the Code when engaged in cor-

rupt practices. However, there is an exception when these officials promise, give bribes, or make any commitments with the intent to receive favors, particularly in the context of public procurement (Riinvest, 2019).

The Anti-corruption agency operates within a legal framework composed of: i) Law No. 08/L-017 on the Agency for the Prevention of Corruption; ii) Law No. 08/L-108 for Declaration, Origin, and Control of Assets and Gifts; iii) Law No. 06/L-011 on the Prevention of Conflict of Interest in the Exercise of Public Function; iv) Law No. 06/L-085 for the Protection of Whistleblowers. This legal framework addresses certain issues related to public procurement. Conflicts of interest and contractual authorities are regulated by the Law on Public Procurement,⁵ which imposes sanctions on individuals participating in tenders who have been convicted in a court for fraud or any corrupt act for a period of ten years. The "Unlawful influence" or "Illegal influence" in the public procurement procedure is also governed by the Law on Public Procurement. Additionally, the 'blacklist' for suppliers found to violate public procurement regulations is either non-functional or not utilized (ZKM, 2020).

The Law on Protection of Whistleblowers, adopted in 2018, serves the purpose of facilitating the reporting of violations in both the public and private sectors and ensuring the protection of whistleblowers.⁶ Article 17 of the Law on Whistleblowers stipulates that public employers with more than fifteen employees and private employers with more than fifty employees are mandated to appoint a responsible official. According to this law, employers are obligated to take all necessary measures concerning whistleblowing, encompassing the protection of documentation and evidence, along with other obligations outlined in this article (Law on Protection of Whistleblowers: The Assembly of the Republic of Kosovo, 2018).

⁵ <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2772>

⁶ <https://gzk.rks-gov.net/ActDetail.aspx?ActID=18303>



3. INTERNATIONAL BEST PRACTICES IN TACKLING SUPPLY SIDE CORRUPTION

There are several international organizations that promote anti-corruption practices that have published guidelines on anti-corruption compliance policies. In 2021, the OECD organized an anti-bribery initiative, bringing together 44 countries that are party to the Anti-Bribery Convention. These countries are responsible for monitoring the implementation and enforcement of the Anti-Bribery Convention and Recommendation. The convention aims to enhance the provisions already included in the 2009 Anti-Bribery Recommendation. The 2021 Recommendation includes sections on topics that have evolved and emerged since 2009, with the goal of strengthening the enforcement of foreign bribery laws, addressing the demand side of foreign bribery, and enhancing international cooperation (OECD, 2021). The main components of anti-corruption compliance, developed by international and domestic standards and guidelines, include risk assessment, third-party due diligence, gifts and hospitality, charitable donations and sponsorship, political contributions, and reporting misconduct. Additionally, the protection of whistleblowers has become one of the main priorities of international organizations and legislators in recent times (Ivanov, 2022).

France: The French Anti-Corruption Agency has developed guidelines to assist both private and public sector entities in preventing and detecting bribery, influence peddling, extortion by public officials, unlawful taking of interest, misappropriation of public funds, and favoritism. The guidelines, established in 2020, are structured around three pillars: the first pillar involves senior management's commitment,

the second pillar focuses on risk mapping, and the third pillar centers on risk management. In the prevention phase, the guidelines aim to establish codes of conduct, provide training, and implement third-party diligence. For detection, the guidelines emphasize whistleblowing, internal controls (including accounting controls), and corrective actions through defining measures and disciplinary rules. During the prevention phase, the guidelines seek to raise awareness and provide training to staff, with a focus on managers and staff who face the greatest exposure to bribery and influence peddling risks. The guidelines also offer examples of risk scenarios for public sector entities, including disbursement of subsidies (misuse of public funds and unlawful taking of interests), human resources management (exposing risks in recruitment, career management, and payroll activities), and public procurement (involving bribery and influence peddling) (AFA, 2020).

United Kingdom: The UK has adopted The Bribery Act 2010 as the primary anti-corruption law, consolidating legislation and common law under a single regime for bribery offenses. This Act replaced previous offenses under common law and other legal frameworks, including the Public Bodies Corrupt Practices Act 1889, the Prevention of Corruption Act 1906, and the Prevention of Corruption Act 1889-1916. The Bribery Act 2010 covers two main offenses: first, promising or giving an advantage (offenses of bribing another person - supply side of corruption); and second, requesting, agreeing to accept an advantage (demand side of corruption). The Act includes four general offenses: i)

bribing another person (Section 1 Offense); ii) being bribed (Section 2 Offense); iii) bribing a foreign public official (Section 6 Offense); and iv) a commercial organization that fails to prevent bribery by associated persons (Section 7 Offense). Three of these sections, 1, 2, and 6, are related to the supply side of corruption, as they pertain to attempts by individuals and business entities to bribe public officials. The Bribery Act also addresses demand side or 'passive' bribery when an official requires, accepts, or agrees to accept any financial or other advantage in exchange for another activity. Furthermore, the Act incorporates the bribery of a foreign official with the intention of securing any advantage by offering or promising any financial or other advantage, intending to influence the decision within the institution (United Kingdom: Ministry of Justice, 2010).

Germany: Germany has established a robust anti-corruption legal framework, which criminalizes various actions such as giving, offering, or promising, as well as taking, demanding, or accepting, all considered criminal offenses. Additionally, this legal framework extends to the prohibition of facilitation payments, considering small gifts and hos-

pitality for public officials as criminal offenses. This legal framework, notably the German Act on Administrative Offenses, has demonstrated success in prosecuting companies and their representatives involved in bribery and corruption offenses. The current legal framework on bribery is encompassed within the German Criminal Code (Strafgesetzbuch – StGB), while related offenses like embezzlement and tax evasion are prosecuted concurrently. Key provisions of the legal framework include: i) taking and giving bribes in commercial practice; ii) taking and giving bribes in the public health sector; iii) taking and giving bribes in the public service sector; iv) bribing delegates, along with other provisions prohibiting bribery, such as bribing voters and interfering with the election of the works council. Moreover, the German Federal Government has sought to strengthen the existing legal framework by introducing a draft bill to the German Federal Parliament, known as the “Act to Reinforce Integrity in Business.” This bill includes the “Act on Sanctions for Corporate Crimes,” aimed at establishing regulations on corporate liability within the current legal framework; however, as of now, it has not been passed into law (Global Legal Insights, 2023).
been passed into law (Global Legal Insights, 2023).



4. REGIONAL BEST PRACTICES IN TACKLING SUPPLY SIDE CORRUPTION

Albania: The Albanian Criminal Code addresses two forms of corruption. Active corruption (Article 164/a) encompasses providing, offering, or presenting any form of irregular benefit or promise, either directly or indirectly, for oneself or others. It also includes the acceptance of an offer or promise stemming from an unauthorized advantage, with the intention of influencing the execution of an action associated with an individual's responsibility or position. Passive corruption (Article 164/b - in the private sector) involves any type of irregular advantage indirectly, including the request and receiving from individuals holding a managerial position in the private sector in relation to an official performing a position in a certain capacity (Global Legal Group). The criminal liability of legal entities is governed by the Law on the Criminal Liability of Legal Entities (Article 3), which explains offenses performed on behalf of or for the benefit of the legal entity by its bodies, representatives, or individuals under the authority of the person managing the legal entity. The law on Whistleblowing defines rules regarding suspicions of corrupt conduct and practices in the public and private sectors, outlines mechanisms to protect whistleblowers, and specifies the obligations of both public and private authorities in relation to whistleblowers. According to the law (Article 10), public institutions with more than 80 employees and private businesses with more than 100 employees are required to record, administratively inquire, and examine whistleblowing cases under this law (ILDKPKI, 2016).

North Macedonia: North Macedonia ratified the United Nations Convention against Corruption (UNCAC) in 2007. The main legal framework addressing

corruption and bribery in the country includes the Law on Prevention of Corruption and the Criminal Code. The Law on Prevention of Corruption and Conflict of Interest defines passive corruption as the intentional conduct of a government official, either directly or through an intermediary, seeking or obtaining benefits for themselves or others, or agreeing to receive a promise of such benefits, with the intention of influencing their actions or refraining from fulfilling their official responsibilities in a manner inconsistent with their duties. Active corruption, according to the law, is the deliberate act of an individual, either directly or through a representative, offering or providing any form of advantage to a public official, either for personal gain or on behalf of a third party, with the aim of influencing the official to act contrary to their duty or to neglect their responsibilities. The law criminalizes active and passive bribery, bribing a foreign public official, attempted corruption, trading in influence, and money laundering. These anti-corruption obligations apply to all individuals in both the public and private sectors, and businesses can be held criminally liable for corruption offenses committed by their representatives (Gain Integrity, 2020). The government encourages the establishment of internal codes of conduct that prohibit bribery to public officials, and the National Anticorruption Strategy promotes proactive interaction with the private sector to combat corruption (Department of State, 2023). To prevent corruption, the State Commission for the Prevention of Corruption (SCPC) has signed a memorandum of understanding with nine private sector associations, resulting in the development of a Business Code of Ethics in 2012 (UNODC, 2022). Additionally, the Law on Whistle-Blower Protection

(LWP) is considered one of the region's strongest pieces of whistleblower protection. The law provides protection for reporting persons in both the public and private sectors and prohibits conflict of interest for former public officials who are restricted from having any business interests with certain private entities for three years after the termination of their public functions (UNODC, 2022).

Montenegro: The Criminal Code in Montenegro is applicable to individuals in both the public and private sectors. It criminalizes various actions, including active and passive bribery, abuse of office, trading in influence, fraud, and abuse of authority in business. The definition of bribery under the law includes not only monetary bribes but also gifts and various benefits, whether provided directly or through intermediaries. The Law on Criminal Liability of Legal Entities holds companies accountable for criminal offenses committed by their representatives (Gain Integrity, 2020). Article 276a of the Criminal Code specifically deals with Passive Bribery in Commercial Activities and applies to individuals linked to business organizations. This provision involves the solicitation or acceptance of bribes by a responsible officer for securing contracts or agreements. The associated punishment for this offense is a prison sentence lasting from one to eight years. Article 276b of the Criminal Code

defines active bribery, which includes individuals offering bribes to responsible officers or those associated with business organizations involved in commercial activities. The intent is to influence contracts, agreements, or services for the benefit or detriment of the organization or another entity. The prescribed prison sentence for active bribery ranges from six months to five years (Criminal Code of Montenegro: Article 276a and 276b).⁷

Whistleblowing in Montenegro is regulated under the Law on the Prevention of Corruption, which was enacted in 2014 and became operational in 2016. This law addresses the process for submitting and deciding upon whistleblower reports and includes safeguards for whistleblowers. The legislation defines a whistleblower as any individual or entity reporting actions that endanger public interest and indicate corruption. While not standalone legislation, the Law on Prevention of Corruption aligns with European and international standards. It covers both public and private sector employees, imposes penalties for the failure to safeguard whistleblowers, and provides financial incentives for disclosures leading to monetary recoveries. The legislation outlines the reporting procedure, the resolution process, and the mechanism for requesting whistleblower protection (Worth and Dyrmishi, 2017).

⁷ Available at: https://track.unodc.org/uploads/documents/BRI-legal-resources/Montenegro/3_Criminal_Code_of_Montenegro_2018_English_version.pdf



5. INTEGRITY PACTS TO PREVENT SUPPLY SIDE OF CORRUPTION

Several international instruments and guidelines play a crucial role in combating and preventing corruption. These organizations include OECD, United Nations, Extractive Industries Transparency Initiative, World Economic Forum and Transparency International. These international instruments collectively contribute to establishing global standards and practices for ethical and transparent business conduct, aiming to combat corruption at various levels.

The OECD principles offer policy instruments to instill integrity throughout the procurement cycle, addressing risks at different stages—from needs assessment to the awarding of contracts and contract management (Beke et al., 2015). The OECD principles designed to enhance integrity in public procurement are structured around four key pillars: Transparency, Good Management, Prevention of Misconduct, Compliance and Monitoring, and Accountability and Control (OECD, 2009). OECD instruments include: i) Anti-Bribery Convention; ii) Good Practice Guidance on Internal Controls, Ethics, and Compliance iii) Principles of Corporate Governance; iv) Guidelines for Multinational Enterprises; v) OECD Principles for Integrity in Public Procurement. UN Global Compact: The Ten Principles of the UN Global Compact cover areas such as human rights, labor, environment, and anti-corruption, providing a framework for responsible business practices. World Economic Forum PACI Principles for Countering Bribery: The Partnering Against Corruption Initiative (PACI) principles provide a framework for businesses to counter bribery and corruption.

Transparency International (TI) Business Principles for Countering and Integrity Pacts. The main focus of this section is to briefly explain integrity pacts, and their significance in terms of tackling the supply side of corruption.

Integrity Pacts, introduced in the 1990s and implemented in over 15 countries across 300 different situations, play a crucial role in ensuring the efficiency of infrastructure projects and other public works, address the corruption risks and build trust in contracting projects. These pacts contribute to the effective delivery of projects, saving taxpayer money, and acting as a deterrent against opportunistic attempts to gain illicit funds from public resources (Huss et al., 2023; Transparency International, 2023). The Integrity Pact plays a crucial role in promoting good governance in public procurement processes, with a specific focus on detecting corruption and ensuring follow-up actions to prosecute and sanction corrupt behavior. Civil society monitoring organizations concentrate on identifying 'red flags' indicative of poor governance. Rather than adopting a punitive approach when such red flags are raised, monitors prefer a constructive approach, working collaboratively with other stakeholders within the Integrity Pact to find solutions to specific problems, be they potential malpractices or corruption risks (Blomeyer and Sanz, 2025; Transparency International, 2023). This collaborative agreement among stakeholders signifies a commitment to refrain from corrupt behavior, promoting transparency and accountability throughout the project (United Nations, 2021).

Cases highlighting the integration of IPs with the active involvement of the government, private sector, and civil society as monitoring mechanisms demonstrate a reduction in corruption cases and more efficient use of taxpayers' money. For instance, the European Commission's project on Integrity Pacts: - Civil Control Mechanism for Safeguarding EU Funds in 2015/2016 covered 17 EU-funded projects in 11 Member States, with a total value of EUR 920 million. This project is coordinated by the Transparency International Secretariat and aims to assess the effectiveness of Integrity Pacts in monitoring procurement projects, safeguarding them from corruption, fraud, or other

irregularities, and drawing best practices for future implementation (Aceves, 2021). The IPs have been implemented in various countries, such as Italy, at the municipality level (Szloboda, 2014). For example, the project in Lithuania aims to monitor public projects at the municipality level based on the "Property Agreements" funded by the European Commission, which project is monitored by the Transparency International Secretariat (Transparency International, 2016). In the case of Spain, the IP project was supported by the Siemens Integrity Initiative, with the overarching goal of preventing corruption and fostering conditions conducive to a free market (Basel Institute on Governance, 2015).



6. SUPPLY SIDE CORRUPTION IN KOSOVO: EVIDENCE FROM A FIRM LEVEL SURVEY

This section of the report presents and analyzes the findings of a survey conducted with 500 businesses operating in the seven regions of Kosovo. It provides a comprehensive overview of the business structures, including regional distribution, legal status, size, and annual revenues from public procurement. In addition to comparing the data with the rest of Kosovo, several cross-tabulations have been performed to delve into the findings in more detail and determine if specific factors, such as firm size, impact public procurement.

6.1 SURVEY METHODOLOGY

To analyze private sector integrity from the supply side, this study explores various dimensions including attitudes toward corruption, whistle-blower protection, and readiness to participate in activities to implement anti-bribery ethical principles. Riinvest research team utilized primary data obtained through a survey

of selected businesses of varying sizes and sectors, drawn from the list of those who have participated in public procurement activities at least once over the past five years. The sample for this study was constructed based on the database of active businesses registered in the e-procurement platform from the Public Procurement Regulatory Commission (PPRC) and stratified according to geographic area where businesses operate. To ensure that this research study produces representative data, the survey sample consists of 500 businesses throughout Kosovo. The margin of error for this survey is 4 percent with a 95 percent confidence level. Geographically, the surveyed businesses mirror the approximate distribution reported by the Kosovo Business Registration Agency (KBRA). The Pristina region holds the highest concentration of businesses, followed by Peja/Peć, Prizren, and Ferizaj/Uroševac regions. The geographic distribution of enterprises is illustrated in Table 1.

TABLE 1 DISTRIBUTION OF BUSINESSES BY REGION

Regions	Percentage
Pristina	30,8%
Peja/Peć	19,5%
Prizren	14,4%
Ferizaj/Uroševac	12,9%
Gjilan/Gnjilane	12,6%
Mitrovica/Mitrovica	4,9%
Gjakova/Đakovica	4,9%

SOURCE: AUTHORS' CALCULATIONS

The survey questionnaire is organized into sections corresponding to the project objectives and thoroughly analyzed academic literature, and policy research evidence by the research team. It encompasses generic questions concerning the businesses' profiles, specifically focusing on ownership and business activities. The questionnaire comprises questions designed to elicit information, both quantitative and qualitative, about awareness of corruption, businesses' experiences with corruption, their anti-corruption behavior, perceptions of public procurement procedures, and willingness to implement ethical principles against corruption.

Before initiating interviews with businesses, a preliminary test was conducted to identify any visible 'defects' in the questionnaire or determine if specific questions required modification to obtain reliable responses from the business owners or managers. This stage also ensured that the translated questions retained the same meaning as the original ones, preventing any confusion with the translated questionnaire. Additionally, the team evaluated the survey's length, determining that it took approximately 35 minutes to complete.

For this study, the Riinvest Institute engaged 30 enumerators for 20 working days to survey businesses in all municipalities. Each enumerator underwent a comprehensive one-day training session to prepare for data collection and understand the questionnaire specifications. This training equipped enumerators with an understanding of the survey's objectives, requirements, design, and subject matter. The focus of the training encompassed the survey's purpose, the questionnaire, the interview procedure, and potential challenges during interviews.

The questionnaire was explained in detail and each interviewer performed a pre-test with each other

to familiarize themselves with the details of the questionnaire. To express gratitude for cooperation, the survey manager revisited 20 percent of the interviews. During these revisits, specific questions crucial to the research were re-asked for verification. Furthermore, researchers independently verified each questionnaire to ensure its correct completion and identify any non-logical responses. Periodic checks by the survey manager, involving the comparison of variable means and distributions across files, were implemented to ensure data integrity and detect any intentional or unintentional alterations. The research findings in this report are predominantly based on descriptive statistics using cross-tabulation techniques.

6.2 OVERVIEW OF BUSINESS PROFILE

Geographically, the distribution of businesses interviewed for the study closely aligns with the data reported by the Kosovo Business Registration Agency (KBRA). The majority of businesses are located in the Pristina region, constituting approximately 30 percent, followed by the regions of Peja/Peć and Prizren. About 45 percent of the surveyed companies report annual revenues below 200,000 euros, while merely 8 percent have turnovers exceeding 3 million euros. Regarding legal status, around 48 percent of companies are individually owned, 43 percent are limited liability companies, and just over 1 percent are joint stock companies. In terms of management, approximately 47 percent of businesses are overseen by a director or manager, while 46 percent are under the direct management of the owner. The notable prevalence of limited liability companies and business managers/directors can be attributed to the requirement of a legal status and effective leadership, in line with modern business principles, particularly for those businesses engaged in public procurement processes.

TABLE 2 PROFILE OF BUSINESS

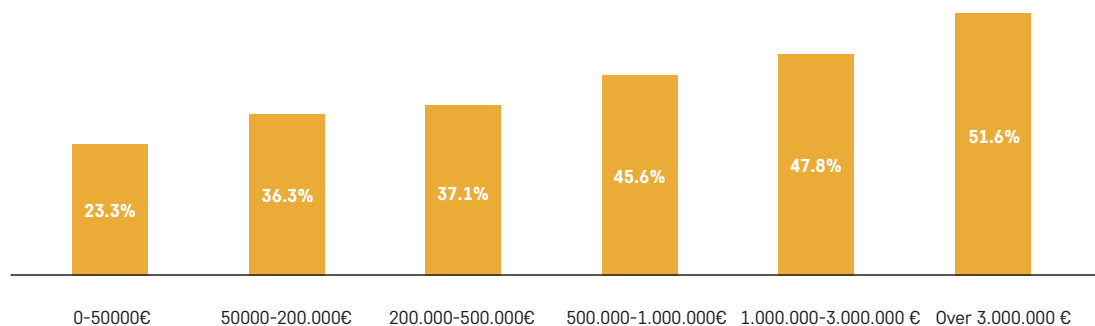
Regions distribution	Prishtina	Peja	Prizren	Ferizaj	Gjilan	Mitrovica	Gjakova
	30,80%	19,50%	14,40%	12,90%	12,60%	4,90%	4,90%
Total revenues	0 - 50,000 €	50,000 - 200,000 €	200,000 - 500,000 €	500,000 - 1,000,000 €	1,000,000 - 3,000,000 €	Over 3,000,000 €	Not answers
	21.5%	24.8%	12.5%	11.2%	9.2%	7.9%	12.9%
Legal status	Individual business	"Limited Liability company"	Partnership	Joint stock company	other		
	48.0%	42.5%	7.7%	1.3%	0.4%		
Position in business	"Director/ Manager"	Owner	other				
	46.9%	46.1%	7.0%				

SOURCE: AUTHORS' CALCULATIONS

Large businesses often enjoy several advantages that contribute to their participation and winning of projects through public procurement, resulting in higher income from such contracts. These enterprises typically possess significant financial resources, enabling investments in advanced technology and a skilled workforce. This, in turn, enhances their ability to fulfill the intricate requirements and specifications arising from public tenders. Survey data reveal that businesses regularly engaging in public procurement with an annual turnover exceeding 3 million euros derive approximately 50 percent of their income from

such contracts. In contrast, businesses with turnovers up to 50 thousand euros generate about 23 percent of their revenues from public procurement, averaging around 40 percent. The size of the business, as indicated by the number of employees, further validates this trend companies with over 50 employees secure more public contracts compared to those with up to 9 employees. Additionally, this trend correlates with the businesses' longevity in the market, with enterprises established 20 years ago winning more public tenders than those founded just 5 years earlier.

FIGURE 1 PERCENTAGE OF ANNUAL TURNOVER FROM PUBLIC PROCUREMENT

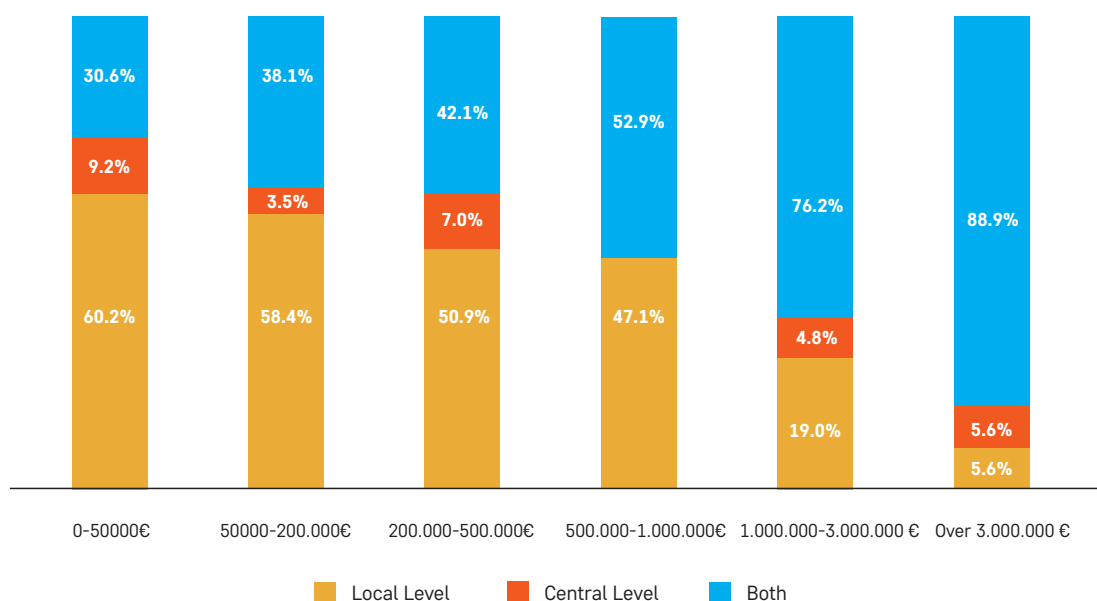


SOURCE: AUTHORS' CALCULATIONS

Given that the public procurement process in Kosovo is segmented into central and local levels, approximately 47 percent of businesses have indicated that apply only at the local level and about 6 percent apply solely at the central level, and 46 percent submit applications at both levels. The heightened participation of businesses at the local level is primarily associated with factors such as their implementation capacity, understanding of local needs, contract size, and the

presence of reduced competition. Moreover, the scale of businesses, gauged by their income, is a significant determinant influencing their participation in public procurements at both central and local levels. According to survey data, businesses with a turnover of less than 200,000 euros predominantly apply for tenders at the local level, while those with a turnover exceeding 1 million euros participate at both the local and central levels.

FIGURE 2 PARTICIPATION OF BUSINESSES IN PUBLIC PROCUREMENT AT THE LOCAL AND CENTRAL LEVEL

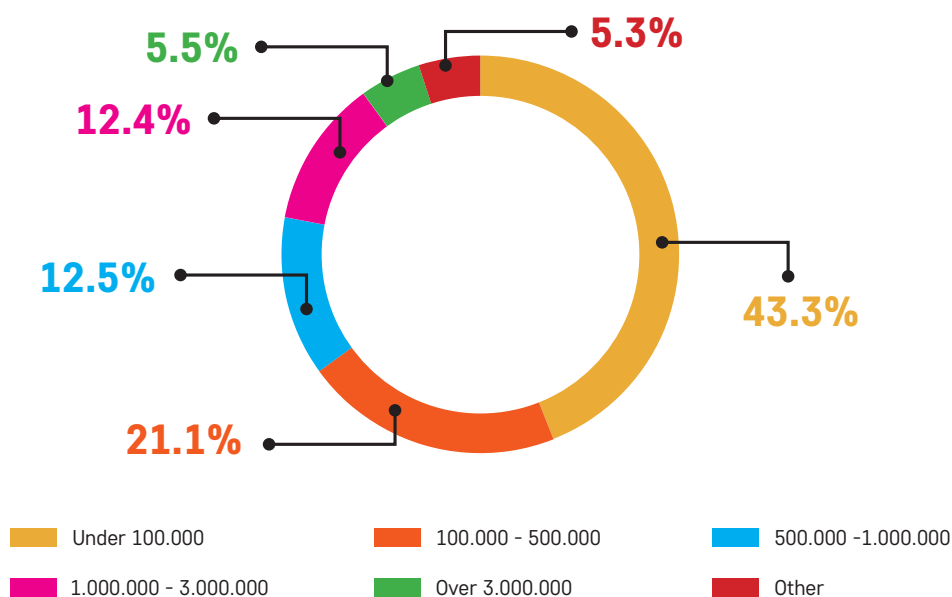


SOURCE: AUTHORS' CALCULATIONS

Regarding businesses' involvement in public procurement, they have reported applying for approximately 11 tenders in the last three years, winning an average of 4 of them. Generally, businesses with a greater number of employees and higher turnover tend to secure more contracts through public procurement. In terms of participation concerning the contract value,

around 43 percent apply for contracts worth less than 100 thousand euros, while approximately 5 percent apply for contracts exceeding 3 million euros. This indicates that businesses may lack the necessary technological, financial, and human capacity to successfully execute large-value projects.

FIGURE 3 THE VALUE OF THE CONTRACT IN PUBLIC PROCUREMENT APPLIED BY BUSINESSES

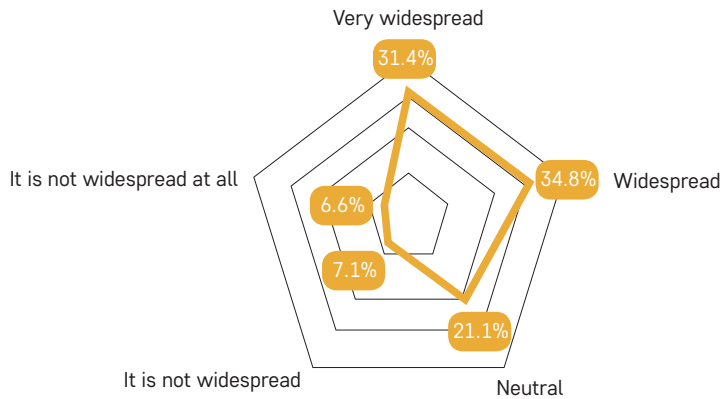


6.3 CORRUPTION AWARENESS AND PERCEPTION

In assessing the prevailing attitudes of businesses in Kosovo towards supply-side corruption, respondents were asked to provide their perceptions of the overall level of corruption within the business environment. Around two-thirds of businesses think that it is either widespread or very widespread and only 6.6 percent think that it is not widespread (see Fig. 4 for details).

However, when asked about the level of corruption within specific operational sectors, the survey revealed a balanced distribution of responses. Nearly half of the businesses believe that corruption is either "widespread" or "very widespread." In contrast, 39 percent of businesses maintain a more optimistic view, asserting that corruption is not common in their operational domains.

FIGURE 4 PERCEPTION OF CORRUPTION IN GENERAL



SOURCE: AUTHORS' CALCULATIONS

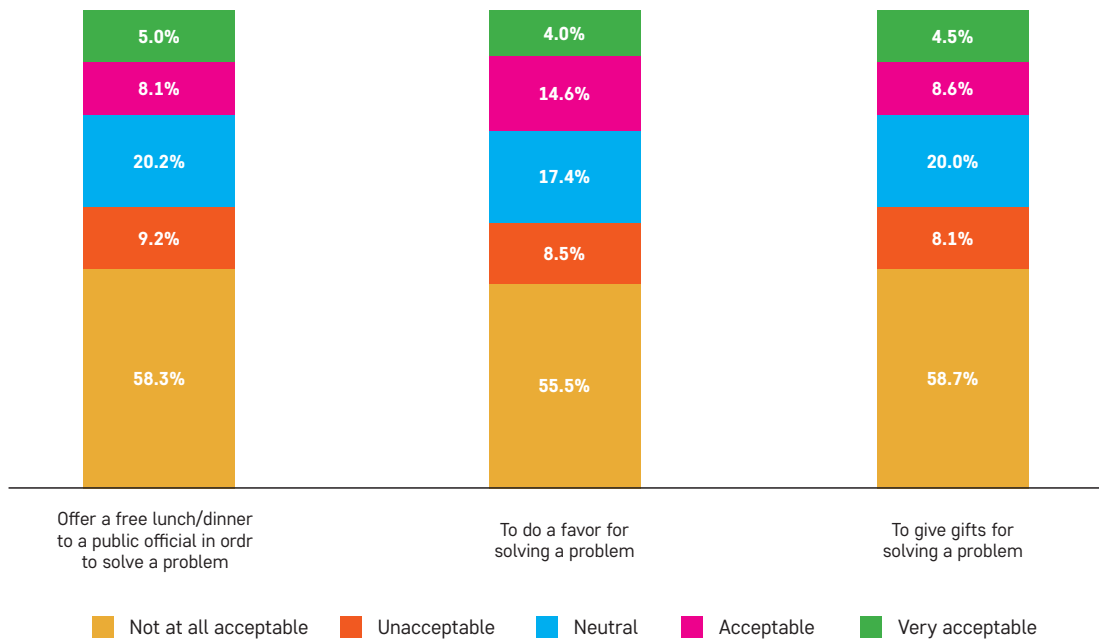
Should a substantial number of businesses perceive corruption as more widespread across industries than within their specific sectors, it could suggest a perception gap or a lack of awareness regarding corruption within the private business domain. Alternatively, their perception may be influenced by a strategic motive to protect and uphold their reputation. Moving forward, this is sometimes attributed to a focus on high-profile cases of corruption in government or public sectors, which might overshadow the attention given to corruption within private businesses. Specifically, the comparison of perceptions in our survey regarding corruption in public procurement managed by central authorities and local authorities reinforces the above-mentioned observation. The data reveals a disparity in perceived prevalence, with 27.3 percent of respondents expressing the belief that corruption in public procurement managed by central authorities is very widespread, compared to 20.8 percent for corruption managed by local authorities.

While exploring the attitudes towards the practice of offering bribes or gifts to public officials to facilitate business-related tasks, the survey results convey a strong stance against such practices among businesses in Kosovo. A significant majority 77.5 percent firmly believe that it is not at all justified to provide bribes or gifts for the completion of their tasks and only a minimal fraction, 0.7 percent, justifies it. Nevertheless, the responses to the question on how business representatives should react when faced with a bribe or gift re-

quest from a public official, a substantial 40.4 percent of respondents advocate for reporting the official to the competent authorities, which shows a commitment to integrity and a willingness to address corruption transparently. Equally significant is the 40.1 percent who assert an immediate rejection of such requests. These responses are consistent with the earlier findings that overwhelmingly rejected the justification of offering bribes or gifts. However, the presence of respondents (13.8 percent) considering a temporary contemplation before deciding to bribe accentuates the challenges businesses may face when navigating corruption-prone environments.

Moreover, the businesses were also asked for the acceptability of various practices when undertaken by representatives of private businesses in Kosovo (Figure 5). The results again indicate a consistent trend of disapproval towards certain practices aimed at influencing public officials, where around two-thirds of businesses firmly deem it not at all acceptable to offer a free lunch/dinner, do a favor, or give gifts to public officials in exchange for problem resolution. What raises particular concern is the portion of respondents who express a neutral or acceptable stance towards these behaviors. In certain cases, such actions might be considered customary as a means of building relationships and facilitating business transactions; yet the offerings in exchange for preferential treatment is widely considered corrupt and is illegal.

FIGURE 5 PERCEIVED ACCEPTABILITY OF PRACTICES BY PRIVATE BUSINESS REPRESENTATIVES



SOURCE: AUTHORS' CALCULATIONS

Therefore, while the previous sections of the report established a quite clear stance against corrupt practices, this segment sought to dig into the awareness levels regarding the implications of such actions. The findings suggest that, overall, businesses exhibit a commendable awareness of the negative consequences associated with corruption, particularly in relation to national development, economic growth, and business costs (Table 3). The majority of respondents recognize that corruption undermines the country's competition and development (58.1 percent) and hinders economic growth, increases business costs, and discourages investment (63.4 percent).

However, despite the evident awareness of the consequences, a significant portion of businesses maintains some concern-raising beliefs. When faced with the statement 'Bribery and using connections are often the easiest ways to get certain public services,' a considerable 68.4 percent agree or partially agree. Similarly, the assertion 'No service related to public institutions can be performed without giving gifts' receives agreement or partial agreement from 57 percent of respondents. This discrepancy begs the question of how consistent businesses are in their opposition to corrupt practices, as even when they explicitly condemn them, they may yet view them as commonplace or, in certain cases, feel compelled to engage in them as a result of existing business norms or other pressures.

TABLE 3 AWARENESS REGARDING CONSEQUENCES OF CORRUPTION

	Corruption undermines the country's competition and development	Corruption hinders economic growth, increases business costs and discourages investment	Through corruption, the long-term development of the company is ensured	The only way of long-term development of the company is fair competition	No service related to public institutions can be performed without giving gifts	Close ties between business and politics lead to corruption	Bribery and using connections are often the easiest ways to get certain public services
Yes, to some extent	30.7%	19.3%	27.0%	27.9%	38.6%	38.2%	32.0%
Yes	58.1%	63.4%	8.8%	49.6%	18.4%	38.8%	36.4%
No	4.2%	11.0%	57.0%	15.6%	31.6%	12.3%	21.7%
I do not know	7.0%	6.4%	7.2%	7.0%	11.4%	10.7%	9.9%

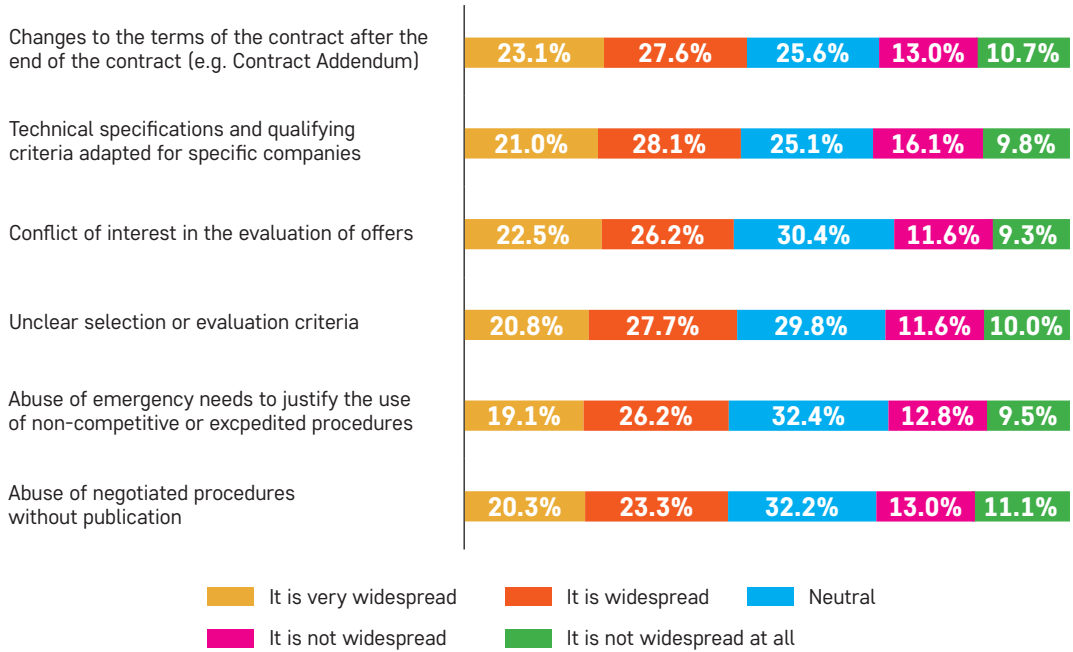
SOURCE: AUTHORS' CALCULATIONS

In general, from all the most common corruption practices businesses encounter, bribery emerges as a major concern, with 67.3 percent of respondents considering it the most widespread corrupt practice. Tax avoidance closely follows, with 66.9 percent expressing apprehensions about financial malfeasance. The act of offering gifts to public officials is seen as prevalent by 46.9 percent of businesses, whereas financing political parties in exchange for public contracts and the employment of friends and family of public officials, were identified with 42.5 percent and 48.5 percent respectively.

6.4 FORMS AND MANIFESTATIONS OF PRIVATE SECTOR CORRUPTION IN KOSOVO

One of the most reported issues in public procurement procedures, as perceived by businesses, is the alteration of contract terms after completion. These changes, often considered “minor,” tend to go unnoticed due to their low visibility. Additionally, the lack of clear criteria for contract selection and conflicts of interest in evaluating similar bids are also frequently cited, ranking similarly in terms of their prevalence in procurement processes.

FIGURE 6 FREQUENCY OF BRIBE GIVING FOR CERTAIN PROCEDURES

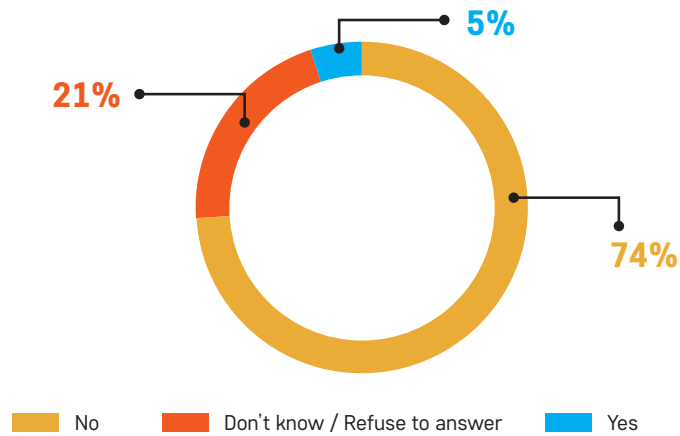


SOURCE: AUTHORS' CALCULATIONS

Over 70% of businesses reported that they have never been solicited by a public official for gifts or rewards. However, a portion of the surveyed businesses expressed a neutral stance regarding

this issue. This finding may also reflect a broader trend where citizens and businesses are hesitant to report instances of corruption, contributing to an underreporting of such practices.

FIGURE 7 TIMES THAT PUBLIC OFFICIALS ASKED FOR BRIBE

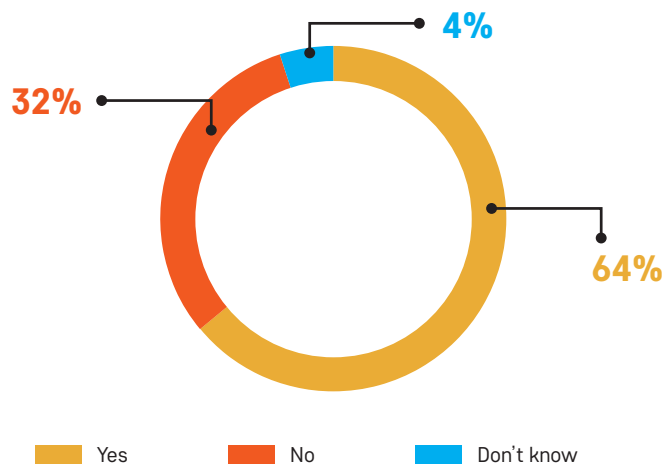


SOURCE: AUTHORS' CALCULATIONS

More than half of the survey respondents indicated that in instances where they were asked for a gift, they reported the incident to the relevant authorities. Specifically, when faced with requests for bribes or other forms of corrupt practices, the Anti-Corruption Agency has been the primary institution to which these businesses have turned.

A significant portion of the respondents confirmed that they have reported such cases to this agency. This trend of reporting to the Anti-Corruption Agency is corroborated by the agency's own data, which shows an uptick in the reporting of corruption cases related to public procurement during the year 2022.

FIGURE 8 REPORTING OF BRIBERY TO AUTHORITIES



SOURCE: AUTHORS' CALCULATIONS

Following the reporting of corruption to the relevant authorities, nearly half of the businesses indicated that they proceeded to initiate formal actions against the involved official. Yet, over a quarter of the surveyed businesses reported that no specific action was taken subsequent to their reports. According to observations from justice monitoring organizations, this lack of subsequent action is largely due to inefficiencies in inter-institutional cooperation.

Data reveals that a relatively small percentage - 4.8% of individuals were asked for gifts, bribes, or

favours from public authorities, and from those that had such a request, most of them reported it to the competent authorities. Furthermore, following the reporting of events or cases in Kosovo, individuals have encountered a range of diverse experiences. A substantial proportion, precisely 45.5%, witnessed the initiation of formal procedures against the implicated official. In contrast, over 27.3% felt like their reporting had no effect and had not resulted in any improvements. Furthermore, a percentage of respondents, specifically 4.5%, shared that they were explicitly advised against proceeding further with the report.

TABLE 4 OUTCOMES OF REPORTING EVENTS OR CASES

	Percentage
Formal procedures have been initiated against the official	45.5%
Nothing happened	27.3%
We have been advised not to proceed further with the report	4.5%
My reporting of the incident resulted in negative consequences.	4.5%
Other	18.2%

SOURCE: AUTHORS' CALCULATIONS

A significant percentage of businesses (31.8%) chose not to report the incident; of those around 14.3% stated that providing gifts or monetary incentives to public officials is perceived as a common practice that does not need reporting. This practice raises concerns about the normalization of potentially unethical conduct within public procurement that may compromise the integrity and fairness of procurement processes, fostering an environment where such practices remain unresolved.

The ineffectiveness of reporting was also stated by 14.3% of the respondents. This demonstrates that

respondents believe that even though they complained, the anticipated improvements were not implemented. This should serve as a warning sign to the component institutions to prompt an examination of the present reporting protocols. A significant 28.6% cited that the perceived complexity and time-consuming nature of the reporting method as a barrier.

Furthermore, the respondents' decisions not to report were affected by three factors: gifts/payments made of appreciation, fear of penalty, and company advantage from payments/gifts/favours, each with 14.3%.

TABLE 5 REASONS FOR NOT REPORTING EVENTS OR CASES

	Percentage
Providing gifts or any monetary incentives to public officials is a common practice that does not need reporting.	14.3%
Even after the complaint, no further investigation was done.	14.3%
Fear of punishment	14.3%
The company benefited from payments/gifts/favors	14.3%
The gift or payment was made as a sign of gratitude.	14.3%
The reporting procedure is very complicated and requires a significant amount of time	28.6%

SOURCE: AUTHORS' CALCULATIONS

Acceleration of procedures is the most prevalent motivation for giving gifts or extra money, with around 35.5% of the total. Following closely at 20.5% is the motivation to assist in the completion of processes that may be difficult or cause delays under normal circumstances. To obtain informa-

tion about any procedure (13.9%) and to obtain preferred treatment (3.0%) were also identified as factors, emphasizing the importance of access to information and favorable outcomes. The avoidance of paying a fine (9.6%) and the reduction of the cost of any procedure (9.0%) were also highlighted.

TABLE 6 REASONS FOR GIVING BRIBES OR GIFTS

	Percentage
To speed up procedures	35.5%
To assist in the completion of a process that otherwise would be impossible or delayed.	20.5%
To gain an advantage over competitors	8.4%
Do not know	-
To obtain information about any procedure (where to go, who to approach, etc.)	13.9%
To obtain preferred treatment (e.g., increase the outcome, lower taxes, etc.).	3.0%
To avoid paying a fine	9.6%
To reduce the cost of any procedure	9.0%

SOURCE: AUTHORS' CALCULATIONS

The table below explains the percentage of companies that tend to offer bribes based on their annual turnover. According to the data, as financial transactions increase, so does the estimated likelihood of engaging in bribery. Specifically, companies in

the €1,000,000 to €3,000,000 range exhibit the highest perceived propensity for offering bribes at 49.3%, followed closely by those with financial transactions beyond €3,000,000 at 42.1%.

TABLE 7 PERCEIVED BRIBERY TENDENCIES BY COMPANIES

	Percentage
€ 0 - € 50,000	30.9
€ 50,000 - € 200,000	39.1
€ 200,000 - € 500,000	35.3
€ 500,000 - € 1,000,000	44.8
€ 1,000,000 - € 3,000,000	49.3
Over 3,000,000	42.1
Average	38.6

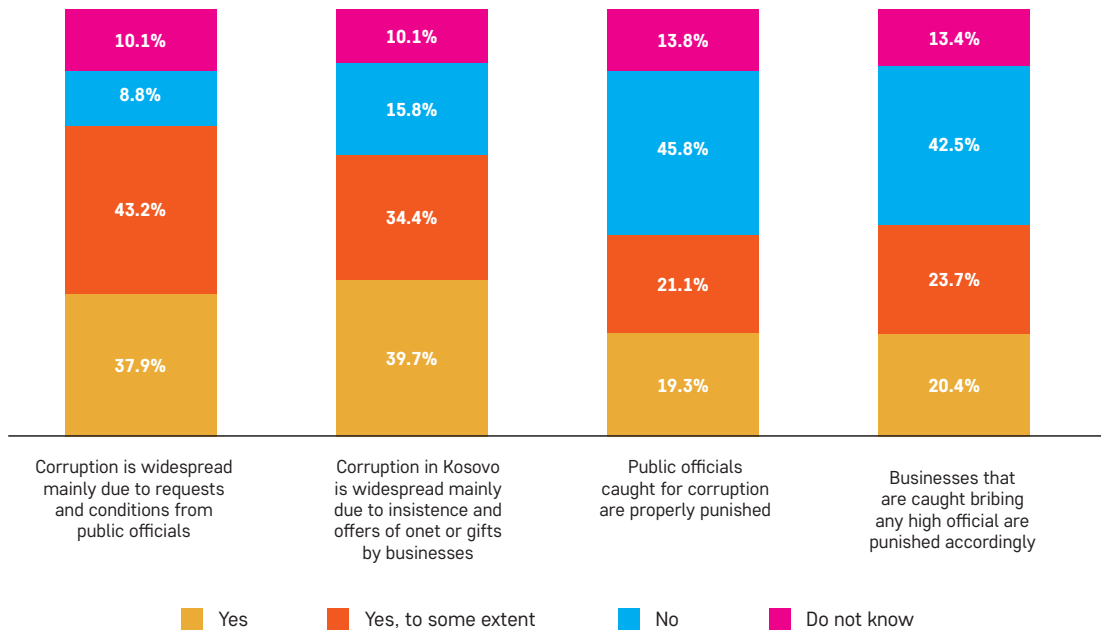
SOURCE: AUTHORS' CALCULATIONS

6.5 PERCEPTION OF BUSINESSES ON PUBLIC PROCUREMENT SERVICES IN KOSOVO

This section presents survey findings on the behavior of businesses in relation to corruption and their perceptions regarding public procurement. The second part of this section reveals findings on the willingness of the business community to adopt ethical principles. In the last three years, only 10.3 percent of businesses have made any significant investments due to the fear that they would need to offer gifts or bribes to obtain services or necessary permissions. This contrasts with 72.1 percent of businesses that assert they have not encountered such issues, while 17.5 percent state that they are uncertain.

Figure 9 illustrates the perceptions of businesses regarding the corruption of public officials. Survey results indicate that 43.2 percent either agree or somewhat agree that corruption is widespread in relation to the conditions and requests from public officials, compared to 37.9 percent of respondents who believe that corruption is prevalent. According to respondents (34.4 percent agree to some extent, and 39.7 percent fully agree), this perception is driven by the practice of businesses insisting on offering money or gifts to public officials. Despite the acknowledgment of corruption practices by respondents, 45.5 percent argue that public officials are neither caught nor properly punished. Similar perceptions are expressed for businesses (42.5 percent) caught bribing but not adequately penalized.

FIGURE 9 THE PERCEPTION OF BUSINESS ON CORRUPTION, AND PUNISHMENT PRACTICES



SOURCE: AUTHORS' CALCULATIONS

Table 8 illustrates the willingness of businesses to adopt ethical principles as a mechanism to prevent and counteract corruption. The number of businesses with a Code of Ethics (43.9 percent) is slightly lower compared to those without (46.7 percent). Only 23.9 percent of businesses have an internal whistleblower, while the majority (53.1 percent) do not. A significant portion of businesses (54.6 percent) lacks regulations prohibiting bribery, with 47.1 percent expressing a willingness to engage in designing such regulations. Among businesses with regulations (27 percent), half of the respondent's state that senior management would be willing to establish clear responsibilities in implementing anti-corruption regulations. Most businesses (50.2 percent) are committed to continuously monitoring the implementation of anti-corruption regulations. Regarding disciplinary procedures for handling brib-

ery incidents, 46.7 percent of businesses have not established such procedures, in contrast to the 27 percent that already have disciplinary measures in place. Businesses without established disciplinary procedures express a willingness to draft regulations against bribery incidents within the business (46.9 percent), compared to 16 percent of respondents with a negative response. A significant proportion of businesses have regulations regarding donations and sponsorships to political parties (46.9 percent) and support for sports, culture, art, and charity (43.2 percent). However, despite the willingness of businesses to adopt ethical principles and respond to bribery practices, survey results suggest that 95.4 percent have not initiated any disciplinary procedures against employees involved in corruption affairs.

TABLE 8 THE WILLINGNESS OF BUSINESS TO ADOPT ETHICAL PRINCIPLES

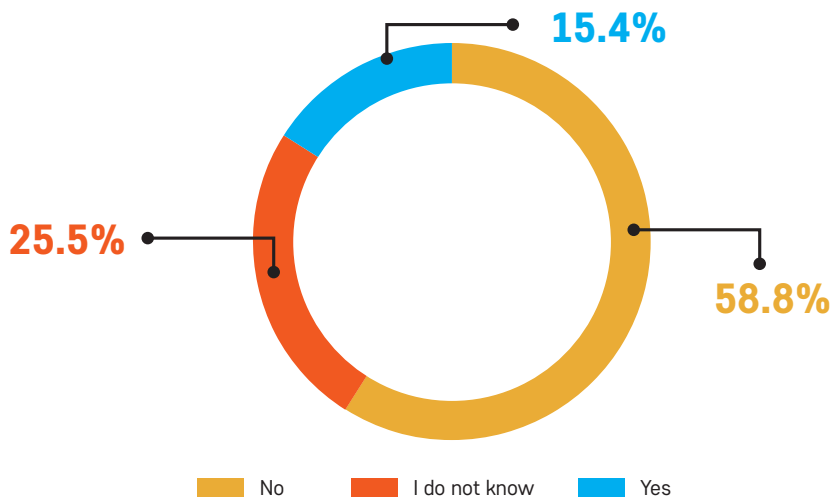
	Yes	No	Do not know	N/A
Does your business have a Code of Ethics to which employees must adhere?	43.9%	46.7%	3.9%	5.5%
Does your business have an internal whistleblower?	23.9%	53.1%	12.5%	10.5%
Is there any regulation that prohibits the giving of bribes in your company?	27.9%	54.6%	10.5%	7.0%
If not, would your business be willing to commit to developing a regulation that prohibits the giving of bribes?	47.1%	16.4%	24.3%	12.1%
If yes, would the senior management of your company be willing to establish clear responsibilities to implement the regulation against corruption?	50.0%	13.6%	22.8%	13.6%
If yes, would your company be willing to install a system that continuously monitor the implementation of the anti-corruption program?	50.2%	16.7%	21.1%	12.1%
Does your business have established disciplinary procedures to deal with any bribery incidents?	27.0%	46.7%	17.3%	9.0%
If not, would you be willing to draft regulations for the handling of bribery incidents?	46.9%	16.0%	23.2%	13.8%
Is there any regulation regarding donations and sponsorships to political parties in your business?	20.0%	46.9%	21.5%	11.6%
Is there any regulation regarding donations and sponsorships in other fields such as sports, culture, art, and charity in your business?	22.4%	43.2%	21.5%	12.9%

SOURCE: AUTHORS' CALCULATIONS

Interestingly, most businesses (87.9 percent) are not members of business associations in Kosovo, with only 12.1 percent being members. Additionally, a significant portion of businesses (58.8 percent) lacks information on whether business associations have created a Code of Ethics that would prohibit their members from engaging in corruption affairs, while only 15.4 percent are aware of such an initiative (Figure 10). Among the businesses that

are aware of this initiative, 89.9 percent express a willingness to sign the Code of Ethics, while 17.1 percent declare that they would not sign. When assessing the effectiveness of the business community (including businesses, chambers, and associations) in combating corruptive practices through signing the Code of Ethics, the majority of businesses declare that it would be effective.

FIGURE 10 THE AWARENESS OF BUSINESSES ON CODES OF ETHICS CREATED BY BUSINESS ASSOCIATIONS IN KOSOVO

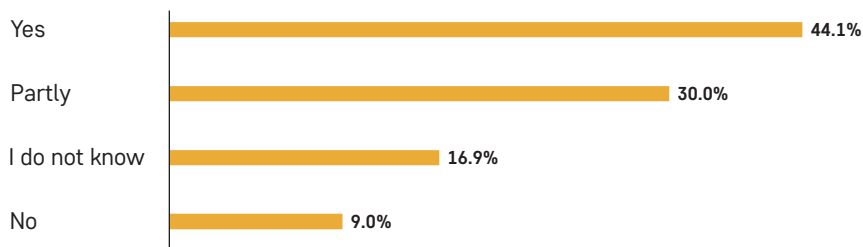


SOURCE: AUTHORS' CALCULATIONS

The survey results indicate that 44.1 percent of businesses declare that their leadership would be ready to demonstrate commitment to an anti-corruption program, serving as an example for transparency and integrity. Additionally, 30 percent of businesses express a partial willingness to participate in the program. The findings also suggest that 46.9 percent of businesses would modify their Human Resources Practices (HRP) to reflect a commitment to the Anti-Bribery Program, while

27.6 percent would partly participate, and only 7 percent declare that they would not change HRP. Moreover, 44.1 percent of businesses are prepared to establish mechanisms through which employees and others within the business can raise concerns about corruption without the fear of punishment, while 30 percent declare a partial readiness. Only 6.1 percent indicate that they would not be ready to provide such mechanisms.

FIGURE 11 THE COMMITMENT OF LEADERSHIP TO ANTI-CORRUPTION PROGRAM AND ACT AS AN EXAMPLE OF TRANSPARENCY AND INTEGRITY



SOURCE: AUTHORS' CALCULATIONS

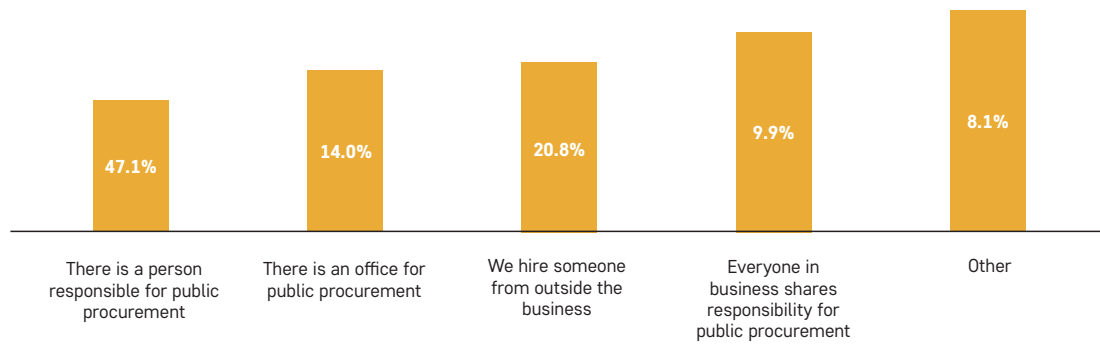
6.6 BEHAVIOR OF BUSINESSES TOWARDS CORRUPTION AND WILLINGNESS TO EMPLOY ETHICAL PRINCIPLES

This section is divided into two parts. The first part presents survey results on how businesses manage the application process in public procurement and the training of businesses in relation to public procurement. The second part is centered on the perception of businesses regarding public procurement services, highlighting the barriers and challenges they encounter.

Survey results (Figure 12) indicate that 47.1 percent of businesses have an individual responsible for public procurement, with 14 percent having a

dedicated office solely designated for public procurement. Additionally, 20.8 percent of businesses opt to hire external experts to handle the public procurement process. Notably, the majority of businesses (50.2 percent) have not received any training, support, or advice regarding the phases of application for public contracts, in contrast to 34.6 percent who have already received such support. These findings suggest that businesses have developed internal capabilities when it comes to dealing with public procurement. This underscores an indication of a professional approach towards public contract bidding, demonstrating an understanding of the intricacies of the public procurement process.

FIGURE 12 THE APPLICATION PROCESS FOR PUBLIC CONTRACTS IS MANAGED IN YOUR BUSINESS



SOURCE: AUTHORS' CALCULATIONS

In general, on average, 45 percent of all barriers are sometimes a source of difficulty for businesses. When categorized, barriers that are seldom or rarely encountered by businesses include organizational ability/capacity to manage a public contract (42.32 percent), requirements for professional qualifications/certifications (41.01 percent), requirements for previous experience in tendering in the public sector (39.91 percent), and finding a business partner with whom to make a joint bid for a contract (34.21 percent). On the other hand, businesses sometimes find difficulty in identifying contracts available in the public sector (47.37 percent), bearing the costs for the preparation of the tender application (48.90 percent), allocating time to prepare a public offer (48.90 percent), understanding the public portal (45.18 percent), comprehending terms and conditions of proposed contracts (49.56 percent), and addressing questions and requirements regarding the documentation for the tender

application (45.61 percent). Furthermore, businesses frequently or always encounter difficulties related to the delays in payment of financial obligations from public institutions (25.22 percent) and the ambiguity of technical specifications and qualifying experience (23.03 percent).

The survey reveals that, on average, 45 percent of barriers are occasionally challenging for businesses. Notably, businesses typically find fewer difficulties in areas such as organizational capacity, professional qualifications, and previous tendering experience. Conversely, challenges arise more frequently in aspects like identifying contracts, managing costs and time for tender applications, and understanding terms and conditions, emphasizing areas where improvements or support may be beneficial for businesses navigating public procurement processes.

TABLE 9 THE DIFFICULTIES LISTED BELOW HAS YOUR BUSINESS ENCOUNTERED

	Never/ rarely presents difficulties	Some- times it presents difficulties	Always/ often presents difficulties
Identification of contracts that are available in the public sector	39.47%	47.37%	13.16%
Understanding the questions and requirements regarding the documentation required for the tender application	35.31%	45.61%	19.08%
Costs for the preparation of the tender application	36.84%	48.90%	14.25%
Time limit for the preparation of the tender offer	31.58%	48.90%	19.52%
Organizational ability / capacity to manage a public contract	42.32%	42.76%	14.91%
Requirements for professional qualifications/certifications	41.01%	42.76%	16.23%
Requirements for previous experience in tendering in the public sector	39.91%	43.64%	16.45%
Finding a business partner with whom to make a joint bid for a contract	34.21%	46.05%	19.74%
The public procurement portal is difficult to understand	38.60%	45.18%	16.23%
Delays in payment of financial obligations from public institutions	27.85%	46.93%	25.22%
Terms and conditions of the proposed contract	33.55%	49.56%	16.89%
Ambiguity of technical specifications and qualifying criteria	31.14%	45.83%	23.03%

SOURCE: AUTHORS' CALCULATIONS

Findings suggest a significant disparity between the legal provision allowing businesses to complain and take action in public procurement processes and the actual application of this right, where only 5.9 percent of businesses have taken action in the last three years. Most businesses have not taken any action (68.2 percent), some have complained to

the Public Procurement Regulatory Commission (PPRC) (3.1 percent), and 13.6 percent to the Procurement Review Body. These results indicate that, despite the potential for businesses to encounter injustice during the application and bidding process, the lack of action taken, even in terms of complaints, is concerning.

TABLE 10 ACTION TAKEN BY THE FIRM IN CASE WHEN THEY WERE NOT SATISFIED WITH THE PUBLIC PROCUREMENT PROCESS

	Percentage
We raised the matter in the Public Procurement Regulatory Commission (PPRC)	3.1%
We raised the matter in the Procurement Review Body	13.6%
No, we have not taken action	68.2%
We have taken legal action	5.9%
Other	9.2%

SOURCE: AUTHORS' CALCULATIONS

The improvement of public procurement, according to survey results, reflects a predominantly positive perception among businesses. The majority acknowledges a significant improvement in the process, while only 10.31 percent express disagreement with the notion of improvement. Similarly, nearly half of the businesses affirm that the public procurement process has become more

open and transparent, with 13.38 percent holding an opposing view. However, less than 40 percent of businesses completely agree or agree that the process has become more business-friendly, and 32.24 percent remain neutral. Approximately more than 20 percent do not agree or disagree entirely that it has improved in terms of business friendliness.

TABLE 11 PERCEPTIONS OF BUSINESSES ON THE IMPROVEMENT OF APPLICATION, TRANSPARENCY OF PUBLIC PROCUREMENT

	The public procurement process has been significantly improved	It has become more open and transparent	It has become simpler to apply	It has become more business friendly
Completely agree	17.11%	16.45%	20.18%	14.04%
Agree	24.56%	27.19%	26.54%	22.15%
Neutral	35.31%	30.48%	27.63%	32.24%
I do not know	7.68%	7.46%	7.89%	9.87%
I do not agree	10.31%	13.38%	12.94%	15.79%
I do not agree at all	5.04%	5.04%	4.82%	5.92%
Total	100.00%	100.00%	100.00%	100.00%

SOURCE: AUTHORS' CALCULATIONS



7. CONCLUDING REMARKS AND RECOMMENDATIONS

The issue of supply-side corruption within the private sector in Kosovo has long been a matter of concern. This report, conducted by the Riinvest Institute and supported by USAID Kosovo Municipal Integrity (KMI) has shed light on the pervasive nature of this problem and its far-reaching implications. Through a comprehensive study, including primary and secondary data analysis, key insights have emerged that warrant immediate attention and action.

The findings of this report make it evident that supply-side corruption poses a significant obstacle to Kosovo's economic growth and development. It hinders fair competition, increases business costs, and discourages much-needed investment. Moreover, it erodes public trust in government institutions and perpetuates a culture of unethical practices.

Bribery and the use of connections have emerged as convenient means to access public services, indicating a pressing need to overhaul the existing systems and instill transparency and fairness. The prevalence of changing contracts after completion, lack of clear evaluation criteria during the bidding process, and conflicts of interest further underline the urgency of addressing corruption in public procurement.

The report also reveals a significant gap in reporting and accountability. While some businesses have initiated formal procedures and reported corrupt practices, a substantial portion remains hesitant to do so. Reasons for not reporting include the perception of lengthy processes and the belief that bribery

is mutually beneficial. To combat corruption effectively, there must be a clear and efficient reporting mechanism in place.

The lack of internal whistleblowers and regulations prohibiting bribery within businesses is a critical issue that needs attention. While there is a willingness to develop such policies, many businesses have yet to establish formal disciplinary procedures for handling instances of bribery. Efforts to combat supply-side corruption should involve multiple stakeholders. Business associations have a vital role to play in developing internal codes of conduct and actively promoting the Business Anti-Corruption Code. The government and Kosovo Assembly should consider legislative amendments to strengthen anti-corruption measures and enforce penalties for corrupt practices. The judiciary system must demonstrate its commitment to punishing corruption effectively and increasing confidence in its ability to deliver justice. Encouragingly, businesses have shown readiness to adopt a Code of Ethics created by Business Associations, indicating a positive step towards fostering ethical business practices.

The findings of this report call for immediate and concerted action to combat supply-side corruption in Kosovo's private sector. It is imperative to foster a clean and fair business environment that promotes economic growth, investment, and development.

Given the key findings outlined above, a set of recommendations is being put forth to various stakeholders, with the intention of providing actionable

guidance and suggestions aimed at addressing pertinent issues identified within the context of the findings.

Business Associations:

- Business associations need to actively engage in the creation, adoption, and enforcement of a Business Anti-Corruption Code.
- Advocate for the establishment of dedicated task forces within these associations to monitor member businesses' adherence to the code. These task forces should regularly assess compliance and take appropriate actions against violators.
- Foster collaboration with civil society organizations to leverage expertise and resources in advancing anti-corruption reforms.
- Provide resources and support to assist businesses in implementing anti-corruption measures effectively, such as training programs, and consultancy services.
- Encourage businesses to participate in training programs on topics such as public procurement processes, ethical standards, and legal compliance.
- Provide guidance and support to help businesses establish and refine internal policies and procedures that promote integrity and ethical conduct.
- Encourage businesses to establish internal whistleblower systems that enable employees to report instances of corruption confidentially and without fear of retaliation, as well as support them to establish formal disciplinary procedures to address bribery allegations promptly and effectively, demonstrating a commitment to zero tolerance for corruption within the organization.

Judicial institutions:

- Implement measures to enhance the capacity and commitment of the judiciary to prosecute and penalize individuals involved in corrupt practices effectively.
- Strengthen legal frameworks to ensure stricter penalties for corruption offenses, sending a clear message of deterrence to potential wrongdoers.
- Prioritize the resolution of corruption cases and streamline judicial procedures to expedite trials and reduce the backlog of cases related to corruption.
- Improve transparency and accountability within the judicial system to foster public trust and confidence in its ability to combat corruption effectively.

Government and Regulatory Bodies:

- Simplify reporting procedures for businesses to report instances of bribery and corruption, reducing bureaucratic barriers and encouraging greater transparency.
- Ensure adequate legal protections for whistleblowers to safeguard them from retaliation and encourage more individuals to come forward with information on corrupt practices.
- Collaborate with the private sector, civil society organizations, and donors to strengthen regulatory frameworks and enforcement mechanisms aimed at combating corruption.
- Invest in anti-corruption initiatives, including awareness campaigns, capacity-building programs, and technological solutions to enhance transparency and accountability in public and private sectors.



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