



Improving the Regulatory Framework in Kosovo

PROJECT AT A GLANCE

COUNTRY/REGION KOSOVO/EUROPE AND CENTRAL ASIA

PRODUCT INDICATOR-BASED REFORM ADVISORY

THEME FRAGILE AND CONFLICT-AFFECTED AREA

The objective of the Indicator Based Reform Advisory project for Eastern Europe and Central Asia is to help client governments implement reforms in areas measured by investment climate indicators. These reforms are expected to improve the regulatory environment for firms to encourage entrepreneurship, investment, and formal job creation.

CONTEXT

Thirteen years after the end of the Kosovo conflict and four years after achieving independence, Kosovo has an economy still largely driven by remittances and public-sector spending. Champions of reform in government seek to change gears and drive private-sector-led growth. Fledgling businesses have been hampered by costly and complex procedures to opening their doors. Previously it required more than six weeks and a trip to the capital to complete the

RESULTS AND IMPACTS

- Significantly improved rating for Kosovo in the World Bank Group's *Doing Business 2013* report due to enactment of regulatory reforms.
- Elimination of multiple requirements cuts six days from time required to start a business.
- Integrated system allows businesses to receive registration and tax documents at one of 29 new one-stop shops.
- Simplified procedures to lower costs and reduce compliance time for construction permits; provided investor protections with increased disclosure and ease of filing shareholder lawsuits.

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permitting process. Potential investors hesitated because of a lack of investor protections and difficulty dealing with construction permits. Regulatory reform was required to update Kosovo's business procedures.

OUR ROLE

Investment climate teams of the World Bank Group began advising the government in March 2010 to identify reforms in three areas tracked by the Bank Group's annual *Doing Business* report: starting a business, dealing with construction permits, and protecting investors.

The project worked with the Kosovo Business Registration Agency (KBRA) and the Tax Authority to introduce a new, integrated business registration system. Participants were able to transform existing business centers in many cities into one-stop shops for licensing so that a trip to the capital is no longer necessary. Recent measures have resulted in the following improvements:

- It now takes 52 days to register a business, six days less than in the 2012 *Doing Business* report.
- The minimum capital requirement, the fee to register, and municipal work permit were eliminated.
- The time limit for the KBRA to process two required documents has been reduced from 10 to three days.

Twenty-nine one-stop shops now process business registrations throughout the country. Business owners are able to obtain a fiscal certification and value-added tax certificate at the time of registration.

Kosovo's government has also introduced legislation that streamlines the process of obtaining a construction permit. The new Law on Construction was drafted in accordance with international best practice. This law simplifies procedures and lowers costs; for example, the survey and registration charge was decreased by 80 percent. Procedures related to compliance with technical requirements can now be accomplished in 23 days instead of 32 days.



The project also helped the government implement new protections for investors. The Law on Business Organizations was amended by increasing disclosure and making it easier for minority shareholders to pursue lawsuits. The changes require directors to disclose any potential conflicts of interest to all shareholders and the public. Transactions must be approved by a majority of shareholders without a vested interest. In lawsuits, plaintiffs must also be provided with all related documents.

The government intends to forge ahead with regulatory reforms to create a more business-friendly environment. The next step is a full-service one-stop shop in one day, with online registration. Reform champions in government are also targeting a 50 percent cut in licenses and permits by 2014.

"I was surprised with the new way to register and curious to know what had happened."

SHANI HAMITAGA
Real Estate Agency Owner
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