Corruption Perception Study

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Prishtina, March 2018
“Change will not come if we wait for some other person or some other time. We are the ones we’ve been waiting for. We are the change that we seek.”

Barack Obama
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Corruption in Kosovo remains at high and worrying levels, both for regular citizens and businesses. Many local and international reports rank corruption as one of the biggest problems in Kosovo’s society. Having this in mind, the American Chamber of Commerce in Kosovo has been vocal both in terms of events organized and position papers issued calling institutions to increase their efforts in the fight against corruption.

In order to measure businesses’ perception on corruption, institutions where this phenomenon is more present, and to identify steps which institutions need to undertake to fight corruption more effectively, AmCham has conducted a survey with 214 businesses from various sectors, whereby 35% of respondents come from the manufacturing sector, 30% from the trade sector, 20% from professional services, 6% from the IT sector, 5% from construction and 5% from other sectors. The research has been conducted within a framework of a project implemented with the support of the United Nations Development Program (UNDP) Support to Anti-Corruption Efforts in Kosovo Project (SAEK).

Businesses which were part of this study vary in terms of their size, whereby 7.48% of respondents employ over 250 people, 27.10% employ 51-250 employees, 31.78% employ 11-50 employees, while the remaining 33.64% employ up to 10 people.

In terms of regional distribution of the sample, the majority of respondents (i.e. 56%) are based in Prishtina, followed by Peja with 12%, Prizren and Ferizaj with 7.5%, Gjilan and Mitrovica with 3.7%, Gjakova with 1.9% and others account for 8% of the respondents’ base.

The research shows that 98% of businesses asses corruption in Kosovo as being a serious problem, some of which consider it as being very worrying issue, while others see no reason for being alarmed. A very small number of respondents claim that corruption is not a serious problem and that the level of corruption is almost inexistent, namely 2%. As regards to the types of corruption, 75% of respondents believe that the corruption in Kosovo is systemic, while 20% believe that corruption in Kosovo is only sporadic. Only 3% believe that the level of corruption is negligible.

Given that corruption takes place under certain circumstances, businesses have listed weak rule of law and contract enforcement (80.85%), lack of political will to fight this occurrence (71.28%), low salaries and poverty (31.91%) and incomplete legal framework (29.79%) as factors that can cause corruption. It is worth noting that businesses rank low salaries only as the third most important factor.

With regards to the efficiency of the efforts for fighting corruption, 54% of businesses believe that the level of corruption in Kosovo has remained the same compared to 5 years ago, while around 22% believe that actually the level has increased. A smaller percentage of respondents (13%) believe that the level of corruption has decreased in this period.

Reasons which stimulate businesses to engage in corruption are all in line with the very definition of corruption, which is the generation of personal or business gains through illegal means. 75% of respondents highlight the need to have a favorable treatment in open/competitive procedures as the main cause of corruption. This is followed by the need to accelerate bureaucratic procedures as the second most selected option (60%).

Businesses seem to be well aware of existing mechanisms for reporting corruption, given that 75% of them state that they are informed about the possibility to report cases anonymously at the Anti-Corruption Agency.

While there is an overwhelming response with regards to the perceived level of corruption among businesses, the percentage of businesses that in fact have faced with corruption is twice smaller. In terms of institutions where businesses have faced corruption the most, they name line ministries (35%), followed by public enterprises, Tax Administration of Kosovo, municipalities and the Independent Review Board.
Among areas where the presence of corruption is higher, 53% of respondents believe that corruption is present in public procurement activities, while 35% claim that corruption is in fact highly present in such activities, which brings the percentage of respondents that link corruption with public procurement to 88%.

In terms of reporting corruption, a discouraging finding of the research is that 85% of businesses have not reported corruption in the appropriate authorities. Main reasons why businesses hesitate to do so is the fear of retaliation in the future from the institution at which corruption was identified (75%), followed by the lack of confidence in judicial institutions (72%) and lack of results in the fight against corruption (58%). This goes to show that the hesitation is linked to the lack of efficiency of institutions in the fight against corruption, given that 42% of respondents claim that institutions have not been effective at all, 43% believe that institutions have not been very effective, while only 14% believe that institutions were moderately effective. Additionally, a worrying finding is that 36% of respondents do not have confidence in judicial institutions while 62% have partial confidence in them. A similar trend is followed for other law enforcement agencies, whereby 35% of respondents claim that they have not been at all efficient in combating corruption, while 50% state that they have been only partially efficient in doing so.

With regards to the impact of corruption, 79% of respondents believe that corruption affects the level of FDI in Kosovo. Furthermore, companies responding to the survey claim that the level of corruption also played a role in the level of their investments in Kosovo as well.
CHAPTER 1

Introduction

For many years, the high level of corruption has been considered as one of the biggest impediments to sustainable economic development in Kosovo. Corruption not only leads to a misuse of taxpayers’ contribution, but it also leads to low quality services, unequal treatment among citizens and businesses, generation of wealth through illicit means for public officials and a continuous deterioration of citizens’ wellbeing.

As the US Ambassador to Kosovo, Gregory T. Delawie, would explain, corruption erodes public trust, deteriorates foreign direct investments, and discourages innovation and risk-taking so that small businesses could grow. Above all, Ambassador Delawie emphasizes that corruption incites young and talented people to leave Kosovo and seek opportunities elsewhere. He also assesses that that a number of systematic issues dampening economic development are issues related to properties, construction permits and public procurement, while empowering rule of law is essential for fighting corruption.

Kosovo has an advanced legislation in terms of reporting and fighting corruption, but similarly to other areas, the level of implementation of this legislation is unsatisfactory and specific results are yet to be noted. On the other hand, the lack of results discourages citizens and businesses to make use of existing mechanisms. In a number of roundtables organized by AmCham with the support of UNDP’s Support to Anti Corruption Effort in Kosovo Project (SAEK), with the aim of informing businesses regarding legal and institutional mechanisms in place, a large number of businesses claimed that businesses’ hesitation to report corruption is a result of the fact that responsible institutions in the fight against corruption do not undertake necessary steps to penalize those engaged in such activities. And while there is truth to this claim in many aspects, this at no way should create a culture whereby citizens and business turn a blind eye to crime and corruption. In fact, this may as well be the goal of those who have a tendency to engage in corruption!

The research conducted with businesses by AmCham reveal that corruption is seen as the second most worrying issue facing Kosovo, with 42.57% of respondents selecting this option. Only the inefficient judicial system is considered by businesses to be even more alarming, whereby 47.52% of respondents have identified this as a key impediment. Considering the fact that judicial institutions is the most important pillar that will give the final verdict for penalizing corruptive affairs and those engaged in corruption, it is no surprise that the perception level and the actual level of corruption is so high. Other significant problems facing Kosovo can be seen in figure 1.1 of this document.

Speaking for corruption as an illness, Andrew Russell, Resident Representative of United Nations Development Program (UNDP) would say that Kosovo’s society pays a very high price for this illness. He has often called journalists to help in eradicating this phenomenon through investigative journalism.

However, in addition to journalists, all stakeholders in Kosovo should understand the need to get involved in the fight against corruption: young people to steer and protect their future, the elderly for a better wellbeing, students for a better education, workers to protect their rights and businesses to have an equal treatment before the law.

Businesses can help in reducing corruption by adopting corporate governance principles and saying no to corruption, by refusing to engage in activities that lead to a quick profit but damages their safety and their sustainability in the long term.
As far as justifications that it is not worth to report corruption are concerned, it must be stated that over the last years tens of officials have been suspended, dismissed and arrested as a result of engaging in corruption in some of the institutions which businesses interact with the most, including Tax Administration of Kosovo, Kosovo Customs, Labor Inspectorate etc. Cases such as this, albeit not resulting in the deserved outcome, should serve as an encouragement that corruption should be reported and that we should make use of our rights. Furthermore, creating a culture of tolerance to corruption in the future would be much more damaging than the non-penalization of this phenomenon at present times.

Under "other", the most frequent option provided by respondents is about the unqualified labor force and the large skills gap in the market are among the largest challenges facing Kosovo in the future.
Businesses' knowledge on corruption and its types in Kosovo

Businesses appear to have a very satisfactory level of information on damages, consequences and prevalence of corruption in Kosovo. Research results suggest that businesses have sufficient awareness on existing institutional mechanisms for reporting and fighting corruption.

As important stakeholders in this matter and considering the significant impact that the high level of corruption has on their activities, businesses are well informed on the types of corruption present in Kosovo, as well as on which institutions is corruption present in larger degrees. In terms of the extent to which corruption is seen as a problematic issue in Kosovo, over 70% of surveyed businesses claim that corruption is a very pressing issue, while 28% state that corruption is an important issue, but not in alarming levels.

Overall, the research shows that 98% of businesses believe that corruption is an important issue to be tackled. None of businesses that responded to the survey claims that corruption is almost nonexistent in Kosovo or that they do not know about the presence of this phenomenon, while a very small number of them (i.e. 2%) claim that corruption is not a very pressing issue, as seen in figure 2.1 below.

Figure 2.1. The degree of presence of corruption in Kosovo

Given that there is an almost total agreement with regards to the fact that corruption is a pressing issue, businesses have made their voice made in this regard as well. Roughly every 3 out of 4 business respondents believe that corruption in Kosovo is systemic, while roughly 20% believe that corruption is only sporadic. The cause for this difference may be related to the nature and activities of businesses, whereby some of them may have less frequent interaction with institutions that can be considered as being more prone to corruption.

A very small portion of respondents, namely 3%, believe that the level of corruption is negligible, and similarly only 3% of respondents claim that they do not have enough information to make such a
determination. The small percentage of businesses claiming that they do not have information is a further evidence of the high level of awareness of businesses in Kosovo vis-à-vis the existence of corruption and the main types of this phenomenon.

Corruption occurs as a result of persons that aim to maximize profits of their businesses or their income through illicit means. However, for this to occur there need to exist certain conditions which do not hinder these individuals from engaging in such activities. In terms of these conditions, namely factors which enable the occurrence of corruption in Kosovo, the vast majority of businesses (i.e. 80.85%) believe that weak rule of law and lack of implementation of existing laws is a key factor which provides the opportunity for corruption to boom. This factor has been often cited as one of the main determinants by other spectrums of society as well, including civil society organizations, international organizations and diplomatic offices in Kosovo. This is rivaled only by another determinant which is often mentioned as an important factor which enables the prevalence of corruption in Kosovo, namely the lack of political will to fight corruption. 71.28% of respondents to the survey have attributed this as a cause of the existing situation. Among other factors that create the conditions for the occurrence of corruption, respondents to the survey also list low salaries and poverty (31.91% of respondents), incomplete legal framework (29.79%), political instability (14.89%) and other factors (6.38%). Among other factors respondents list cultural attitude toward corruption, low penalties for those engaged in corruption and lack of corporate governance laws, codes, education and best practices.

Civil society organizations have continuously held responsible the leaders and institutions for a lack of political will to fight this phenomenon, which has resulted in tame and incomplete efforts to fight corruption at all levels. Regarding the data mentioned previously which have also been depicted graphically in figure 2.3 below, it is interesting to note that less than one-third of businesses believe that low salaries and poverty cause corruption in Kosovo. In this aspect, there appears to be a discrepancy between the salary increase - especially in the public sector- and the level of corruption, considering that since 2011, salaries have increased continuously. On the other hand, the perception of corruption has remained more or less the same, despite some improvements noted in Transparency International’s Corruption Perception Index for 2018.

The fact that there has been little progress in the fight against corruption is confirmed by the survey as well, given that only 13% of respondents believe that the level of corruption has decreased in the last 5 years. As depicted in figure 2.4 below, the majority of respondents (55%) believe that the level of corruption has remained the same, while a considerable number, namely 22%, believe that the level of corruption has increased. Only 11% of survey respondents state that they do not have enough information on the level of corruption in Kosovo in the period of 2012-2017.
The research reveals interesting information also with regards to the presence of different types of corruption in Kosovo. In this aspect, nepotism and clientelism dominates the list, whereby 53% of respondents strongly agree that this phenomenon is widely present in the country, and 36% agree with the proposition. Additionally, almost half of respondents (namely 47%) strongly agree that technical specifications for public procurements are often drafted to favor specific bidders, and 46% agree with this conclusion. A similar proportion of businesses state that another type of corruption prevalent in Kosovo is non-declaration of conflict of interest. 48% of respondents strongly agree and 43% agree that the misuse of public wealth is another type of corruption widely spread in Kosovo. In terms of bribery, the corresponding figures are 43% and 33% respectively ("Strongly agree" and "agree"). Results on this indicator have been depicted in figure 2.5a. below.
To create a clearer picture of the types of corruption businesses feel are more present in Kosovo, the answers in the question have been coded to create a weighted average (strongly agree=5; agree=4; partially agree=3 and so on). The results which have been depicted in Figure 2.5b show a similar picture to the one portrayed above, whereby nepotism and clientelism appear to be the most dominant type of corruption.

While the previous paragraphs elaborated factors that facilitate corruption in Kosovo, it is important to analyze the reasons why businesses might be prone to engage in illegal/corruptive affairs. Roughly 74.47% of respondents state that what drives businesses to take the risk of facing legal actions in the future is the desire to gain a favorable treatment in an open/competitive process. This is followed by the need to accelerate bureaucratic procedures, which has been selected as a viable reason by 59.57% of respondents. Roughly 45% of businesses believe that another reason to engage in corruption is to gain access to certain services, while 44% see corruption as a means to escape penalties and fees. Under "other" respondents have stated that businesses may be inclined to engage in corruption to find a solution to problems they may encounter in their operations.
Regardless of the reasons provided above (which have been depicted in Figure 2.6), the common denominator of all the factors is the very definition of corruption which has been mentioned in previous part of the document: creation of personal or business gains through illegal means. However, the situation appears even more serious than the one depicted by businesses. Using corruption to gain a competitive edge in open/competitive procedures, to gain access to certain services (which should be taken for granted by institutions), or to speed up a bureaucratic procedure, implies that other businesses in will be immediately put at a disadvantage (unlawfully and unfairly), despite the fact that free market economy and non-discrimination are values embodied in the constitution of Kosovo.

Creating a level-playing field for all businesses has been a constant request of many local organizations representing the interests of the business community; a request which has also found the support of civil society organizations and international community. In this situation, the prospect for the growth of small enterprises and the prospect to attract foreign direct investments is almost inexistent. A clear indicator in this regard is the fact that FDI inflows in the country have been in decline since 2008. Additionally, also the structure of foreign investments is also not very promising in terms of ensuring long term and sustainable economic growth.

![Figure 2.6. Reasons why businesses are involved in corruption](image)

**Figure 2.6. Reasons why businesses are involved in corruption**

In terms of the level of awareness regarding means and mechanisms for reporting corruption, the research shows that businesses are very well informed. For example, the majority of respondents to the survey claim that they had prior knowledge that businesses and citizen can report cases of corruption at the Anti-Corruption Agency (ACA) anonymously. Only 26% of respondents claim to be unaware of such a possibility. Despite this, anonymous reporting should be further promoted, in order to encourage parties to report corruption cases, especially in cases when businesses hesitate as a result of fear of revenge from the institution in the future. This fear of revenge is to be expected considering the lack of punitive measures towards officials (regardless of their ranks) that have been engaged in corruption in the past.
In relation to all findings from the research, businesses appear to have credible information sources, given that they base their perception on corruption mainly in the experience of their friends and/or partners, or in their own experience. In this aspect, 73% of respondents have selected "Experience of my friends/partners” as their source of information for assessing the level of corruption, while 53.19% explain that their perception is built based on personal experience. Additionally, media reports (41.5%), reports of international organizations (around 40%) and reports of local organizations (around 30%) are other sources of information for the creation of businesses’ perception towards corruption in Kosovo. However, the research shows that local media and local organizations can play a much bigger role in this aspect, noting that the fight against corruption is an assignment which must be shared between institutions and the entire Kosovo society.

As regards to their perception for the existence of corruption in different public entities, businesses assess that corruption is highly present in various institutions, including Courts (40%), Prosecutors office (over 30%), Independent Review Board (around 30%), and public enterprises (around 29%). This finding is quite discouraging, knowing that these institutions have a very important role in the administration of justice.
This negative perception for these institutions can also be a result of the low level of confidence which businesses have in them. And the lack of trust is translated to a discouragement for reporting corruption cases at respective authorities. Without doubt, a factor that has caused this level of corruption is also the lack of actions towards those engaged in corruption thus far.

In terms of institutions which businesses feel that corruption is not present, the ranking is as follows: Business Registration Agency (30%), Kosovo Customs (10%), Kosovo Assembly (10%), President's Office (10%), and Tax Administration (7%). Noting the reforms undertaken by Kosovo Business Registration Agency which functions under the framework of the Ministry of Trade and Industry for the reduction of administrative and bureaucratic procedure for the registration of businesses, the positive evaluation of businesses is to be expected.

On the other hand, a very small percentage of respondents claim that corruption is not present in the Independent Review Board (2%), Prosecutor’s Office (3%) and line ministries (3%).

To create a better picture on the evaluation of businesses regarding the presence of corruption, Figure 2.9b reveals the weighted average of the results following the same coding logic used in 2.5b. This goes to prove that the perception of corruption is the highest in the judicial sector.
Respondents to the survey have been asked to provide their evaluation with regards to the level of transparency in a number of institutions. The results show that businesses again assess transparency in judicial institutions as very low (2.39 out of 5), which was also reflected in the low scores given in terms of trust/confidence towards these institutions. As a central piece to the fight against corruption in Kosovo, this result is discouraging to say the least, and it certainly impacts the willingness of citizens and businesses to report corruption. Also, it impacts the perception of businesses regarding the efficiency of institutions which are tasked with implementation of the law and the fight against corruption, as will be seen in chapter 4. Similarly, businesses have a very negative evaluation for public enterprises, prosecutors office and the Independent Review Board. On the other hand, businesses have a very good evaluation for Kosovo Business Registration Agency in terms of transparency.

Figure 2.10. Evaluation of institutions in terms of transparency
CHAPTER 3

Encountering Corruption

The research shows that there is a clear discrepancy between the level of perception on corruption and the actual experience that businesses had in facing this phenomenon. Out of 94 businesses that agreed to respond to this question, only 48% of them claim to have encountered corruption during their activities.

The most common type of corruption reported by respondents is bribery, followed by extortion, nepotism and non-declaration of conflict of interest. Many respondents show that they encountered corruption during public procurement procedures, which certainly is to be expected given that in many discussions people point to a natural correlation between corruption and public procurement. On the other hand, all reforms in procurement legislation and practices have been done in order to increase transparency and reduce irregularities, and consequently help in fighting corruption.

![Figure 3.1. Have you encountered corruption](image)

Companies that reported to have faced corruption firsthand were consequently asked to name institutions where corruption was encountered, whereby the most common response was "line ministries", in 34% of cases, closely followed by public enterprises in 32%. Other common responses selected by respondents include municipalities and Tax Administration of Kosovo, while very few have stated that they have faced corruption in institutions such as Assembly, President's Office and Business Registration Agency.

Another worrying finding is that 20% of respondents out of those answering these questions claim to have faced corruption in courts, institutions in charge for fighting this occurrence, which also is in line with previous parts of this study.
Considering that a considerable part of the budget of Kosovo is spent through public procurement activities, respondents were also asked on their perception for the presence of corruption in such activities. A vast majority of respondents, i.e. 88%, in general opine that corruption is either largely present or present in public procurement. Specifically, 52% of businesses responding to the survey believe that corruption is present in public procurement, whereas 35% of them believe that corruption in these activities is largely spread.

On the other hand, a negligible proportion of respondents (i.e. 3%) state that corruption is hardly present or not at all present in public procurement. This goes to testify that the fight against corruption is closely related to addressing the numerous problems which companies report in public procurement activities. Less than 10% of respondents state that they do not know whether or not there is corruption in public procurement activities, which is to be expected given that some businesses do not compete in public contracts, and as such do not have personal experience in public procurement.

Figure 3.2. Institutions which businesses have encountered corruption at

Figure 3.3. Presence of corruption in public procurement activities
Reporting and fighting of corruption

A very discouraging finding from the study is the fact that among companies that have encountered corruption, only 15% of them claim to have reported those cases to respective authorities. This can lead to a situation where this phenomenon is considered a normal occurrence in society; a situation to be avoided at all costs. The private sector must be encouraged to report all cases of corruption without exception.

![Pie chart showing 15% of businesses have reported corruption cases to respective authorities](image)

Figure 4.1. Have businesses reported corruption cases to respective authorities

Based on the limited number of respondents who claim to have reported corruption, in most cases businesses have reported these instances in the institution where they have encountered the irregularity, followed by Anti Corruption agency and law enforcement agencies (police and prosecutors office). This finding is very logical, given that businesses in such cases would want to find a solution directly at the responsible institution, if for example the corruption or the suspicion for corruption relates to a public procurement activity.

Noting the discouraging finding on the low number of cases reported, respondents were asked on their opinion as to what they believe might cause businesses to hesitate in reporting corruption. Fear of retaliation from the institution where corruption was encountered is named as a possible reason by 75% of respondents in the survey, closely followed by the lack of trust in judicial institutions (73% of respondents). Additionally, 58% of respondents believe that a possible cause for the hesitation might be the lack of results in the fight against corruption. This leads to the conclusion that businesses are not very optimistic in the success on the fight against corruption. Roughly 16% of respondents claim that corruption is seen as a normal occurrence, while 12.5% of respondents believe that a portion of the blame for the low number of denunciations might be because of lack of information on existing reporting mechanisms. Responses to in this question further emphasize the importance for increasing the efficiency and the trust in judicial sector, as a precondition to an effective fight against corruption. One of the respondents stated that lack of proof may be a reason behind someone’s hesitation, while another claimed that the corruption in Kosovo is systemic, and businesses “have no place to hide.”
Figure 4.2. above contains the findings of the research regarding the institutions in which corruption has been reported by businesses, who claim to have done this. Half of respondents said that they reported corruption in respective institutions in which the corruptive case has take place. On the other hand, one third of respondents have knocked on the doors of the Anti-Corruption Agency to report corruption. Whereas, only 17% of respondents have reported corruption in police and prosecutor’s office. Lack of contacts and mutual trust between prosecutor’s and investigation bodies, may be one of the reasons why reporting of corruption with police and prosecutor’s office is lower. This may also be related to the perception that businesses have on the low level of efficiency of law-enforcement institutions in fighting of corruption, as may be seen below, on the figure 4.5.

Figure 4.3. Reasons why businesses might hesitate to report corruption
Optimistic data were revealed regarding the likelihood of reporting of corruption in the future, with 50% of respondents saying that they will necessarily report any case of corruption they will be facing, followed by one third of respondents saying that they will report any case of corruption they will be facing if it will have a significant impact on their company.

A smaller percentage of respondents, around 17% of them said that most probably they will not report corruption, whereas it is worth noting that none of respondents said in absolute terms that they will not report the corruptive cases.

Given that the efficiency of law enforcement agencies and the judicial sector are very important in the fight against corruption, respondents were asked in their opinion in this aspect. None of the respondents claims that these institutions are very efficient in their work, while only 9% are satisfied with the level of efficiency. On the other hand, approximately 85% of respondents believe that these institutions are either somewhat efficient or not efficient at all in addressing corruption, certainly a very discouraging finding which calls for immediate actions.
Figure 4.6. Efficiency of law enforcement agencies in fighting corruption

In addition to the efficiency of law enforcement agencies, businesses were asked on their trust in the judicial sector in the country. In this regard, the majority of respondents (62%) claim that they are partially confident in the work of this pillar in Kosovo, whereas 36% claim that they do not trust judicial institutions at all. Only 2% of respondents have a complete confidence in the integrity of judicial sector.

Figure 4.7. Level of confidence in the judicial system in Kosovo

Businesses have a split opinion with regards to whether or not the current legislation is satisfactory for fighting corruption. 24% of respondents think that the legislation in power is adequate, 37% think that legislation is appropriate to some extent, whereas 26% believe that the legislation need to be improved. Around 14% of respondents do not have enough information to give an opinion on this subject. European Commission’s Progress Report for Kosovo has underlined the need to amend the existing legislation for a number of years, particularly in provisions regulating conflict of interest.
E-procurement platform has begun to be implemented in all public procurements in Kosovo from 2018. This project has been seen as a good opportunity to increase transparency, accountability and competition in procurement activities. 26% of respondents state that the full implementation of “e-procurement” will help in fighting corruption to a great extent, while 43% believe that the impact of this initiative will help in addressing the problem to some extent. There are also those that do not believe that e-procurement will have any impact in fighting corruption. Roughly 6% of respondents have selected this option.

Figure 4.8. Is the legislation in power suitable for fighting corruption

Figure 4.9. Impact of e-procurement in fighting corruption
The impact of corruption in the level of investments

In the second chapter of this study, it was stated that there might be a correlation between the high perception of corruption and the negative trend for the attraction of foreign direct investments in Kosovo. However, it is important to have the thought of businesses in this topic as well. 79% of business respondents express that they believe that corruption has an impact on FDI inflow in the country.

20% of respondents state that level of corruption does play a role in the attraction of FDI, but it is not a detrimental factor. This coupled with the result that corruption impacts the level of FDI inflow largely confirms the negative impact that corruption has in the decision making process of foreign investors for extending their operations in Kosovo. Only a small fraction of businesses (1%) believe that corruption does not have such an impact.

Figure 5.1. Does corruption impact FDI inflows

Figure 5.2. Has the presence of corruption impacted your investment decisions in Kosovo
In addition to the impact on foreign direct investments, corruption also impacts the decision of existing companies in Kosovo in terms of future investments. The research points out that 64% of businesses claim that corruption impacts decision-making on investments to some degree, out of which only 8% claim that they altered investment plans significantly, while 56% continued their investment plans despite the increased hesitation.

On the other hand, 1/3 of respondents, namely 36%, claim that corruption has not impacted their investment decisions at all. Figure 5.2 reveals the full picture of the impact that corruption had in respondents’ decision on their investments in Kosovo.
Corporate governance and the fight against corruption

Overall, there appears to be a positive trend in terms of businesses getting to understand good corporate governance principles and their importance in business. Only 20% of respondents say that they do not have information on corporate governance principles, while 39% claim that they already implement such practices. On the other hand, 17% of businesses state that they have the necessary information, but they are yet to implement such principles in their business. It must be noted that the implementation of corporate governance principles can help in fighting corruption to a great extent, in addition to the impact on the long-term development of companies. Thus, institutions in cooperation with business organizations need to increase efforts for raising the awareness of businesses in this topic.

The situation appears to be even better with regards to the existence of Code of Ethics amongst companies. 66% of respondents claim that they have an Ethics Code and they implement it properly, while only 18% admit that they have this as a document, but are yet to implement it. Only 7% of respondents state that they do not have an Ethics Code, without stating whether or not they plan to adopt one in the future.
• Businesses rank corruption as the second most serious problem that Kosovo faces, after inefficient court system.
• 70.30% of respondents believe that corruption is a very serious problem, followed by 27.72% who believe that corruption is a serious problem but not in alarming levels. In total, 98% of businesses consider corruption to be a serious problem.
• 75% of respondents believe that there is systematic corruption in Kosovo, followed by 19% who believe that corruption in Kosovo is sporadic.
• Being asked to rank the factors that enable corruption, 80.85% rank weak rule of law and poor implementation of existing laws as number one factor. Whereas 71.28% of respondents consider lack of political will to fight this occurrence as second factor enabling corruption in Kosovo.
• Assessing current corruption rates with those of five years ago, 54% of respondents believe it is the same. 22% of them believe that corruption has increased. Only 13% believe it has been reduced.
• Around 75% of businesses believe that the reason why businesses are involved in corruption in order to get a favorable treatment in any open competitive procedures.
• Regarding reporting mechanisms, 74% of businesses are aware of tools enabling anonymous reporting of corruption in Anti-Corruption Agency.
• Courts are ranked as institutions with very high presence of corruption, followed by prosecutor's offices, and Procurement Reviewing Body.
• With regards to most transparent institutions, businesses rank Business Registry Agency as the most transparent institution, followed by Tax Administration of Kosovo, Customs and Kosovo Assembly, and Office of the President.
• 48% have actually encountered corruption.
• 34.15% of respondents have faced corruption in respective line ministries, followed by 31.71% of them who have encountered corruption in public enterprises.
• 88% of businesses believe that corruption is present in public procurement activities.
• A concerning fact is that 85% of them have not reported corruption.
• Reluctance to report corruption is based on the fear of retaliation by the institution in the future (75%), followed by 72.73% who claim that they do not trust court institutions and 57.95% who believe that there are no effective results in fighting of corruption.
• With regards to efficiency of institutions in fighting of corruption, 43% of businesses believe that the institutions have not been very efficient, while 42% of them believe that institutions have not been efficient at all.
• 36% of respondents do not trust courts, whereas 62% of them only partially trust courts.
• With regards to electronic procurement, 26% of respondents believe that the latter will largely help in fighting corruption, whereas 43% believe that e-procurement will help fighting corruption to some extent.
• 79% of respondents believe that corruption has an impact on Foreign Direct Investments.
• Businesses are well aware of the role of the proper corporate governance in avoiding corruption, with 66% of them having internal corporate governance regulations and business ethics codes.