2019 Corruption Perception Study

Authors:
Arian Zeka
Ardita Hajra

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EXECUTIVE SUMMARY

Corruption Perception Study of the American Chamber of Commerce in Kosovo is becoming a benchmarking document to help the country measure its progress in fighting corruption. The 2019 Study, which includes the data from a survey with 256 companies from around Kosovo, presents worrisome findings and figures in some corruption perception indicators, with significant deteriorations in few indicators and slight improvements in few others. With a slight change in ranking (from second to third place) from the 2018 study, corruption (38.67%) is once again ranked by businesses in the top three biggest issues that the country faces, after labor force emigration, which leads in this indicator (43%) and unemployment (39.5%). An additional feature about the 2019 Study is that it elaborates the findings in different indicators by industry in which businesses operate. In the particular case of labor force emigration concern, it is the ICT and manufacturing industries that seem to be more concerned with the phenomenon, and the concern is just knowing the impact of the workforce in the business operations and economic growth.

Measuring the critical aspects of corruption, the 2019 Study shows that 72% of the businesses view corruption as a very pressing issue in Kosovo. On a similar relation, almost half of the interviewed businesses consider corruption in Kosovo to be a systemic one, followed by two thirds of those considering it to be sporadic, and only 6% believing that corruption levels are negligible. This year’s survey shows an increased change from the 2018 survey when it comes to corruption perception in 2019 compared to five years ago, with over 40% of respondents declaring that corruption has increased, in comparison to the 22% who shared this belief in 2018. Weak rule of law leads in the group of factors contributing to corruption in Kosovo as declared by 65.63%, followed by 50.39% of those who believe that low salaries and poverty is the second factor inciting people to corruption. This is a rather interesting finding considering that the Government has continuously increased wages for the public sector employees. Lack of political will for fighting of corruption is ranked as the third most important factor feeding corruption in Kosovo by almost 43% of respondents.

When it comes to building of their assessment and perceptions of corruption in Kosovo, businesses rank media reports, experience of friends and family, and personal experience as the top three sources of their information. However, one may argue about the necessity of this information being a more comprehensive one, particularly on the mechanisms and forms of reporting of corruption, as close to 40% of respondents are not aware that they can report corruption cases anonymously to the Anticorruption Agency. Businesses have no doubts, though, about the negative impact that corruption has in attracting FDI with close to 85% of them declaring that corruption does have an impact in deterring foreign investors. Around 70% of the interviewed businesses share a common belief that corruption is somewhat present in public procurement activities. There is some progress though in this indicator compared to the 2018 Study, with less businesses declaring this year that corruption is largely present in public procurement compared to last year. An absolute majority of businesses continues to believe that electronic procurement will continue to play an important role in deterring corruption.

Contrary to last year, the 2019 Study reveals that less than one third of the businesses has actually encountered corruption, whereas municipalities are ranked first in the group of institutions in which at least 22% of interviewed businesses have encountered corruption, followed by Tax Administration, Government ministries, and courts. This year’s study measures for the first-time corruption in contract enforcement and alternative dispute resolution mechanisms with private enforcement agents leading in this category with 3.91%, followed by mediation (3.13%) and arbitration and notary services (1.17%). Similarly, to the 2018 Study, the Office of the President is ranked very low in terms of encountered corruption.
In total, 22% of the respondents who have encountered corruption have actually reported it to the relevant authorities. Despite the slight improvement compared to the 2018 study, the reporting levels are still very low, and as such give no room for satisfaction. This figure suggests the need for further analysis and addressing of the factors influencing the hesitation of businesses to report corruption, which are ranked as following: fear of retaliation by the institution in the future (65%), lack of trust on judiciary (47%), and unsatisfactory results in fighting of corruption (32%). There is a slight improvement though when it comes to viewing corruption as a normal phenomenon compared to the 2018 Study. Similarly, to last year, over 75% of respondents claim that they will report corruption cases in the future, and only 1.56% who said that they will definitely not report it at all. However, the experience has shown that this commitment shall not be fulfilled, as long as no progress is shown in addressing the factors feeding the reluctance of businesses to address corruption.

Bribery, misuse of public wealth, and nepotism and cronyism are ranked as the top three most present forms of corruption in Kosovo. Whereas, the main reasons pushing businesses to engage in corruption include: avoiding a penalty, obtaining a favorable treatment in an open/competitive process, and obtaining access to a particular service.

The most worrisome finding, and similarly to last year, continue to be the lack of trust in the judiciary system, with only 14% of respondents declaring a full trust on judiciary and 27% of them stating no trust at all. When it comes to the confidence in the integrity contract enforcement mechanisms, it should be noted that businesses report a significant presence of corruption in courts at over 12% compared to alternative dispute resolution mechanisms (3.13%) such as mediation and arbitration (1.17%). Two thirds of respondents share the view that contract enforcement institutions are not efficient in fighting corruption, and this is also a major concern for the progress that the country aims to achieve in reducing this phenomenon. The legal framework at least seems not to be concerning in this regard, as 70% of respondents are confident that Kosovo has good laws to fight corruption. Enforcement of these laws, is definitely an issue.

One third of respondents seem not to have information on good governance principles, and ultimately the role these principles can play in keeping the businesses out of corruption. Almost two thirds of the respondents have a code of ethics and are implementing it properly, with an encouraging 18% planning to create one in the future.
INTRODUCTION

December 9 marks the International Anti-Corruption Day. On such symbolical dates one tries to increase awareness on particular issues, measure the impact of such issues, and celebrate potential accomplishments. On such an occasion, one may truly ask if Kosovo’s progress in the fight against corruption leaves any room for celebration? This study provides a response to this question. Corruptive behaviors and affairs seem to be present in many layers of society, even in agencies that are bound to fight it. Rampant corruption appears to be one of the key factors halting Kosovo’s social and economic progress.

For two consecutive years, our research with businesses suggest that corruption remains one of the most vexing challenges for business community. Indeed, this factor weakens governance, scares off investors, churns out skilled workforce and stifles entrepreneurship. It is concerning to note a slight improvement when it comes to the reporting of corruption to the relevant authorities. The low level of reporting of corruption is still declared to be related to the fear of retaliation and lack of trust in the respective institutions. However, it should be noted that compared to last year, an additional quarter of the respondents, declare that they will report corruption in the future, which is a very encouraging finding. In addition, contrary to the high perception of corruption, the percentage of those who have reported to have encountered corruption continues to remain very low, thus leading to a great gap between perceived and real corruption.

While Kosovo has an advanced legislative framework that is usually in line with EU acquis and international standards, countering corruption also requires an increased level of judicial autonomy, political will and improved active citizenship. So far, there has been a lack of concrete results in tackling this phenomenon, which is highly disconcerting for business community. Research suggests that efforts to fight corruption have been inadequate and the calls for combating it have gone on deaf ears.

This study provides a comprehensive overview on the perception of corruption from businesses perspective. Firstly, it presents businesses perception of corruption prevalence and its types in Kosovo, then it presents businesses experience on corruption and its impact on investments. Attention has also been paid on the awareness of businesses about good corporate governance principles.

The study is conducted in partnership with USAID’s Commercial Justice Activity, which aims to strengthen processes and quality in commercial dispute resolution, reducing opportunities for corruption and contributing to greater investor trust and confidence.
Beyond multitude challenges that Kosovo faces, surveyed business representatives perceive labor force emigration, or the fall in stock of human capital as the most critical one. Considering the impact that human capital has in business operations and the trend of labor migration in Kosovo, this result is to be expected. Recent data and reports reveal that migration has shown a constant upward trend in Kosovo.

**Figure 1.1. Biggest issues that Kosovo faces**

The fact that Kosovo has experienced a sharp increase of labor migration calls out the immediate need to analyze the push-factors triggering this phenomenon. Taking into consideration that economic and social hardships are key stimulators forcing people to leave their homes, it can be indicated that unemployment (39.45%) and corruption (38.67%), which are also ranked by businesses as top problems, are fueling labor migration. When we talk about labor force emigration as a concern by industry, that it is the information and communications technology companies (ICT) that seem to be more concerned about this issue with 21%, followed by the manufacturing companies with 20%, and professional services and trade seem to be less concerned about this issue with 16% and 15%, respectively.

**Figure 1.2. Labor force emigration concern by industry**

The impact of workforce in business and overall economic growth is crucial, as such, this data should not be ignored, it should rather serve as an encouragement for responsible institutions to take on major reforms by tackling the above mentioned push factors driving labor migration, while special focus should be put on the fight against corruption, which at large extent negatively affects every layer
of society. It should be noted that if Kosovo’s institutions do not take act swiftly in this regard, Kosovo will soon be put at risk of losing its ability to progress, which is not in the interest of anyone.

Chapter 2 | CORRUPTION IN THE VIEW OF BUSINESSES

The private sector is cognizant of the risks, types, consequences and detrimental impact that corruption can cause in the doing business environment, as such this phenomenon has become a growing concern for them. Businesses also seem to possess significant level of information on how to report corruption, but then there is a variety of reasons deterring them from doing so. Our research findings reinforce the long-standing public belief that corruption is a very pressing issue in Kosovo (72%), followed by (17%) believing that corruption is an important issue, but not in alarming levels, as shown in figure 2.1. below.

![Figure 2.1. How critical is the issue of corruption in Kosovo?](image)

Whereas, a very small number of respondents, less than 0.78% perceive corruption as not a very significant issue, followed by a mere of 1.17% believing that corruption is almost non-existent in the country. In addition, almost 9% of total surveyed business representatives claim to not be informed about the degree to which corruption is present, consequently choosing the “I do not know” choice as an answer. Notwithstanding, there is a broad and compelling consensus (89%) among businesses in support of the view that corruption is a concerning issue in the country, which imposes the need to take on more serious coordinated actions against corruption.
While majority of respondents believe that corruption is largely present in the country, it is also important to assess the level of frequency to which corruption occurs (Figure 2.2. above). Opinions in this regard were almost evenly divided in two diverse dimensions. 47% perceive corruption as systemic, while 33% said the opposite. Though, the first outweighs the second, it is important to analyze the reason behind this split opinion. It can thus be assumed, that some businesses have less frequent interaction with institutions that can be considered as being more prone to corruption, therefore they do believe that it is rather sporadic than systemic.

Hence, only 6% believe that corruption is negligible, and 14% of respondents declare to not have sufficient evidence to make such a claim.

Businesses perception on the level of corruption has worsened compared to last year. When asked to evaluate the progress made since 2014, 42% of respondents believe that corruption has only increased with 35% believing that corruption has remained the same. In contrast, last year, 22% believed that corruption increased and 54% believed that it remained the same. These percentages mark a deterioration in the fight against corruption, thus suggesting that the number of people who last year thought corruption has remained the same now believe that it has increased, which is very discouraging.

Our results suggest that the control over corruption has not been improving, thus it should raise great interest not only to public institutions accountable in countering corruption, but to business community and citizens as well, who feel reluctant in reporting corruption. Such daunting results
should also serve as a wake-up call for the new government to do more in increasing the efficiency of law enforcement agencies. If Kosovo’s progress continues to be stymied by corruption, it will pose a real risk in creating a culture where this phenomenon becomes a norm, and halt country’s socio-economic progress.

![Figure 2.4. Change of perception of corruption compared to five years ago](image)

From the graph above it may be noted that in 2019, the number of respondents believing that corruption in 2019 has increased compared to five years ago is almost double the percentage of the respondents who shared the same opinion in 2018, and ultimately the percentage of those who believe that it has remained the same is lower compared to the 2018 survey.

![Figure 2.5. Factors contributing to corruption in Kosovo](image)

Corruption is continuously halting the economic development and social prosperity of the country, undermining democracy and decreasing public trust on government. However, Kosovo has a long way to eradicate the factors enabling the presence of corruption. As shown in figure 2.5. above, a clear majority of businesses believe that corruption emerges mainly as a result of rule of law weaknesses (65.63%). This perception might derive from poor and questionable performance of law enforcement authorities, who are choked by case backlog and unwilling in tackling high-profile crime. Such situation raises questions about the rule of law effectiveness, and therefore this perception it is to be expected. That Kosovo has weak rule of law institutions has also been constantly highlighted in every annual EU Progress Reports.

In addition, a considerable number of respondents (50.39%) rank low salaries and poverty as another key factor that is shaping the conditions for corruption to thrive. Polled businesses also express discontent with political leadership in the fight against corruption. Respondents believe that lack of political will it is another key determinant facilitating the presence of corruption in Kosovo. It must be noted that political will is vital in the fight against corruption, which is absent in the case of Kosovo. Fighting corruption requires competent, willing and far-sighted political leadership that it is not itself subject to corruption. In addition, incomplete legal framework (25.39%) and political uncertainty
(17.97%) were listed among others as factors facilitating the presence of corruption. It is important to note that compared to last year’s report, factors such as: incomplete legal framework and lack of political will to fight corruption, have shown significant improvement.

Overall, the research points the need to strengthen this key pillar of democracy – rule of law. If Kosovo does not act swiftly it might lose out on important benefits resulting from efficient rule of law.

Since the number of respondents arguing to have experienced corruption is low, one may expect corruption perceptions to be shaped by other factors apart from their direct experiences. In this regard, research shows that media can play a paramount role in shaping public attitudes on corruption. The vast majority of businesses, namely 69.14%, perceive media reports as the most important source of information in assessing the level of corruption. The increased business awareness on corruption through media reports implies that the role of media in curbing corruption should not be undermined. Instead, capacities for investigative journalism should be increased and state of press freedom should be improved. Business community also form their beliefs about corruption based on experience of friends/parents (40.23%) which is ranked as the second most important source of information. Whereas (28.13%) of respondents declare that their perception of corruption is based on their personal experiences. Reports prepared by international organizations (24.22%) and reports prepared by local organizations (19.14%) are other sources of information.

On the other hand, Kosovo governmental and nongovernmental organizations, including business associations, should be more aggressive in their awareness raising campaigns, on both, the negative consequences of corruption, and better information on the mechanisms in which corruption can be reported. As shown in the graph below, a considerable percentage of interviewed businesses, close to 40%, is not aware that they can report corruption anonymously to the Anticorruption Agency.

There seem to be no doubts though, as shown in figure 2.8. below when it comes to the impact that corruption has on attracting foreign direct investments. As shown in figure 2.8. below, the correlation between corruption and FDI seems to be very strong.
Corruption affects decision-making associated with investments, as uncertainty and costs increase. It is certain even from the study that corruption inhibits FDI, roughly (83.20%) of respondents stated so, while (2.73%) stated that it affects investment decisions but it is not a detrimental factor. Overall, only 2.34% of respondents believe that corruption does not impact efforts on attracting FDI.

In addition, the interviewed businesses suggest correlation between public procurement activities and corruption in the view of businesses (figure 2.9 above), with close to 70% of them believing that some extent of corruption is present in public procurement activities, with the quarter of respondents believing that corruption is largely present in public procurement activities. Only a very small percentage of the respondents of 1% believes that corruption is not present at all in public procurement activities.
An almost absolute majority of the respondents, 91% of them believe that electronic procurement will help in the fighting of corruption, and only 7% of them share the opinion that it will not help at all in this regard (figure 2.11 below). The percentage of sceptics is somewhat similar to the 2018 study with a very slight increase of 1% this year.

**Figure 2.11. Will e-procurement help in fighting of corruption?**

### Chapter 3 | **ENCOUNTERING CORRUPTION**

Contrary to the high perception of corruption, the percentage of those who have reported to have encountered corruption continues to remain very low, thus leading to a large gap between perceived corruption and real corruption. In this regard, the 2019 survey finds that 73.83% of respondents have not encountered corruption, while 26.17% of them report to have encountered it (figure 3.1. below). In this regard, the survey shows a positive improvement compared to the 2018 study, in which 48% had stated to have encountered some form of corruption.

**Figure 3.1. Have businesses encountered corruption?**

An interesting finding is that while in the 2019 survey businesses have reported a smaller presence of corruption, they have declared an exponential increase of corruption perception in 2019 compared to five years ago. AmCham, but also other organizations in the past have suggested addressing of the causes that might lead to this gap between perceived and real corruption, one of them necessarily including the distrust of businesses in the government institutions and its operations.
Figure 3.2. In which institutions have businesses encountered corruption?

As shown in the figure 3.2. above, it is the municipalities that lead in the list of institutions in which companies have encountered corruption with 21.09%, followed by Tax Administration at 16.02%, and ministries and courts sharing a quite close percentage. The 2019 survey measures the presence of corruption among the private and/or alternative contract enforcement institutions, whereby Private Enforcement Agents lead the group as the most corrupted bodies with 3.91%, followed by mediation at 3.13%, arbitration and notaries at 1.17%, perceived as the least corrupt. Regardless how discouraging these findings are, it should be noted that the difference in corruption levels in alternative dispute settlement mechanisms is significantly lower compared to courts, and that businesses should consider using the first ones as the means of resolving their potential disputes.

The graph below shows the change in corruption perception in some of the key institutions in the 2019 survey from one year ago. While the curve is somehow similar from 2018, one may note a decrease in corruption perception levels in Tax Administration of Kosovo, Ministries, Publicly Owned Enterprises and Procurement Reviewing Body. Assembly, followed by courts and municipalities are reported with slight increases in corruption levels from one year ago (figure 3.3. below).

Figure 3.3. Encountered corruption in institutions in 2019 compared to 2018
Figure 3.4. Have businesses reported corruption to the relevant authorities?

Some progress has been achieved in terms of reporting of corruption to the relevant authorities compared to the previous year. In total, 22% of the respondents who have encountered corruption have actually reported it, compared to 15% in the 2018 study who declared to have reported corruption. Regardless of this, the level of businesses reporting corruption remains very low in 2019 as well, which is discouraging given that one may not expect significant progress in fighting of corruption, without it being reported to the relevant authorities.

Out of those respondent companies that have encountered corruption and that have reported it, 40% of them have done so in the institution in which corruption has occurred, a 46% of respondents who have reported corruption with police or the prosecutor’s office, and 7% of them who have reported it with the Anti-Corruption Agency.

Figure 3.5. Where have businesses reported corruption?

The remaining 7% of them have reported it to media and nongovernmental platforms, which represents a minor group of respondents who have more confidence in media and nongovernmental organizations rather than on state institutions.
Figure 3.6. Why are businesses reluctant to reporting corruption?

The ranking of the reasons why businesses do not report corruption remains similar to the 2018 study with fear of retaliation by the respective institution leading in the responses with 63.67%, followed by lack of trust in the judiciary institutions (46.88%). Thirdly, dissatisfaction with the results of fighting corruption seems to have had a discouraging impact on businesses to report corruption. This was declared by 32.03% of those who have encountered corruption but have decided not to report it.

As argued before and above in this study, it is of paramount importance for the rule of law institutions to demonstrate significant results in fighting of corruption, in order for the private sector companies and the society to feel encouraged to report the corruption cases to the relevant authorities. On the other hand, strengthening of the rule of the law is also important in providing for a higher level of shield for the businesses who decide to report corruption without being subject to any retaliation in the future.

Figure 3.7. Fear of retaliation by industry

When talking about fear of retaliation by industry, it is the manufacturing industry that leads in this regard with even 52%, followed by the information and communication technology industry at 42%, and professional services and trade at 36%.

As shown in the figure 3.8. below, there is a slight improvement in this indicator with the percentage of those believing that corruption is a normal phenomenon decreased to 11.33%, as per the 2019 survey compared to 15.91% in 2018. Reporting illiteracy has increased on the other hand to 18.36% this year compared to 12.50% last year.
Figure 3.8. Corruption is seen less as a normal phenomenon in 2019

Figure 3.9. Will businesses report corruption in the future?

Compared to the 2018 study, an additional quarter of the respondents (75.39%) declare that they will report all corruption cases in the future (figure 3.9.). On the other hand, 18.78% of them state that they will report corruption only if it has a significant impact for their businesses, which is close to half of those who reported the same probability in the 2018 study. This is a very encouraging finding together with the other finding that only 5% of the respondents are not likely to report corruption in the future. The percentage of businesses who were not likely to report corruption in the future as per the 2018 survey was around 16.5%.

One should, however, necessarily note that a similar commitment was provided by the respondents in 2018, with 50% of them declaring that they would report corruption cases in the future. This year’s study shows slight progress in this regard, with 22% of respondents who have reported corruption when they encountered it.
Figure 3.10. Which forms of corruption are mostly present in Kosovo?

Figure 3.10. above displays that all types of corruption from bribery to nondisclosure of conflict of interest are at large extent present in Kosovo. Unsurprisingly, bribery (78.52%) was ranked as the most widespread type of corruption, which indicates that private sector is usually very much exposed to this type of corruption, as it is a very common phenomenon to bribe public officials with the purpose of influencing a decision, accelerating a procedure, avoiding a penalty or in exchange of other favors. Other types of corruption seem to be prevalent too, more than half of surveyed businesses (56.25%) think that misuse of public wealth is present, followed by (48.83%) nepotism and cronism, and (32.03%) extortion.

![Figure 3.10](image)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>To avoid a penalty</td>
<td>48.05%</td>
</tr>
<tr>
<td>To obtain a favorable treatment in an open/competitive procedure</td>
<td>44.14%</td>
</tr>
<tr>
<td>To obtain access to a particular service</td>
<td>37.89%</td>
</tr>
<tr>
<td>To accelerate a bureaucratic procedure</td>
<td>35.94%</td>
</tr>
</tbody>
</table>

Figure 3.11. Why do businesses engage in corruption?

Businesses have a split opinion with regards to the reasons inciting them to engage in corruptive affairs. However, 48.05% of respondents believe that the primary reason why businesses are willing to engage in corruption is to avoid a penalty, implying that some businesses favor to collude with their stakeholders for short-term benefits, despite the long-term consequences and high risks associated with being involved in such affairs.

Almost a similar proportion of respondents, declared that the need to have a favorable treatment in an open or competitive procedure (44.14%) is another top reason prompting businesses to engage in corruption, suggesting that procurement is very much vulnerable to this phenomenon. This situation could be very risky as it might easily stifle competition among businesses and limit the market access of certain companies while favoring the others. Such disconcerting data mark the need to advance procurement activities and offer a fair and equal treatment of all parties involved in competitive procedures as foreseen in national and international legal arrangements. Respondents believe that the third push-factor inciting them to engage in corruption is the desire to have access to particular services (37.89%), followed by the need to accelerate a bureaucratic procedure (35.94%).

![Figure 3.11](image)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>30%</td>
</tr>
<tr>
<td>Trade</td>
<td>30%</td>
</tr>
<tr>
<td>Professional services</td>
<td>18%</td>
</tr>
<tr>
<td>ICT</td>
<td>18%</td>
</tr>
</tbody>
</table>

Figure 3.12. Engaging in corruption to avoid a penalty by industry
Figure 3.12. above shows the ranking of businesses who decide to engage in corruption in order to avoid paying a penalty by different industries in which these respondent businesses operate, with the manufacturing companies and trade being the first in this group with 30%, and professional services and information and technology companies, engaging less in corruption for this particular reason. The situation seems differently though when it comes to the willingness to engage in corruption in order to obtain a favorable treatment in an open and competitive process, whereby it is the professional services (27%) who decide to engage in corruption for this reason, followed closely by the trade industry (26%), and finally the information and communication technology companies who seem to be less incited by this reason to engage in corruption (18%).

![Figure 3.13. Engaging in corruption to obtain a favorable treatment in an open/competitive process by industry](image)

Chapter 4 | EFFICIENCY IN FIGHTING OF CORRUPTION

The graph below represents the detailed level of trust of businesses on the judiciary system in Kosovo, with only 14% of them declaring a full trust.

![Figure 4.1. Do businesses trust the judiciary system?](image)

It is the information and communication technology companies (33%) that seem to lead in the group of industries displaying more lack of trust on the judiciary system, followed by professional services and trade with a very close level of trust, and manufacturing industry (16%).
While of lack of confidence on state dispute settlement mechanisms integrity is definitely concerning, it should be noted that the level of integrity is reported as very high for the alternative dispute resolution mechanisms such as mediation and arbitration (figure 4.3. below).

The repeated findings on the reasons deterring businesses from reporting corruption, and more particularly the lack of trust on the judiciary ones, should signal the respective institutions on the level of commitment and results they should demonstrate to increase the trust of businesses. This belief of their relates to another finding which is the efficiency of law enforcement institutions, such as Police and Prosecutorial Bodies, in fighting corruption, with 67% of the respondents believing that law enforcement institutions are not efficient in fighting corruption. Out of this percentage, 22% of the respondents’ state that these institutions are not efficient at all, whereas 45% of them are not very efficient. Only 27% of the respondents believe that law enforcement institutions are efficient in fighting corruption.
Distrust of businesses on the efficiency of judiciary and law enforcement bodies does not seem to be aligned with their evaluation of the country’s legal framework for fighting of corruption, as 34% of them believe that Kosovo has good legislation, and only 18% of them voicing their discontent with country’s legal framework for fighting of corruption.

From the other related findings above, and as publicly stated very often by private sector, civil society and international organizations, Kosovo does not suffer from legislation, but from its enforcement.

Chapter 5 | BUSINESSES’ ROLE IN DETERRING CORRUPTION

Based on the aforementioned findings and conclusions, one may justifiably argue that deterring corrupt behaviors requires not only commitment from law enforcement agencies, but also commitment from business community. One of the ways businesses could contribute in the fight against corruption is simply by refusing to engage in such affairs, and one of the ways of doing so, is by sanctioning these actions with the internal documents and acts of the company that shape businesses corporate governance architecture.

Figure 5.1. Knowledge on good governance principles

When it comes to good governance principles, and the role that businesses have and can play in deterring corruption, one third of the interviewed businesses does not have any knowledge on this matter. The quarter of the respondents has partial information on these principles, with the remaining
respondents having knowledge about them. Only 5% of those who have knowledge about good governance principles does not implement them yet.

As shown in figure 5.2. below, almost two thirds of the respondents have a code of ethics with 59% of them actually implementing it properly. On the other hand, 18% of the respondents do not have an ethical code and have not declared whether they want to create one in the future, whereas the remaining 18% plans to have one in the future.

Figure 5.2. Do businesses have code of ethics?
CONCLUSIONS

- Businesses perceive labor emigration, along with unemployment and corruption as the most critical issues in Kosovo
- 72% of respondents believe that corruption is a very pressing issue, followed by 17% believing that corruption is an important issue, but not in alarming levels. Notwithstanding, there is a broad and compelling consensus, among businesses in support of the view that corruption is a concerning issue in the country
- 47% perceive corruption as systemic, while 33% perceive it as sporadic
- Businesses perception on the level of corruption has only got worse compared to last year. When asked to evaluate the progress made since 2014, 42% of respondents believe that corruption has increased, followed by 35% who believe that it has remained the same. Whereas, last year, 22% believed that corruption has increased and 54% believed that it has remained the same
- Respondents believe that all types of corruption, from bribery to nondisclosure of conflict of interest, are to a large extent present in Kosovo. However, bribery at 78.52% dominates the list
- Almost half of respondents believe that the primary reason why businesses are willing to engage in corruption is to avoid a penalty, followed by 44.14% believing that the desire to have a favorable treatment in an open or competitive procedure incites businesses to engage in corruption
- Two thirds of respondents believe that weak rule of law encourages corruption
- Media Reports are the main source of information for businesses in assessing the level of corruption
- Roughly 83.20% of respondents stated that corruption inhibits Foreign Direct Investments in Kosovo
- An almost absolute majority of the respondents, 91% of them believe that electronic procurement will help in the fighting of corruption, which is a very encouraging finding
- Contrary to the high perception of corruption, the percentage of those who have encountered corruption continues to remain very low, thus leading to a great gap between perceived corruption and real corruption
- The percentage of those who have encountered and reported corruption to the relevant authorities remains very low at 22%
- The ranking of the reasons why businesses do not report corruption remains similar to the 2018 study with fear of retaliation by the respective institution leading in the responses with 63.67%, followed by lack of trust in the judiciary institutions at 46.88%
- Compared to the 2018 study, an additional quarter of the respondents, namely 75.39%, declare that they will report all corruption cases in the future
- Only 14% of respondents declared full trust in the judiciary system in Kosovo
- The difference in corruption levels in alternative dispute resolution (ADR) mechanisms is way lower compared to courts, therefore businesses should consider using ADR as means of resolving their potential disputes
- 34% of businesses believe that Kosovo has a good legislation, and only 18% of them voiced their discontent with country’s legal framework for fighting of corruption.
- When it comes to good governance principles, and the role that businesses have and can play in deterring corruption, one third of the interviewed businesses does not have any knowledge on this matter