

## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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The Government of Kosovo (GOK) and the Ministry of Trade and Industry (MTI) actively promote foreign investment in Kosovo. In January 2001, UNMIK adopted Regulation 2001/3 on Foreign Investment in Kosovo, and the Kosovo Assembly passed the Foreign Investment Law in November 2005, promulgated by UNMIK in April 2006. Under this law, foreign firms operating in Kosovo are granted the same privileges as domestic businesses, with the exception that foreign investors may not hold more than 49 percent ownership in businesses producing or selling military products (Reg. No. 2001/3, Section 6).

The Law on Weapons passed the Assembly and was promulgated by the President in October 2009, allowing local security firms to carry weapons in limited circumstances. These instances are restricted to bodyguard services and cash (or equivalent) transporters, but allow local security firms to compete with international ones for the first time. New business registration with MTI's official registry has steadily increased, indicating some local enterprise development. Since 1999, over 95,000 private businesses have been registered, although MTI states that over half of these businesses are technically inactive. All business license applications are processed by the Agency for Business Registration in Pristina and normally issued within three business days, making Kosovo one of the easiest places in the region to set-up a business.

While the basic legislation of a market-oriented economy is in place, determining property ownership remains a challenge. These legal uncertainties, in addition to weak law implementation and poor contract enforcement, continue to hinder economic growth and investment. All commercial laws are available to the public in English on the Kosovo Assembly's Website at [www.assembly-kosova.org/?cid=2,191](http://www.assembly-kosova.org/?cid=2,191) and on the UNMIK website at: [www.unmikonline.org/regulations/unmikgazette/index.htm](http://www.unmikonline.org/regulations/unmikgazette/index.htm).

## **Conversion and Transfer Policies**

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Section 9 of UNMIK Regulation 1999/24 and Article 9 of the Foreign Investment Law guarantees unrestricted use of income from foreign investment, after taxes and other liabilities. This includes transfers to other foreign markets or foreign currency conversions. All currency conversions and transfers are processed in accordance with EU banking procedures. Conversions are made at the market rate of exchange. Foreign investors are permitted to open bank accounts in any currency.

## **Expropriation and Compensation**

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Section 7 of UNMIK Regulation 1999/24 and Article 8 of the Foreign Investment Law protect foreign investments from expropriation, and guarantee due process and timely compensation payment for valid claims. In April 2005, UNMIK approved an eminent domain clause in order to prevent lawsuits deriving from property expropriations and sales occurring as part of the privatization process. This clause only applies to cases of Socially Owned Enterprise (SOE) privatization.

## **Dispute Settlement**

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Section 17 of UNMIK Regulation 1999/24 and Chapter 4 of the Foreign Investment Law assign jurisdiction for business dispute resolution to Kosovo courts. However, foreign investors are free to agree upon arbitration or another, alternative dispute resolution mechanism. The results of arbitration are enforceable by local courts. The Foreign Investment Law stipulates investors select from the following standards for investment dispute arbitration:

- a. the International Center for Settlement of Investment Disputes (ICSID) Convention, if both the foreign investor's country of citizenship and Kosovo are parties to said convention at the time of the request for arbitration;
- b. the ICSID Additional Facility Rules, if the jurisdictional requirements for personal immunities per Article 25 of the ICSID Convention are not fulfilled at the time of the request for arbitration;
- c. the United Nations Commission on International Trade Law Rules. In this case, the appointing authority referred to therein will be the Secretary General of ICSID; or
- d. the International Chamber of Commerce Rules.

English is the official language in the event of a commercial legal dispute.

Kosovo's commercial court has jurisdiction over disputes involving shipping, intellectual property rights and unfair trade practices. The court's effectiveness has been undermined by extremely long delays in the adjudication of commercial court cases and poor enforcement of existing laws. These impediments also adversely affect utility bill and overdue loan collections.

Municipal courts handle bankruptcy procedures for all companies except SOEs, according to Kosovo bankruptcy law. The Pristina Municipal court has a special bankruptcy division.

The Special Chamber of the Supreme Court on Kosovo Trust Agency Related Matters was established under Section 1 of UNMIK Regulation 2002/13. The Special Chamber is composed of three international and two local judges who handle disputes and claims related to privatization and economic restructuring. The Special Chamber has primary jurisdiction over appeals against the decisions of the KTA, as well as creditor, ownership and property claims brought against SOEs and POEs, and claims arising from the privatization and liquidation of SOEs. The procedures for claimants wishing to institute proceedings are detailed in UNMIK Regulation 2003/23. A new Special Chamber law is being drafted to handle related cases for the KTA successor agency, the Privatization Agency of Kosovo (PAK).

For criminal cases, the Criminal Code of Kosovo and the Kosovo Code of Criminal Procedure apply. The criminal court structure includes the Supreme Court of Kosovo, District Courts, Municipal Courts and Courts of Minor Offenses, including a High Court of Minor Offenses. Per 100,000 inhabitants, the Kosovo judicial system has 19 judges and prosecutors, and three courts, which is close to European standards. Despite the high proportion of judges, prosecutors and courts, a significant backlog of cases remains pending, pointing to a significant need for improved efficiency and capacity of the justice system.

### **Performance Requirements and Incentives**

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The GOK does not specify performance requirements as a condition for establishing, maintaining or expanding an investment in Kosovo. A 16 percent across-the-board value added tax (VAT) came into force as of January 2009. In order to encourage investment, businesses importing capital goods are granted a six-month VAT payment deferment upon presentation of a bank guarantee. Suppliers may export goods without being required to collect VAT from the foreign buyer. Suppliers may claim credit for taxes on inputs, either by offsetting those taxes against gross VAT liabilities or by claiming a refund.

In September 2000, the EU formally recognized Kosovo as an autonomous customs territory and amended its General System of Preferences, eliminating quantitative restrictions for most industrial products from Kosovo. By June 2002, the EU granted preferential treatment to all imports from Kosovo, removing remaining tariff ceilings for industrial products, including steel and textiles, and improving access to EU markets for agricultural products. Kosovo Customs is working to harmonize certificates of origin standards with EU Customs. In December 2008, the United States designated Kosovo a beneficiary developing country under the Generalized System of Preferences (GSP) program.

### **Right to Private Ownership and Establishment**

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GOK regulations and the Foreign Investment Law do not interfere with the establishment, acquisition or sale of interests in enterprises by private entities. Ownership rights can be extended to foreign investors. Foreign investment is not subject to approval by the Government of Kosovo, except when such approval is required for similar domestic businesses. The following rights also apply:

- a. foreign investors may transfer property rights, including permits, to other legally qualified persons in the same manner and to the same extent as domestic investors;
- b. foreign investors have the right to purchase residential and non-residential property to the same extent as domestic businesses;

- c. foreign investors with less than a majority stake in an investment shall be protected as domestic minority shareholders in accordance with applicable law;
- d. foreign investments are subject to the same tax obligations as domestic businesses; and
- e. foreign investors may establish subsidiary enterprises, branches and representative offices in the same manner and to the same extent as domestic businesses.

## Protection of Property Rights

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UNMIK Regulation 2002/22 promulgated the law adopted by the Kosovo Assembly to establish an immovable property rights register, as a method of protecting private land ownership. The Kosovo Cadastral Agency (KCA) has authority for the overall administration of the official register, with municipal cadastral offices recording immovable property rights in the official register under the authority of the KCA. Liens against movable property are protected under UNMIK Regulation 2001/5, detailing the specific procedures by which liens can be created, enforced and applied against third parties. This regulation applies to all transactions, regardless of form, intended to create a lien. UNMIK Regulation 2002/21 promulgated the law adopted by Kosovo Assembly on mortgages, establishing a uniform system for securing and registering liens against immovable property, and to create a mortgage and lien registry.

However, the resolution of residential, agricultural and commercial property rights remains a serious and contentious issue in Kosovo. Most property records were destroyed or removed to Serbia by the Serbian government during the last conflict, making determination of rightful ownership for the majority of properties complex at best. There have been cases of up to 20 ownership claims to a single property, presenting a variety of ownership documents as proof. The Kosovo Property Agency (KPA), formerly the Housing and Property Directorate (HPD), has been tasked with adjudicating roughly 40,000 property disputes from March 23, 1989 to October 13, 1999, and working toward resolution of agricultural and commercial property claims. Until the disputes are resolved, no new properties can be registered with the agency. In the meantime, property sales and transfers, some involving false documents, are on-going, further complicating the resolution process. In addition to the KPA, Kosovo's court system has its own large backlog of property cases.

Section 10 of UNMIK Regulation 2001/2 ensures protection of intellectual property rights (IPR), authorizing enforcement of trademark, copyright and patent laws, and any related international conventions. The Industrial Property Rights Office was established in 2007 within the Ministry of Trade and Industry, tasked with IPR protection. Several pieces of legislation have been passed on IPR protection, including patent, trademark, industrial design and copyright laws. The 1981 Yugoslav Law on Protection of Inventions, Technical Improvements and Distinctive Signs, and the 1991 Law on Authors Rights are also considered applicable law in Kosovo's courts. Effective inter-agency coordination on implementing intellectual property rights protection laws remains a challenge but is improving, as the GOK becomes more aware of its responsibilities in this area. A number of counterfeit consumer goods (notably CDs, DVDs, clothing items and computer software) are available for sale and traded openly. Although Kosovo is not a counterfeit goods producer, the development of a strong intellectual property rights regime will encourage future investment and economic development in Kosovo.

## **Transparency of Regulatory System**

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In order to promote fair and open competition for government tenders, as well as transparency in the procurement and regulatory process, the GOK publishes the rules, regulations and procedures of the tendering process on the following websites: [www.assembly-kosova.org](http://www.assembly-kosova.org) and [www.pm-ksgov.net](http://www.pm-ksgov.net). As Kosovo continues to establish regulatory institutions, procedures for obtaining licenses and permits can vary widely, with a corresponding variance in process transparency.

The Public Procurement Agency in the Kosovo Ministry of Public Services manages bulk procurement and services provisions for the GOK. All Public Procurement Agency tenders are advertised in English, Albanian and Serbian. The Public Procurement Regulatory Commission recently initiated procurement audits of the various Kosovo ministries, municipal authorities and agencies receiving funds from the Kosovo consolidated budget.

## **Efficient Capital Markets and Portfolio Investment**

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The Central Bank of Kosovo (CBK) is an independent body responsible for fostering the development of competitive, sound and transparent banking and financial sectors. This includes supervising and regulating Kosovo's banking sector, insurance industry, pension funds and other micro-finance institutions, and performing a number of other normal central bank tasks, including cash management, transfers, clearing, management of funds deposited by the Ministry of Finance and Economy or other public institutions, collection of financial data and management of a credit register. The CBK is not authorized to grant loans to banks.

Kosovo's banking system and non-financial enterprises are not prepared to finance large investment projects in the private sector. In the past three years, there has been minimal private investment in Kosovo outside of real estate construction and development. About 80% of bank loans are short-term credits with interest rates ranging from 12-14%. Most deposits are demand deposits.

The insurance sector is small but has grown steadily in recent years. At the end of 2009, there were eleven licensed insurance companies in Kosovo.

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In 2009, there were some isolated incidents of inter-ethnic and politically-motivated violence and sporadic political protests, but none of these events adversely affected Kosovo's political stability. UNMIK was replaced in December 2008 by the European Union's Rule-of-Law Mission in Kosovo (EULEX), which continues to serve. The Kosovo Protection Corps (KPC), a civilian emergency preparedness service, was replaced by the Kosovo Security Force (KSF) in 2009.

## **Corruption**

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/docs/dojdccb.html>.

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party only to the OECD Antibribery Convention and the Council of Europe Convention at this time, but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA.

Section 15 of UNMIK Regulation 2001/3 states that foreign investors shall observe business practices consistent with existing European standards, including the Convention on Combating Bribery of Foreign Government Officials in International Business Transactions (Organization for Economic Cooperation and Development, Paris, 21 November 1997). Violation of this convention could disqualify a foreign investor from doing business in Kosovo.

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Kosovo is not currently a party to the UN Convention, but is a party via UNMIK Regulation 2001/3 to the OECD Convention (see above).

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>). Kosovo is not currently a signatory to the OAS Convention.

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).)

Section 15 of UNMIK Regulation 2001/3 states that foreign investors shall observe business practices consistent with existing European standards, including:

-- the Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds of Crime (Council of Europe, Strasbourg, 8 July 1990); and

-- the Criminal Law Convention on Corruption (Council of Europe, Strasbourg, 27 January 1999).

Violation of these conventions could disqualify a foreign investor from doing business in Kosovo.

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now

require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Kosovo does not currently have a FTA with the United States.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the antibribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

**Local Information:** Public sector corruption, including bribery of public officials, remains a major challenge for U.S. firms operating in Kosovo. Corruption also remains widespread in private industry, adversely affecting commercial development. The Law on the Suppression of Corruption was passed in May 2005, and stipulated the creation of an Anti-Corruption Agency (ACA) to address this problem. This agency is tasked with, among other duties, preparing an anti-corruption strategy for Assembly approval, conducting administrative investigations of

alleged corruption cases, and monitoring proper implementation of the Corruption Law. Citizens can report suspected corruption via a toll-free hotline or through the Anti-Corruption Agency's website at [www.akk-ks.org](http://www.akk-ks.org). In March 2008, the Anti-Corruption Agency announced that it had received 61 reports of corruption in 2007, estimated to have cost the government 31 million Euros (approximately 40 million U.S. dollars). The Agency estimated that corruption had cost the government six million Euros (7.8 million U.S. dollars) by July 2008. In total, ACA received in 2008 146 corruption reports, though not all were passed on for further investigation and prosecution. In 2009 the Anti-Corruption Agency figures show an increase of over 20% for reports that were forwarded for investigation and prosecution.

In 2008, the government took additional legislative steps to combat corruption. Government officials are now required to disclose all gifts received, as stipulated by the Law on Suppression of Corruption. This law will be supplemented by legislation (currently in draft form waiting to pass the second Assembly reading) requiring government officials to file asset declarations upon entry and exit from government service. Since 2003, a Financial Intelligence Unit (FIU) staffed by Italian Guardia di Finanza officers conducted financial inspections of public bodies and enterprises, as well as other organizations funded by the Kosovo Consolidated Budget. The FIU also has the authority to conduct criminal investigations.

Additionally, Section 15 of UNMIK Regulation 2001/3 states that foreign investors shall observe business practices consistent with existing European standards, including:

- the Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds of Crime (Council of Europe, Strasbourg, 8 July 1990);
- the Convention on Combating Bribery of Foreign Government Officials in International Business Transactions (Organization for Economic Cooperation and Development, Paris, 21 November 1997); and
- the Criminal Law Convention on Corruption (Council of Europe, Strasbourg, 27 January 1999).

Violation of these conventions could disqualify a foreign investor from doing business in Kosovo.

There are frequent reports of irregularities in public tendering procedures. The recent revision of the Public Procurement Law and a significant increase in public audits from the Office of the Auditor General are important steps forward. The Public Procurement Law clearly defines the division between executive and regulatory functions, in accordance with EU practices. Tax evasion is high, and both local and foreign businesses are concerned about the professional ethics of government officials, who are reportedly accepting bribes or extorting firms in exchange for licenses, permits, movement of paperwork or even routine public services. Traditional lending and business practices tend to favor personal connections and nepotism over creditworthiness.

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/department/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp). The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.
- Additional country information related to corruption can be found in the U.S. State Department’s annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## **Bilateral Investment Agreements**

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Albania was the first country to sign an FTA with Kosovo in 2003, followed by Macedonia in 2005. The Kosovo-Macedonia FTA stipulates that Kosovo imports have complete, duty-free access to the Macedonian market but in reality, Macedonia still imposes duties at the border, particularly on agricultural imports. In 2006 Kosovo signed FTAs with Croatia and Bosnia-Herzegovina, and became a signatory to the Central European Free Trade Area (CEFTA) and EU Common Aviation Area. CEFTA came into force in July 2007 and by September 2007 all signatories ratified the agreement, including Serbia. However, as with the FTA with Macedonia, CEFTA signatories continue to charge various fees for Kosovar goods. Kosovo is also a member of the Athens Process on Energy for the Southeastern Europe Energy Community Treaty. This is a significant step for Kosovo toward achieving increased regional cooperation and securing alternate sources of energy.

## **OPIC and Other Investment Insurance Programs**

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The U.S. Overseas Private Investment Corporation (OPIC) has been involved in Kosovo since 2000, providing financing, political risk insurance and other investment vehicles to American investors. In June 2009, OPIC signed an investment agreement with Kosovo. With OPIC assistance, American investors are currently involved with projects in the energy and real estate development sectors.

## **Labor**

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UNMIK approved Regulation 2001/27, the Essential Labor Law, remains in force while Kosovo drafts a new comprehensive labor law. The Ministry of Labor and Social Welfare has announced in their 2010 legislative strategy their intention to prepare a draft Labor Law and send it to the Assembly by late March 2010. The law requires employers to observe all applicable employee protections, including a 40-hour full-time work week, payment of overtime, adhering to occupational health and safety standards, respecting annual leave benefits and ensuring 90 days of maternity leave. The labor law calls for a minimum wage but does not set an amount. The Ministry of Labor and Social Welfare has created a compliance office that has the authority to visit places of employment to assess employer adherence to labor law requirements. Labor disputes are adjudicated in local courts.

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The Kosovo Customs and Excise Code is business-friendly, compliant with EU and World Customs Organization standards, and addresses topics such as bonded warehouses, inward and outward processing, transit of goods, and free trade zones, with the aim of facilitating trade and stimulating export growth. In addition to imported goods, some Kosovo-produced goods from designated industries can also be stored in bonded warehouses, when applicable legislation dictates these goods meet export criteria. Foreign firms are permitted to import production inputs without paying taxes or customs duties for the manufacture of export goods.

The Customs Code permits the establishment of free zones for manufacturing and export purposes, but none have been established yet.

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Kosovo does not currently have a formalized system for collecting foreign direct investment data. However, the Investment Promotion Agency of Kosovo estimates over 2,800 foreign companies are currently operating in Kosovo. Top sector investments for foreign businesses include trading (51%), service industries (20%), manufacturing industries (13%) and construction (12%).

## Web Resources

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The Overseas Private Investment Corporation: [www.opic.gov](http://www.opic.gov)

U.S. Department of Commerce: [www.commerce.gov](http://www.commerce.gov)

U.S. Trade and Development Agency: [www.ustda.gov](http://www.ustda.gov)

U.S. Embassy Pristina: <http://pristina.usembassy.gov>

Investment Promotion Agency of Kosovo: <http://www.invest-ks.org>

Economic Initiative for Kosovo: [www.eciks.org/english](http://www.eciks.org/english)

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