Republika e Kosovës
Republika Kosova
Republic of Kosovo

Qeveria - Vlada - Government

Ministria e Tregtisë dhe Industrisë
Ministarstvo Trgovine i Industrije
Ministry of Trade and Industry

PRIVATE SECTOR DEVELOPMENT STRATEGY 2013 - 2017

March 2013

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List of abbreviations:

SBA	Small Business Act for Europe
FVA	Food and Veterinary Agency
SMESA	Small and Medium Enterprises Support Agency
KBRA	Kosovo Business Registration Agency
TAK	Tax Administration of Kosovo
WB	World Bank
EU	European Union
GDP	Gross Domestic Production
CBK	Central Bank of Kosovo
KAD	Kosovo Accreditation Directorate
EIPCD	European Integration and Policy Coordination Department
PPD	Public-Private Dialogue
KAS	Kosovo Agency of Statistics
ECA	European Corporate for Accreditation
IAF	International Accreditation Forum
ILAC	International Laboratory Accreditation Cooperation
IMF	International Monetary Fund
CPI	Consumer Price Index
FDI	Foreign Direct Investment
EC	European Commission
TC	Technical Committees
CLMK	Central Laboratory of Metrology of Kosovo
LMIK	Legal Metrology Institute of Kosovo
MI	Ministry of Infrastructure
MoF	Ministry of Finance
MIE	Ministry of European Integration
MTI	Ministry of Trade and Industry
MED	Ministry of Economic Development
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MESP	Ministry of Environment and Spatial Planning
FTA	Free Trade Agreement
SME	Small and Medium Enterprises
WTO	World Trade Organization
BSP	Business Service Provider
IP	Implementation Plan
BIP	Business Information Point
ICK	Innovation Centre Kosovo
GoK	Government of Kosovo
VAT	Value Added Tax

Dear All,

Ministry of Trade and Industry has drafted the "Private Sector Development Strategy 2013 – 2017" document, which represents coordination of activities of the Ministry as an integral part of orientation and vision of the Government of Republic of Kosovo toward development of the private sector in midterm, as a significant part of sustainable economic development of the Republic of Kosovo.

Private Sector Development Strategy 2013 – 2017 mainly focuses in the development of Small and Medium Enterprises, investment promotion, enhancing the internal market, respectively free movement of goods, as well as improvement of the trade policies. The purpose of this strategy is to address challenges as well as to adopt changes dealing with industry and private sector development which represent the change in legal, institutional and policy framework.

The changes foreseen in the Private Sector Development Strategy 2013 – 2017 are important since they relate to commitment of the Ministry to implement more rigorous policies on capacity building to promote investments which would made Kosovo competitive with regional countries. Also, an administrative capacity increase for management and information on protection of Industrial Property rights as well as increase of administrative capacity for adopting proper policies for industry development and to stimulate entrepreneurship.

Being in line with MTI goals for the respective period, the Strategy focuses in particular on adopting and implementation of policies which would contribute to the increase of domestic production and increase of competitiveness of Kosovo in the European and International Market.

Being aware that the needs are numerous whilst possibilities are limited, while drafting this plan we attempted to include also the suggestions deriving from the overall orientation of the Republic of Kosovo toward Euro-Atlantic integration.

Ministry of Trade and Industry will continue its work in implementing this important strategic document, committed to work towards achieving a sustainable economic development for the Republic of Kosovo.

Mimoza Kusari-Lila
Minister of Trade and Industry

Executive Summary

In efforts to increase employment and reduce poverty, Ministry of Trade and Industry's Private Sector Development Strategy aims to create a private sector which will be globally competitive.

The Strategy provides a frame for possible intervention by central and local level of government, private and non-governmental sector. This intervention will inspire necessary changes to achieve a social welfare, modern infrastructure, sustainable economic development and ensure efficient public services as well.

This Strategy consists of three pillars:

(1) Development, support and promotion of investments and businesses;
(2) Improvement of Free Movement of Goods or Regulation of Internal market; and
(3) Advancement of Trade Policies

This Strategy is based on the pillar of sustainable economic development of the Government of the Republic of Kosovo's Program (2011 – 2014). This pillar highlights that "*the main generator of economic growth will be private investments and further development of entrepreneurship*…"[1]. While drafting this Strategy, the Action Plan of the Economic Vision of Kosovo (2011-2014) was taken into account which among others, determines the basic legislation as a prerequisite for the removal of administrative barriers, which in turn would spur investments and support the development of private sector.

[1]Program of the Government of Republic of Kosovo (2011 – 2014)

1 Introduction

The Private Sector Development Strategy 2013-2017 relates to the sector under the umbrella of MTI, and the sector as such is a crucial part of orientation and vision of the Government of the Republic of Kosovo on sustainable economic development.

During the compilation of this document, other Ministries with a stake at this sector's development continuously participated in the consultation process. In addition, several suggestions arising from the overall orientation of the Republic of Kosovo toward Euro-Atlantic integration. For more information related to the drafting methodology of this Strategy, please refer to Annex 1 (Note: the Annexes are presented separately in the document).

The beginning of this document covers facts on sector's importance and further, the overall situation within the sector, pointing out the reasons for intervention. In return, the necessity to intervene in the sector shapes the goals and objectives through which Strategy foresees the Private sector development.

The strategic goals, sub-goals and objectives by which this strategy will be implemented and most importantly by which the implementation of this Strategy will be assessed are presented next.

Private Sector Development Strategy ::: Strategic goals and sub-goals

Industry and SME

1	**State and globally competitive enterprises**
1.1	Orientation toward a strategic industry sector prioritizing production and export
1.2	Provision of tax incentives
1.3	Continuous support towards technical, innovative and management skills development
1.4	Continuous improvement of access to finance
1.5	Protection of Industrial Property
1.6	Fighting informality in doing business

2	**Export and Investment Promotion**
2.1	Support of potential export sectors
2.2	More activities on Investment Promotion, both, Inside and Outside the country
2.3	Monitoring the current FDI's
2.4	Protecting the Foreign Investors

Free Movement of Goods

3	**Further development of Quality Infrastructure**
3.1	Further development of legal and industrial Metrology
3.2	Continuous increase of accredited CABs
3.3	Ensuring the continuity of meeting standards' requirements
3.4	I Increasing the number of approved standards and raising awareness for their implementation

4	**Safety of Industrial Non-food Products**
4.1	Raising consumer awareness
4.2	Market Surveillance, respectively Industrial Products circulating in the local market

Trade Policies

5	**Development of Trade Policies toward improvement of local trade balance**
5.1	Supporting potential export sectors
5.2	Market liberalization and implementation of Free Trade Agreements.
5.3	Membership in relevant trade organizations, giving priority to WTO.

2. Reasons for intervention

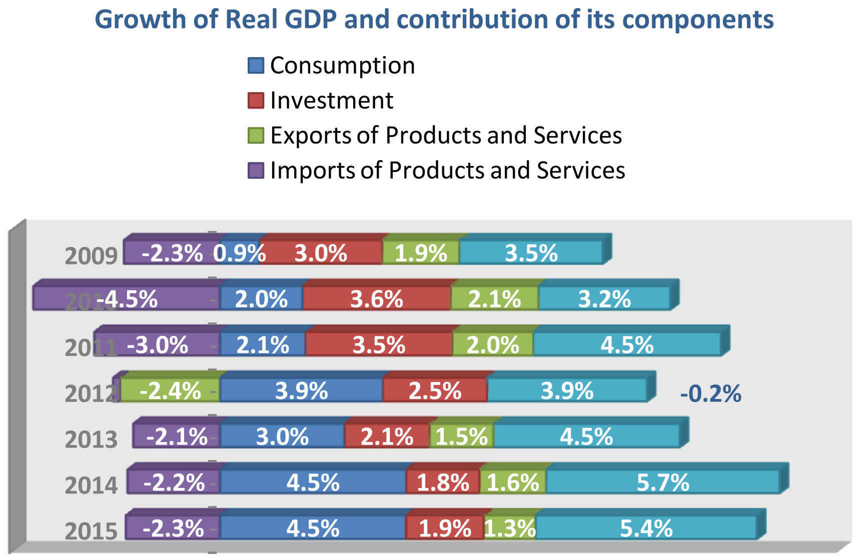
2.1 Key economic indicators

Macroeconomic indicators suggest that Kosovo Economy has progressed during 2011. During 2011, the domestic economy grew at an annual rate of 5.3%, which is considered to be a result of an increase in both internal and external demand. However, the increase rate is still less than the 7% planned for in the Vision 2014 strategic document.

Overall consumption is a key contributor to the increase of the Gross Domestic Product (GDP), increasing with 3.4%. Private consumption is estimated to have increased by 4.4% whilst the public consumption at 3.2%.Based on financial data, general investments has increased by 6%, where private investment increased by 3.8% and public sector investments by 9.4%. The overall cost of the Government increased by 9.1% in 2011 to a total amount of €1.388 million. Capital expenditure increased by 91.% compared to previous year. The Consumer Price Index (CPI) increased to 7.3% in 2011 from 3.5% in 2010.

In Foreign Trade, the export value showed an annual growth of 6.3%, and a total of 312.5 million, whilst imports increased by 15.6%. The trade deficit stood at 2.1 billion in 2011. Kosovo's main trading partners in the EU are Italy and Germany. In CEFTA the main partners are Macedonia and Albania while globally, the main trading partners are China, Switzerland, India and Turkey. A chart which foresees real increase of GDP and contributions of its components for period 2009-2015 is presented below.

Chart Increase of real GDP and contribution of its components



Source1Macroeconomic Department, Ministry of Finance, Government of Republic of Kosovo

Key development challenges remain in Kosovo. Most pressing is the high official unemployment and associated poverty, and relatively low GDP (€1,795 per captain 2009). In 2010, the official unemployment rate was 47%[2] and even higher in rural areas. Approximately 30 000 young people enter the labour market every year. These development problems are recognized in many of Kosovo's strategic development documents, and there is an increasing focus on the private sector, as the main generator of additional economic growth, required to create more sustainable job opportunities. Along this line, efficient private sector development policies will play a crucial role in facilitating economic growth in Kosovo, led by exports and investments.

In summary, in the 2012 assessment of the World Bank, Kosovo ranked as a "lower-middle income" country. The successful implementation of this Strategy would act as an accelerator of overall economic and social growth in the country, enabling Kosovo to join the group of upper-middle income countries by 2020 and to "high-income" countries by 2030 (following table).

[2]World Bank

Chart1 Ranking of Kosovo in the World Bank's development index

States selected from Europe and Central Asia'

State *(Alphabetical order)*	Income group	Year
Austria	High Income	
Estonia	High Income	
Germany	High Income	2030
Croatia	High Income	
Czech Republic	High Income	
Bosnia and Herzegovina	Upper middle income	
Bulgaria	Upper middle income	
Macedonia	Upper middle income	2020
Serbia	Upper middle income	
Turkey	Upper middle income	
Kosovo	**Lower-middle income**	2012
Albania	Lower-middle income	

Source 1 World Bank: Development Indicators

2.2 Industry and SME's

2.2.1 Development of Small and Medium Enterprises

Since 1999, Kosovo Economy has been mainly built on international donor assistance, public sector expenditures and remittances from Kosovo Diaspora (WB, 2010). Until now, the role of the private sector, in particular of SMEs, has been relatively weak. Kosovo is passing through an early transitional stage where entrepreneurship is still a new concept and small businesses struggle with both internal and external constraints. Still, the SME sector in Kosovo represents the majority of employment and output, and it is on the development path towards business stabilisation.

Kosovo suffers from a very negative payment balance as imports significantly dominate the exports. This is mainly a result of Kosovo SMEs non-competitiveness on the local market, and even more so internationally. Weak exports and non-competitive SMEs inhibit further contribution of SMEs to GDP, as well as creation of new jobs and the development of the country as a whole.

Kosovo SMEs are constrained in their development by a number of internal and external conditions. The overall environment has until now been relatively unfavourable to business, while a ~~,~~ lack of creative culture of entrepreneurship has resulted in a "me too" approach to business development, quickly resulting in a saturation of a particular market niche (i.e. gas stations, swimming pools, hotels, etc.). The desired creation of new and more sustainable jobs has not materialised as a result of this approach. Innovation, as a business process yielding competitive advantage is a relatively new concept among SMEs in Kosovo.

Research on 800 micro, small and medium enterprises in2010/2011 it shows that that the main external obstacles to SME development and job creation are:

- Access to finance (credits, interest rates , timeframe);

- Overall economic situation;
- Electric energy;
- Non-loyal competition (among local enterprises);
- Foreign trade circumstances, etc.

In 2012, a detailed national Training Needs Analysis was conducted in 109 small and medium sized companies all over Kosovo. The report, completed by SMESA and supported by the EUOK , clearly identifies the most pressing internal constraints to growth among Kosovo SMEs. These areas include:

- Marketing and sales;
- Quality Management Systems;
- Export promotion;
- Production management;
- Leadership.

The "2009 SME Policy Index" report shows that Kosovo is still in a stage of completing the basic institutional, legal and regulatory requirements, which relate to SME policies. Difficulties in SME access to finance and implementation of legislation are highlighted in the EU Progress Reports of 2010 and 2011 as well as in the more recent feasibility study. A SMESA commissioned report on access to finance in 2012, supported by EUOK, clearly identifies what private companies themselves can do to facilitate for an improved access to finance, at better rates, including registration of income and employees, depositing assets in the banks, paying tax, etc.

According to the data from the Business registry and Tax department there are more than 100,000 businesses registered in Kosovo but only 18,000 declare taxes (see table below).

Table1Kosovo Companies and Taxes

Kosovo Companies ::: Taxes (fiscal year 2011)										
Companies according	No. of companies (FY 2011)				**Discrepancy**		Total no. of employees		Personal taxes paid	
to no. of employees	(Business Registration Agency)		(Tax Administration)				(Tax Administration)			
Total?	**100,770**	**100%**	**18,170**	**100%**	**82,600**	**-82.0%**	**100,852**	**100%**	**€ 16,438,591**	**100%**
Micro (1 - 9)	99,190	98.4%	16,279	89.6%	82,911	-83.6%	41,333	41.0%	€ 3,476,914	21.2%
Small (10 - 49)	1,390	1.4%	1,605	8.8%	(215)	15.5%	30,609	30.4%	€ 5,664,451	34.5%
Medium (50 - 249)	190	0.2%	286	1.6%	(96)	50.5%	28,910	28.7%	€ 7,297,227	44.4%

Source 2 BRAK / MTI, TAK / MF

This discrepancy could indicate that a large number of registered companies are no longer active. Also, the data shows that the SME sector's contribution to the Kosovo national budget is dependent on a very small number of companies. The data also indicates that much economic activity in Kosovo is still pursued in the grey market.

2.2.2 Foreign Direct Investments (FDI)

Given the improved business climate, sustainable macroeconomic environment and great opportunities within various business sectors, Kosovo is becoming an increasingly attractive place for doing business. As a result, interest among foreign investors has grown continuously over the past years. Kosovo has attracted over 1 billion of Foreign Direct Investments (FDI) during the past three years. Following the peak in 2007 with 440 million euro of FDIs, a small decrease was found in 2008 and 2009 as a result of the global financial crisis. In 2011, the positive FDI trend in Kosovo continued. The increase was recorded mainly from England and Turkey. The table below presents data on volume and origin of Foreign Direct Investments during the 5 previous years.

The FDI in Kosovo consists of 73.2% capital investments, growing with 22.0% in 2011 compared to 2010. In addition, 14.2 % of FDI comes in the form of profit investments whilst other investment forms (mainly consisting of loans among enterprises) are 12.6% and growing from 13.6 million in 2010 to 36.9 million euro in 2011.

Two following tables and charts show foreign direct investments by countries and economic activity in investment value of million Euros.

Table 2 Foreign Direct Investments by states (years 2007 - 2011, in EUR mil)

Foreign Direct Investments according to states (years 2007 - 2011, in EUR mil)																	
	State	Total	?	2007		2008		% ?	2009		% ?	2010		% ?	2011		% ?
	Total ?	**1,855.0**	**100%**	**440.7**	**100%**	**366.5**	**100%**	**-16.8%**	**287.4**	**100%**	**-21.6%**	**365.8**	**100%**	**27.3%**	**394.6**	**100%**	**7.9%**
1	Germany	325.4	18%	48.1	10.9%	44	12.0%	-8.5%	75.2	26.2%	70.9%	91.5	25.0%	21.7%	66.6	16.9%	-27.2%
2	England	278.0	15%	116.2	26.4%	36.6	10.0%	-68.5%	6.2	2.2%	-83.1%	38.9	10.6%	527.4%	80.1	20.3%	105.9%
3	Slovenia	201.5	11%	56.2	12.8%	44.3	12.1%	-21.2%	50.8	17.7%	14.7%	34	9.3%	-33.1%	16.2	4.1%	-52.4%
4	Austria	142.9	8%	35.4	8.0%	51.3	14.0%	44.9%	15.5	5.4%	-69.8%	21.1	5.8%	36.1%	19.6	5.0%	-7.1%
5	Switzerland	130.5	7%	9.7	2.2%	32.1	8.8%	230.9%	22.7	7.9%	-29.3%	35.1	9.6%	54.6%	30.9	7.8%	-12.0%
6	Holland	107.5	6%	41.2	9.3%	22.5	6.1%	-45.4%	15.1	5.3%	-32.9%	14.5	4.0%	-4.0%	14.2	3.6%	-2.1%
7	Turkey	83.3	4%	5.4	1.2%	23.8	6.5%	340.7%	14.5	5.0%	-39.1%	4.9	1.3%	-66.2%	34.7	8.8%	608.2%
8	Albania	80.1	4%	3.4	0.8%	21.9	6.0%	544.1%	23.3	8.1%	6.4%	20.3	5.5%	-12.9%	11.2	2.8%	-44.8%
9	Other	505.8	27%	125.1	28.4%	90	24.6%	-28.1%	64.1	22.3%	-28.8%	105.5	28.8%	64.6%	121.1	30.7%	14.8%

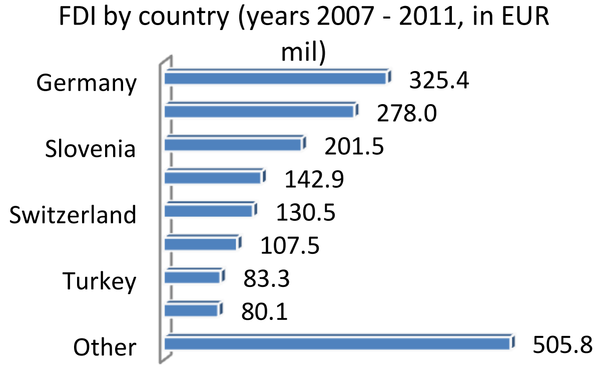
Source 3 Kosovo Central Bank

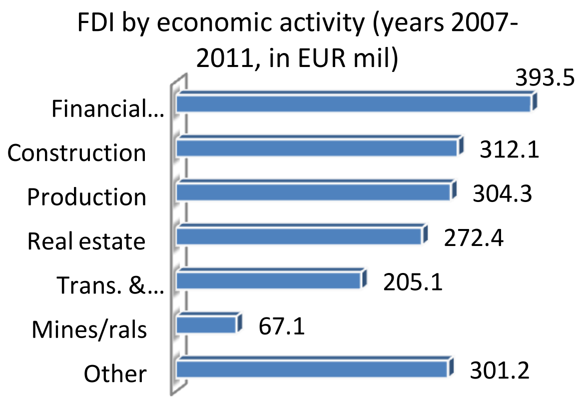
Table 3 Foreign direct investments according to economic activity (years 2007-2011, in EUR mil)

Foreign Direct Investments according to states (years 2007 - 2011, in EUR mil)																	
	Investments	Total	?	2007		2008		% ?	2009		% ?	2010		% ?	2011		% ?
	Total ?	**1,855.6**	**100.0%**	**440.7**	**100.0%**	**366.5**	**100.0%**	**-16.8%**	**287.4**	**100.0%**	**-21.6%**	**365.8**	**100.0%**	**27.3%**	**395.1**	**100.0%**	**8.0%**
1	Financial Service	393.5	21.2%	101.8	23.1%	127.9	34.9%	51.1%	73.3	25.5%	-26.9%	43.2	11.8%	-53.7%	47.4	12.0%	1.6%
2	Construction	312.1	16.8%	5.3	1.2%	13.6	3.7%	208.2%	34.5	12.0%	224.4%	101.7	27.8%	131.7%	157.1	39.7%	43.0%
3	Production	304.3	16.4%	39.7	9.0%	22.0	6.0%	-33.3%	49.2	17.1%	185.0%	143.8	39.3%	129.8%	49.7	12.6%	-68.0%
4	Real Estate	272.4	14.7%	30.9	7.0%	61.6	16.8%	140.0%	42.8	14.9%	-11.3%	52.3	14.3%	-4.0%	84.8	21.5%	50.1%
5	Trans. and Telecom.	205.1	11.1%	129.1	29.3%	50.6	13.8%	-52.9%	21.3	7.4%	-46.4%	2.9	0.8%	-89.2%	1.2	0.3%	-62.7%
6	Mines	67.1	3.6%	41.4	9.4%	17.2	4.7%	-50.0%	6.9	2.4%	-48.9%	1.1	0.3%	-87.5%	0.4	0.1%	-67.2%
7	Other	301.2	16.2%	92.6	21.0%	73.7	20.1%	-4.3%	59.5	20.7%	3.0%	20.9	5.7%	-72.5%	54.6	13.8%	142.4%

Source 4 Kosovo Central Bank

Chart 2 Investments in Kosovo by states and sectors (2007-2011)





The chart above shows that most FDI has been in construction and real estate followed by production and financial services, during the last three years. In 2007 and 2008 transport and telecommunication sectors attracted the most FDI as well as the financial sector.

Regarding general challenges to FDI promotion, as an approach to job creation and economic growth in Kosovo, the institutions and organizations supporting development of private sector in Kosovo have insufficient capacities. Consequently, there is a need for a completely new approach (mission and vision) to attracting key job-intensive industries to Kosovo.

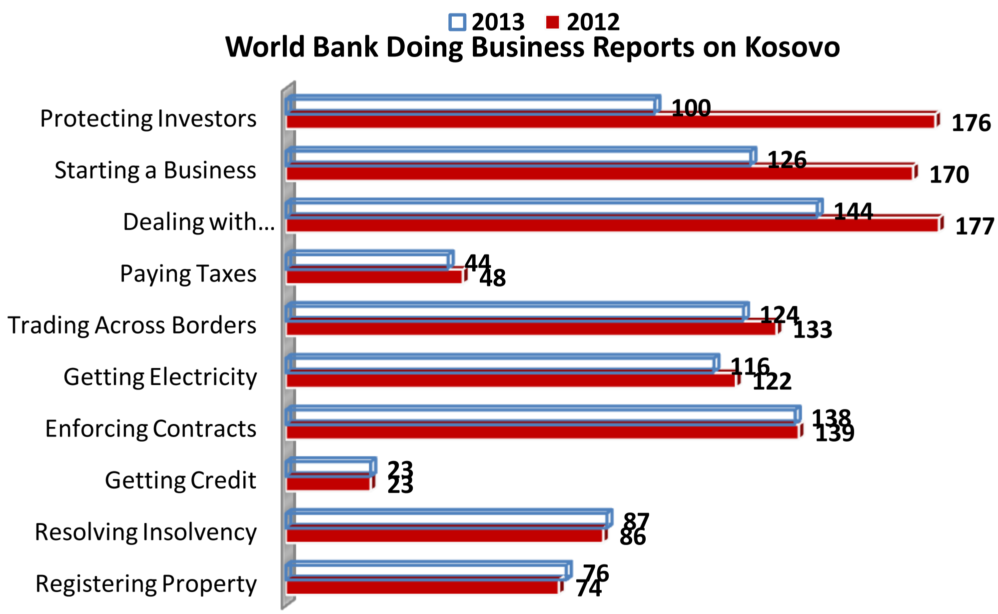
In addition, there are many difficulties in implementation of laws related to these fields but also in relation to internal market and trade. Regarding industry (with 1,200 acting businesses within different sectors), these sectors continue to face low levels of technological and "know how" based development, loss of traditional markets in EU and outside of it, as well as a non-successful privatization of public enterprises.

It is also important to emphasize that Government is not providing enough incentives toward businesses, for example the Government of Macedonia stimulates directly investment up to 50% of financing as well provide tax breaks up to 10 years. Different kinds of tax breaks could be a constructive stimulus especially in the initial period of business development. Stimulation packages are provided also by Serbian Government by up to 10,000 EUR for work being created in poor cities.

2.2.3 Business Environment, Doing Business in Kosovo

In the 2010 and 2011 EC Progress Report for Kosovo, the limited access to finance was identified as a barrier in developing SMEs.

Chart 3 Report of World Bank on Business Development in Kosovo (2013 vs. 2012)



Source 5 World Bank

Taking into consideration this report and other recommendations such as the World Bank Report for Doing Business, MTI has acknowledged that for removal of obstacles toward business investments and creation of new jobs, many efforts are required by all levels of governments and that simplification of administration is a key for doing business. Mainly for this purpose, the National Council for Economic Development was established and functionalized. These efforts form the core of Strategic Objective no. 1 and as such have main role in new development concept foreseen in the Private Sector Development Strategy. The challenge here stands in the building and integration components of regulatory reforms and in general of various initiatives which are under process in relation to European integrations, investment, and legal and competition reforms.

In this regard, a number of key procedures were reduced which resulted in improvement of business environment in Kosovo.

Also in the past three years a major tax reform has been conducted and reorganization of collection of the VAT through fiscal electronic devices. These were main steps in efforts toward reduction of business informality level and attempt to try the improvement of relations between business community and the government. This was done in efforts to reduce informality which according to the Feasibility Report still remains high and therefore the Strategy has foreseen steps to further address this issue.

Kosovo has benefited from the Preferential Trade Agreement with EU since the end of December 2011. Also, since 2008 Kosovo has benefited from the Government of United States of America through Generalized System of Preferences for more than 4,000 products. Despite this fact, Kosovo businesses according to the studies do not use properly these guaranteed preferences.

Currently about 1,200 business are conducting various activities in industrial sectors where 14% of these business were functional even before 1999. The structure of these sectors has still a low technological development level, loss of traditional markets in and outside EU, then privatization of many industries changing their track of activities. As well, industry is facing low level of know-how-technology engagements, etc.

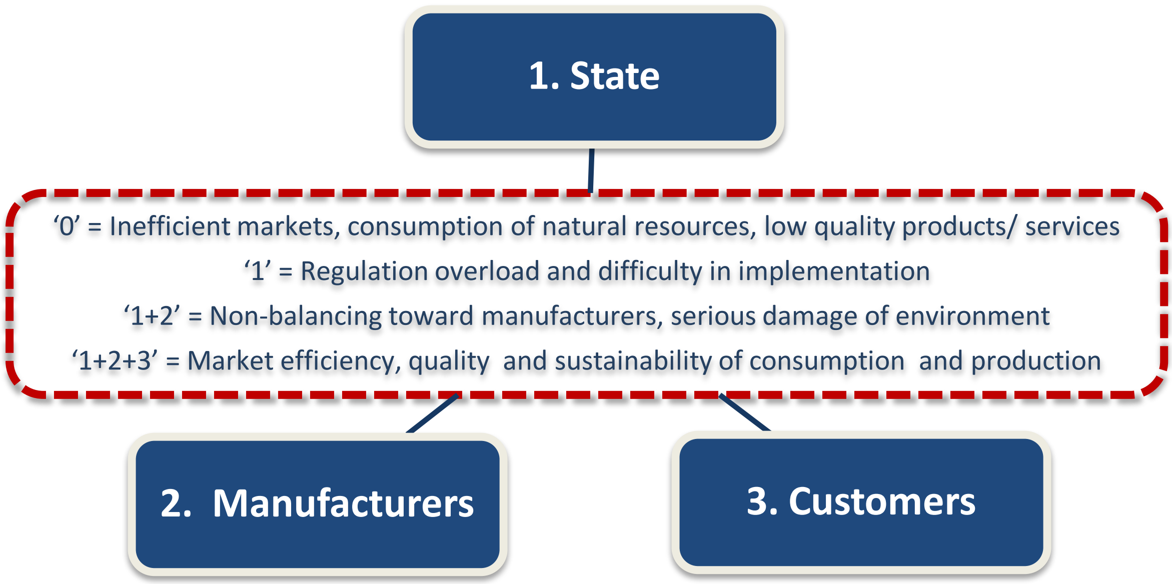
Regarding the protection of Industrial Property and taking into consideration small number of business applications, it can be noticed that Kosovo citizens and businesses are not well-informed about the importance of protection of their creation. In this regard, , the Strategy foresees an increasing number of awareness raising activities of businesses in particular for the importance of protection of their creation, as well as establishment of cooperation with relevant local and international institutions.

2.3 Situation in the Internal Market

2.3.1 Quality Infrastructure is a necessary and essential basis for technology development, production, services and trade. Standards are a set of technical specifications, namely rules or guidelines to describe characteristics of materials, products, services or processes. The quality is achieved through material and product testing. Tests are carried out by a network of laboratories which operate according to the EU and International Standards. Metrology ensures that equipments used for testing are accurate. Furthermore, Accreditation represents an integral part of Quality Infrastructure System and works with the idea that all equipments of Quality Infrastructure System operate according to respective Standards by assessing the competence of Conformity Assessment Bodies.

Judged from the sector's analysis, it is noticed that an efficient combination of a functional state, competitive manufacturers and aware consumers ensures market efficiency, quality and sustainability in consumption and production. Overall, it ensures social, economic and political welfare, as it is presented in the chart below.

Chart 4 'State-Manufacturer-Consumer" Triangle



In order to achieve a proper "eco-system" of "state-manufacturer-consumer", a sustainable national quality infrastructure is required. This would ensure continuous increase of competitiveness of private and trade sector, improving consumers' welfare.

With the opening of economies towards world's markets it is considered that the existence of developed institutional Quality Infrastructure is a prerequisite for successful development[3]. Quality infrastructure is vital, among others, for:

- ✓ increase of national industry competitiveness;
- ✓ increase of Foreign Direct Investments ("FDI") and exports;
- ✓ protection of customers in the internal and external market;
- ✓ National innovation system, etc.

The development and sustainability of quality infrastructure depends, among others, on economic policies, implementation of international standards (best practices) as well as on quality assurance of services and products. The following chart includes main areas that constitute Quality Infrastructure.

[3]Alexander Speed, Advisor for Economic Policies and Developmet of Private Sector, GIZ – Kosovo, Workshop on 22 November 2012, Prishtina

Chart 5 Quality Infrastructure

For instance, German economic growth is strongly influenced by Standardization, which proves the importance of building a sustainable Quality Infrastructure. It is considered that a quarter of annual growth of Germany is based on Standardization efforts. Annual input in Standardization is approximately 700 million euro.. Germany's annual economic benefit through standardization is considered to be about 20 billion EUR, which is 1% of GDP.[4]

Since November 2011, KAD is a member of the European Cooperation for Accreditation (EA) as an associate member and KAD is a member with full rights in the IAF (International Accreditation Forum) and ILAC (International Laboratory Accreditation Cooperation).

Within conformity assessment, 19 testing laboratories were accredited and one inspection body and 7 Conformity Assessment Bodies are undergoing the accreditation procedure.

Regarding Metrology, laboratories are not yet operational and metrological supervision does not have an appropriate effect. Despite the fact that there are 20 testing and calibration laboratories, they are still not sufficient to meet the needs of companies and internal market. The insufficient use of calibration equipment as well as the lack of sufficient and professional staff which, among others have led to delays in the calibration of weighing instruments, meters and volume meters. Therefore, the

[4] DIN (2000): GesamtwirtschaftlicherNutzen der Normung – Zusammen fassung der Ergebnisse der DIN-StudieausdemJahr 2000
http://www.ebn.din.de/sixcms_upload/media/2929/GNN_zusammenfassung_brosch.pdf

Strategy has on its focus the enhancement of metrological surveillance having in mind that it would increase the importance of metrology as a mechanism of accuracy unit.

Market Surveillance and Consumer - Currently the market is supervised through business inspection. The inspections are carried out by Central Inspectorate of MTI and 7 regional offices. In this department, a lack of administrative capacities is noted as well inappropriate coordination of inspection bodies of respective areas. Then it is often noticed a perplexity of competencies for example, market inspectorate with that of metrology, a fact which negatively affects the monitoring flow of internal market. There is still a lack of information, awareness, and awareness of citizens about their rights as consumers and also there is a need for greater involvement of NGOs which deals with consumers' area. The delays of FVA in drafting regulations from area of food products safety represent another issue as well.

There is a lack of knowledge for the Quality Management, in particular the knowledge foreseen according to standard requirement of series SK ISO 9,000; series SK ISO/IEC 17,000; EN 45000; SK ISO 22000; and SK ISO 14000.The requirements that must be met in accordance with Directives of new approach and EU regulations support the membership of three main pillars of Quality Infrastructure in international mechanisms, such as membership in the WTO and other regional and international mechanisms, as well as fulfilment of criteria for signing the Stabilization and Association Agreement. In accreditation it is noticed that there is a lack of relevant bodies assessing conformity of industrial products. Moreover, not all bodies which conduct conformity assessment are under KAD supervision, which is the case with Vehicle Homologation. This results in an inefficient supervision of conformity system. The Strategy as such foresees the increase of number of accredited CABs and their proper monitoring.

In order to have a proper inspection of products circulating in market, a proper inter-institutional and regional cooperation is required especially in information exchange. As far as regional cooperation is concerned, the Inspectorate is not yet integrated in RAPEX system (the information exchange system for dangerous products), which is not in conformity. The legislation is not yet fully in accordance with EU Directive which is identified as a challenge in the 2011 Progress Report. More specifically, the actual law does not contain the second part of the Directive 765.. To address this issue, the Strategy provides better cooperation in information exchange and approximation with relevant legislation.

Regarding Consumer Protection, the fact that a small number of consumers seek help is one of the main indicators that consumers have a low level of awareness and a lack of information. Another reason might be lack of consumers' confidence that their case could be solved by competent bodies. Therefore there is an immediate need for intervention in increasing the domestic consumer awareness activities in order for consumers to address irregularities and increase the effect of addressing complaints.

2.4 Situation in Trade

In the context of free market policy, Kosovo Government is committed in fair setting of criteria and technical standards of products and services determined by trade agreements and legislation harmonized with that of EU as well as establishing adequate mechanisms with competence in their implementation. This will enable the Republic of Kosovo to increase competitiveness in internal and external market, eliminate possible trade barriers, and ensure protection of consumers' life and health, protection of environment, and to become an integrated part of international bodies.

In two decades, Kosovo Economy has suffered oppression and isolation. Due to this, Kosovo Economy has remained unstructured, lacking industrial products, has lost its traditional markets and was left with useless labour forces.

The tendency to depend on exports some of which are actually problematic industries (such as metal and textile industry) creates dangerous situations for labour market in Balkan countries based on the tendency to "migrate" to countries with cheaper workforce and cheap electricity such as countries in Central and Eastern Asia.

Regarding trade partners, Kosovo has traded with two blocs of countries: EU countries and neighbouring countries- CEFTA members. Trade relations with these countries have had their ups and downs; on the other hand, in the end of 2010, EU removed "autonomous restriction measures" (imports without custom duties with some exceptions) for Kosovo exports. This was established in December 2011. Furthermore, negotiations on Free Trade Agreement (FTA) between Kosovo and EU has stagnated but there seem to bepositive signs for restarting them. The other issue is export problem with Serbia and Bosnia which have started since Kosovo Independence, in February 2008. Following reciprocity measures toward Serbia in 2011, exports in Serbia (as well transits through the territory of Serbia) have restarted but they are facing difficulties.

Imports which can be considered critical for country's economy and welfare shall be determined with a very low rate or zero. Additionally, pursuant to WTO rules, import restrictions may be applied in certain cases such as trafficking weapons, ammunitions and implements of war, explosives (GATT article XXI); necessary measures to implement European Union resolutions (GATT article XXI); necessary measures to protect public moral (GATT article XX); necessary measures to protect health of humans, animals or life of plants (GATT article XX); measures for protection of national property of artistic, historical and archaeological values (GATT article XX); restrictions to safeguard balance of payment (GATT article XII), etc. Similarly, CEFTA Agreement, Annex 1-Article 18 allows countries to protect their essential security interests.

Despite the export growth, which means a positive change of their structure (the trade deficit in the period 2001-2008 has been over 60%), there is a continuous increase in imports and since 2008 they exceeded the amount of 2 billion Euros. A positive aspect of this can be seen in the transition from a broad range of consumer goods imports in the import of technologies.

For further improvement, Kosovo tariff structure requires fast review and changes to current tariffs, which should be done based on an economic analysis, stakeholder inputs and definition of the national interest. In order to have a proper tariff policy for the sector, a meaningful study of the sector which will identify potential sectors and need for supports required.

Finally, trade policies shall actively support the establishment of a friendly environment for businesses and investments in Kosovo.

4.0 Legal, Policy and Institutional Framework

Legal and Policy framework for private sector development in Kosovo

The Law No. 03/L-031 on Support to SME's adopted in 2008, aims to regulate government policies and measures on classification, as well as promotion of creation and development of SMEs. It establishes three categories of enterprises (based only on the number of employees): micro enterprises (up to 9 employees), small (10 – 49 employees); and medium enterprises (50 – 249 employees).

The Law No. 04/L-006 on Business Organizations specifies the types of business organizations through which business activity may be conducted in Kosovo. It also establishes the registration requirements for each type of business organization, lists the legal provisions applicable to each type of business organization with respect to its legal capacity and structure, as well as their rights and obligations as legal entities, of owners, managers, directors, legal representatives and third parties.

The Law No. 03/L-181 on Market Inspectorate and Inspective Supervision determines the inspective supervisory functions and operations and authorization of market inspectors, who are in charge of implementing and enforcing legal provisions on inspection supervision.

The Law No. 04/L-00 on Internal Trade regulates requirements for carrying out internal market trade (including wholesale and retail sale), auction, mediation in trade, restrictive practices, as well as protection measures for carrying out trade activity, supervisory measures, and administrative and punitive measures against illegal competition in the context of internal market.

The Law on Foreign Investments is designed to protecting, promoting and encouraging foreign investment in Kosovo by providing foreign investors with a set of fundamental and enforceable legal rights and guarantees, with e view to ensuring that they and their investments are protected and treated with fairness and respect, in strict accordance with the rule of law and widely accepted international standards and practices.

The SME Development Strategy for Kosovo 2012 – 2016 (with vision to 2020), adopted in July 2011, is firmly based on the two main pillars of EU's SME strategic framework: the Small Business Act (SBA) for Europe, which Kosovo has committed itself to implement, and the EU Competitiveness and Innovation framework Programme (CIP), which Kosovo aspires to become part of in the near future. Its vision being "globally competitive Kosovo SMEs", the mission set out by this strategy is the following: "Improvement of the business environment and entrepreneurship culture with the aim of the creation and rapid growth of sustainable SMEs".

The Kosovo Economic Vision 2011 – 2014 Action Plan, focuses on the main economic development priorities and sectors, aims, among others, to improve investment environment and support the private sector. The goals will be achieved by amending and completing legislation that create conditions to attract investment and reduction of excessive administrative barriers, with a view to facilitating operation of the private sector and thus contributing to economic growth. This entails comprehensive reforms to eliminate 50% of the excessive license and permit requirements. Another aspect in terms of developing this sector is intensifying activities for attracting foreign investments and integration in the international financial institutions.[5]

4.1 Industry and SMEs

The applicable legislation regulates matters such as development of Economic Zones; classification, stimulation for creation and development of Small and Medium Enterprises; conditions and procedures regulating Patent registration, Trademarks and Industrial Design as well as rights arising from their registration; basic rights of Foreign Investors; Touristic Services; wholesale and retail trade within Internal Market, unfair competitiveness and supervisory measures.

Industry Policy development is under responsibility of the Industry Department. The Business Registration Agency deals with the registration of Businesses, whilst for implementation of these policies the Private Sector Development Support Agency is responsible.

Industry policies are handled by the working group on Trade Policies as well as 5 working sub-groups. Their detailed functions are mentioned in the part dealing with Trade.

Intellectual Property Rights in Kosovo are divided into two parts: 1. Industrial Property Rights including patents, trademarks and industrial design, and designation of origin or geographical indication, all within the Industrial Property Agency (MTI) and 2. Copyright and Related Rights for which the Office for Copy right and Related Rights of Ministry of Culture, Youth and Sports (MCYS) is responsible.

Tourism industry, which is under the Division for Tourism policies in the Industry Department, is in this segment as well.

4.2 Internal Market – Free Movement of Goods

Quality infrastructure plays a key role in improving the free movement of goods. This includes: Metrology, Accreditation and Standardization.

Metrology provides services which ensure that equipment used for testing performs accurate measurements. CPD's mission is to build a sustainable and compatible Metrology infrastructure in Kosovo, which would enable the establishment of local and external market competitiveness.

Moreover, *Accreditation* as an integral part of Quality Infrastructure System aims to ensure that all parts of Quality Infrastructure System operate according to respective standards through assessment of competence of Conformity Assessment Bodies.

Standardization is under Kosovo Standard Agency and acts on the basis of current law on Standardization.

There are also 18 Technical Committees which operate according to the requirements of third parties. Also, there is the Standardization Professional Council.

[5] *Kosovo's Answers to the EC Questionnaire on the Preparation of the Feasibility Study for a Stabilisation and Association Agreement*, pg. 134

Market surveillance is the inspection of the standards of trading goods and service quality provided by business entities in the territory of the Republic of Kosovo.

Market Inspectorate, as a responsible body for market surveillance operates as an independent body within the Ministry of Trade and Industry. It is organized in centralized form including Central Inspectorate under the MTI, as well as seven (7) Regional Offices (which cover all municipalities).

Whilst *consumer protection* is defined as the legal and institutional mechanism in function of the consumer rights protection, operation of market competition aims to ensure that the market is well informed and fair. Consumer protection is function of the Consumer Department, and there is also the Consumers Council.

4.3 Trade

Applicable legislation regulates matters such as internal and external trade, protection measures on imports, anti-dumping and countervailing measures, intellectual and industrial property rights, competition and state aid, trade in petroleum and its products, trade in strategic goods, as well as customs and excise legislation. Trade Policy Development is under the scope of the Department of Trade (MTI)

Trade Policy monitoring is done mainly through working groups that coordinate trade policies and in this regard, MTI has established and functionalized Trade Policy Working Group under 5 working sub-groups: working subgroup for Services, Industry, Agriculture, Trade Facilitation and Trade Agreement.

In the context of institutions, the Food and Veterinary Agency, the Standardization and Accreditation Agency under the MTI, as well as the National Institute of Public Health in the Ministry of Health deal with the standard and quality of products, known as sanitary and phytosanitary standards.

5 Operational Plan

It is strongly recommended that once this Strategy is approved – to begin with intensive development of implementation plan, monitoring and evaluation of "making real" this Strategy. As a starting point, a comprehensive and unique operational platform may be taken into account. Such platform is provided in Annex 4, actions of which are presented as follows:

Chart7 Strategic and Operational Plan of MTI for Private Sector Development in Kosov

Table 4 Strategic Goals and Objectives

Strategic Goals and Sub-goals		Objectives	
AREA 1: Industry, Investments and SMEs			
1	**Globally Competitive State and Enterprises**		
1.1	Orientation in strategic industry sector, giving priority to production and export	1.1.1	By the end of Q3 2013, Government of the Republic of Kosovo to determine 3 to 5 strategic sectors
		1.1.2	By the end of 2014 policies to be identified and established, which would be provided to enterprises as stimulating measures and incentives
		1.1.3	By Q2 of 2014 the programs for strategic sector support to be developed
1.2	Continuous support toward development of technical, innovative and managerial skills	1.2.1	During the period 2013-2015 trainings to be provided to entrepreneurs for development of technical skills
		1.2.2	By the end of 2015 3 new innovative centres to be opened
		1.2.3	By the end of 2015 creation of special funds which support ideas of innovative businesses
1.3	Continuous Improvement of access to finances	1.3.1	During the period 2013-2015 to get engaged in creating the schemes which would ensure crediting
		1.3.2	During the period 2013-2015 to get engaged in creating grant schemes
1.4	Protection of industrial property	1.4.2	By the end of 2015 6 awareness events to be organized for local enterprises informing on importance of protection of industrial property

2 Export and Investment Promotion

2.1 Enhancing the cooperation with the business community	2.1.1	Supporting the domestic producers to participate in the business forums and international fairs with the purpose of establishing new business networks
	2.1.2	Publishing the catalogues of the domestic goods with the purpose of promoting the products abroad, this to be done through the different organizations of the Kosovo Embassies.
	2.1.3	The]creation of the Kosovo Brand for the quality "Quality of Kosovo", which aims to identify the products with the high quality
	2.1.4	Enhancing the Cooperation with the Businesses of Kosovo's Diaspora, this could promote the domestic goods to the countries that Diaspora lives.
2.2 More activities on Investment Promotion, both, Inside and Outside the country	2.2.1	Until the end of 2015, we aim to organize 21 business forums and 10 visits, both with the purpose of promoting FDI's
	2.2.2	Participate in at least 6 international events, that are organized with the aim of investment promotion
	2.2.3	More efforts in promoting the investments to the Diaspora
	2.2.4	Signing at least 10 MoU's for cooperation between the Promotion Agencies of Kosovo and those of other countries
	2.2.5	Publishing at least 5 new promoting materials and do at least 3 feasibility studies in the sectors having FID potential
2.3 Monitoring the current FDI's	2.3.1	During 2013-2015 regular visits to the foreign investors for the monitoring purpose
	2.3.2	During 2013-2015 to organize at least 3 technical trainings with the purpose of improving the service to the foreign investors
2.4 Protecting the Foreign Investors	2.4.1	Until the end of 2015, at least 10 new MoU's to be signed for the investment protection
	2.4.2	Training of the working groups that do the bilateral agreements

AREA 2: Free movement of goods

3	**Further development of quality infrastructure**		
3.1	Further development of legal and industrial metrology	3.1.1	By the end of2015 increase of metrology supervisions focusing on gold, electricity and petroleum metrology
		3.1.2	By the end of2015 appropriate measures to be taken for purpose of preservation of national etalons
3.2	Continuous increase of accredited CAB	3.2.1	From 2012 until 2015 – increase for 70% of CABs
		3.2.2	From2012 until2015 – increase for 150% of number of CABs applications for accreditation
3.3	Ensuring continuity of meeting requirements and standards	3.3.1	From2013 until2015 – provision of 70 supervisions to accredited CABs
		3.3.2	From2013 until2015the ratio of accredited CABs vs. unaccredited CABs to be increased from 10/90% to 20/80%
		3.3.3	From2013 until2015 20 trainings to be provided on implementation of ISO 17020 and ISO 17025 standards
		3.3.4	From 2013 until 2015at least 3 promotional events to be organized on importance of standards and accreditation where participation of at least 200relevant participants will be ensured
3.4	Increase of number of approved standards and awareness raising in their implementation	3.4.1	From 2013 until 2015the ratio of approved standards as SK in relation to applicable European standards to be increased from 22.5/77.5 % to 60/40 %
		3.4.2	From 2013 until 2015the ratio between harmonized and adopted standards as SK to be increased from 40/60 % to 70/30 %
		3.4.2	From 2013 until 2015- at least 6 promotional events to be organized on importance of standards where participation of at least 400 relevant participants will be ensured

4	**Safety of Industrial non- food products**		
4.1	Raising awareness of consumers	4.1.1	By the end of2013 to have an efficient system for addressing complaints
		4.1.2	From 2013 until the end of 2015 number of roundtables, debates and publications to be increased in regard to awareness raising for consumer protection
4.2	Market surveillance, respectively industrial products circulating in local market	4.2.1	By the end 2014 – harmonization with relevant EU legislation regarding inspectorate and consumer protection
		4.2.2	During the period of 2013-201 – working on increase of cooperation, inter-institutional, regional, with private sector and civil society

AREA 3: Trade Policies

5	**Trade Policy Development toward improvement of trade balance in country**		
5.1	Support of potential export sectors	5.1.1	By the end of2013, identification of priority sectors with exporting capacity by using an quantity economic model
		5.1.2	By Q3 of 2014, review of trade policies and introduction to a package which is gradual and stimulates those with exporting potential
		5.1.3	By Q2 of 2014 - identification of 3 to 5 potential markets for Kosovo companies
		5.1.4	ByQ4 of 2013 - identification and establishment of a system of qualitative and quantitative analysis for purpose of drafting trade policies in harmonization with the current economic potential and the drafting of such policies to be based on evidence
5.2	Market liberalization and implementation of free market agreements	5.2.1	By the end of 2015 liberalization of major part of industrial products with EU, CEFTA and third countries
5.3	Membership in trade-related organizations giving priority to WTO	5.3.1	By the end of2013 application for membership to WTO
		5.3.2	By the end of2015 addressing of the major part of requirements deriving from WTO

During development of strategic plan, MTI senior officials and staff – have proved a high level of commitment and professional responsibility by focusing not only on the strict strategic parts ("strategic goals" and "sub-goals") but also they started the operational plan by developing certain objectives for each sub-goal (following table). These objectives are specific, measurable, achievable and time-related.