

MEETING MINUTES OVERVIEW
NATIONAL COUNCIL FOR ECONOMY AND INVESTMENT (NCEI)
REGULAR MEETING, II

Prishtina, May 7, 2024, 10:00 – 12:40

The meeting was chaired by Prime Minister Albin Kurti, and moderated by Artan Mehmeti, Head of the Secretariat of the National Council for Economy and Investment. The meeting was attended by 22 members and around 40 observers. Participants were representatives of local business associations, foreign organizations, and state institutions in Kosovo.

Opening remarks

Artan Mehmeti, Secretariat, NCEI, in his opening address thanked Prime Minister Kurti, members of the government cabinet, the staff, public institutions, representatives of the international community, chambers and associations representing local businesses for participating in the NCEI meeting, and for the general cooperation in the public-private dialogue. He further emphasized the purpose of the meeting, which serves to bring public institutions and the private sector closer, and thus enable facilitating reforms pertaining to investment climate and the doing business environment in Kosovo. The Head of the Secretariat added that this meeting also enables better diagnosis of recommendations and drafting of policies and reforms.

Mr. Mehmeti also informed that the NCEI Secretariat after the last meeting of the Council has organized a series of rounds of discussions between the private sector and public institutions in separate sectoral forums, where public institutions, representatives of businesses, chambers, associations, NGOs and various international organizations participated in order to diagnose recommendations and demands of the private sector. Some of those recommendations, but also those raised in November or during the last Council meeting in February, will be elaborated in today's meeting.

Prime Minister Albin Kurti, Chairman, NCEI, after thanking all participants for their engagement in the public-private dialogue, started his opening speech with a look at this dialogue, calling it a platform for participants to learn from each other and complement each other's work, to join the strengths and work towards the common vision. He stressed the importance of trust in the public-private dialogue, the potential for growth and competitiveness, and the role of workforce development, with the aim of focusing on pro-active opportunities. As

evidence of what we can achieve through inter-institutional coordination and clear communication with businesses, the Prime Minister took as example one of the obvious results of this dialogue, which is the commitment towards abolishing the export license for pharmaceutical products, a non-tariff barrier that has been making it more difficult to do business for many years.

In parallel with the importance of the dialogue, the Prime Minister mentioned the importance of the workforce. He said that through professional education of the workforce the needs of the private sector are met, and the aim is to ensure that citizens are well prepared and competitive in the labour market.

Prime Minister Kurti also confirmed the government's commitment to the strategies for increasing investment and export levels from Kosovo businesses. Among them, the aim for Kosovo's ever-increasing presence at prestigious international fairs was mentioned, and commitment to meet the investment needs for new infrastructure or improve existing public one. As a recent success in this regard, he listed the closing of the first solar auction of 100 MW, while the Government is preparing for the next wind power auction, with a capacity of 150 MW. He also mentioned the inaugural assessment of Kosovo's sovereign credit by Fitch Ratings, thanks to the support from USAID, as an achievement that will increase foreign investment, lower borrowing costs, improve access to global capital markets and further boost economic growth of our country.

Kurti considered that the successes between the public and private sectors are not separate. Calling for this dialogue to be a testimony of our mutual trust, but at the same time an opportunity to increase this mutual trust, the Prime Minister thanked once again everyone for participating in today's meeting.

Deputy Prime Minister Besnik Bislimi, thanked the participants for their participation but also their readiness to discuss the main elements of the growth plan for the Western Balkans, as a new instrument developed by the European Commission in order to accelerate the western Balkans integration process in the European Union. He stressed that Kosovo has been allocated 945 million euros, out of the 6 billion euros allocated by the European Union for the Western Balkans. Of these funds, 50% will be direct budgetary support, the rest will be investments, and most of it is a grant, i.e. funds that must not be returned to the European Union. Further, he stressed that the negotiation of the strategic plan is derived from existing strategic documents through his office, where some components of the strategic development plan, energy strategy, as well as infrastructure strategy were taken. Alongside the lines set by the European Commission, it has been decided which of the reforms will be part of this package, and they are divided into five areas:

1. *Governance* – work will be done in two segments of this area: 1) further reform of public administration (enhancing transparent system of compensation, classification of positions in

ministries; further strengthening of administrative and monitoring capacities) and 2) public finance management.

2. *Green and digital transitions* – within which extraordinarily lot of reforms are aspired, including cyber security, energy efficiency, market reform, de-carbonisation policy, digitalization of public infrastructure services, and many other reforms that will raise the quality of this sector to a much higher level.
3. *Private sector development and business environment* – contemplates the component of access to finance for the business community, the establishment of an investment and export agency, the establishment of a state aid enterprise and other reforms.
4. *Education/development and the preservation of human capital* – it will be invested in two pillars of this field: 1) in education and 2) in the labour market. The education system should reflect the needs of the labor market, while the labour market focuses on women, youth and marginalized groups, for which an increased participation in the labor market is aimed.
5. *Fundamental values and rule of law* – within this area are five pillars where it will be invested in reforms. These include:

5.1 *The judiciary* – aiming improved performance of the judiciary, increased integrity and accountability, and efficiency of the justice system.

5.2 *Combating corruption* – will help improve the strategic framework.

5.3 *Combating organized crime* – helps improve the organizational structure of the police, but also implement a strategic approach to fighting organized crime.

5.4 *Fundamental rights* – targets protection from domestic and gender-based violence, protection of non-majority community rights.

5.5 *Democratization* – this area leads to improved performance of the Assembly of the Republic of Kosovo.

Minister Artane Rizvanolli, ME, thanked the attendees for participating. She mentioned energy efficiency schemes implemented by the Ministry of Economy in recent months. These schemes include subsidizing businesses for efficient heating equipment (with 30% of women-owned businesses). The other scheme presented was to support household consumers and micro, small and medium enterprises for investments in renewable systems, including solar photovoltaic system for self-consume electricity production, but also the sanitary water heating solar systems for micro small and medium enterprises. These schemes are funded by the EU.

The Minister continued by pointing out the achievements during March 2024, which are: launch of the Albanian electricity exchange ALPEX where energy will be traded a day ahead and is a joint-venture with Albania. Also, during this month, MFLT has concluded the agreement for financing the 100MW solar park owned by KEK, while under the other agreement between the German Development Bank and KEK, 200MW solar parks will be built, resulting in the creation of new jobs. The Minister further mentioned that Minister Aliu and the German Government have

signed the climate and energy transition partnership, an agreement that Germany signed with limited number of states. The Minister emphasized that in April the first Law on promoting the use of renewable energy sources was approved in the Assembly. This places Kosovo as first in the region with a legal framework in this area.

Minister Rizvanolli said that over the next few years, another 70 million euros will be invested in the efficient energy sector in the public sector, while private sector companies should increase their participation and be more competitive. As for the private and residential sectors, the ministry expects tens of millions of new investments. In addition to the criteria for higher preparedness, cooperation between the private sector, banks and microfinance institutions will be key, and discussions with the Energy Efficiency Fund have also begun.

Deputy Minister Hysen Durmishi, MESPI, listed some of the current projects that MESPI is developing, which contribute to business in Kosovo, and they are:

- a. *Road infrastructure*: Road infrastructure works continue, such as Pristina-Podujeva, Pristina-Kukes, Pristina-Mitrovica roads. During April 2024, the contract was signed and work has begun on the Pristina-Peja Road and in the Kijeva-Dolac segment, and after the decision for expropriation procedures will begin for the Dolac-Zahaj segment. Public call for Kosovo municipalities for infrastructure projects in the amount of 17 million Euros is open, which will have a considerable impact in terms of development, where 28 municipalities have won. Also, works on the Krstec-Pakizhe-Zapogj road have begun, in accordance with the agreement between the Republic of Kosovo and the Republic of Albania; Tender for the preliminary design of the railway lines Fushë Kosova-Klina-Peja with a length of 81km and Klinë-Prizren with a length of 58km has been published; The Road Traffic Council has been established.
- b. *Environment*: MESPI has signed a Memorandum of Understanding with MCA Kosovo to support climate policies within the compact program; Green Task Force for improving the state of rivers, reducing plastic waste and other actions to prevent environmental degradation has been established; the management plan for the “Bjeshket e Nemuna” (Cursed Mountains) national park has been adopted; the procurement procedure for cleaning river beds has been opened; selection of administrator for deposit refund system is in the final stage; preparatory work is continuing to start the realization of the project for the construction of affordable housing buildings.

The second part of the discussion

Workforce development

Artan Mehmeti, Secretariat, NCEI, pointed out that one of the priority issues for the private sector, but also the Government, is the development of the workforce. In line with this, he invited Ms. Vjollca Cavolli to present an USAID project initiative, together with the Kosovo Information Technology Association (STIKK), on incentives for workforce development.

Vjollca Çavolli, STIKK informed participants that, through the assistance of the USAID project that engages in the workforce development through the private sector, an initiation document was prepared to build a concept document related to tax incentives for the workforce development. This initiative has come after discussions with representatives of other sectors also.

She noted that the legislation in force recognises some tax incentives, but that the private sector does not consider them sufficient, it considers them not to pertain to reality. Under the Law on Corporate Income Tax, educational expenses are treated as deductible expenses. However, these costs are only treated as such if paid by the employer to educational institutions licensed by the Government of Kosovo.

According to Ms. Çavolli, a disadvantage of the current wording of the law is that the education of a worker at the workplace is considered closely related to his/her workplace, leaving no room for further promotion or development of that worker for any potential jobs. The second disadvantage, according to the private sector, is the requirement that the worker continue working for the employer for at least 24 months. Otherwise, if the worker quits that job, the employer is obliged to pay corporate income tax.

As part of this initiative, comparative analysis has been conducted with European and regional countries on the same issue. Of these, the Croatian model is considered the most suitable model to follow as an example for the development of the workforce in Kosovo. Croatian legislation scaling the percentages of tax incentives based on the size of enterprises. The other characteristic element, which is even more suitable for application in Kosovo, is categorization according to priority sectors, i.e., incentives are applied to develop these sectors more. For example, for further education in digital aspects, in order to stimulate this development, Croatian legislation provides for a 100% deduction.

Ms. Çavolli recommended that the Ministry of Finance become the bearer of this initiative. She asked for a commitment from the Ministry to work together towards this goal, together with the USAID project, by organizing concrete working groups. This way, it would be analyzed in detail what steps to take, and come to the development of the concept document in accordance with the procedures in force. The suggestion of Ms. Çavolli was that these incentives be achieved either by amending the existing law or through the creation of a new law, since it is a matter that affects every sector.

Minister Hekuran Murati, MFLT, expressed the willingness and possibility for cooperation, in order to find the best way to address the limitations that exist with the current law.

The Minister acknowledged that especially with the advancement of information technology and training in this field, the practical reality around formal education has changed. He considered that there are cases in which a six-month course may be of greater value and more specific to a given job position than formal education.

Regarding the legal requirement to continue working in the field in which it is employed, he agrees that it should not be related to the current position only, and that there is a possibility of promotion. However, he considers that even under these circumstances, the work must be within the same sector or industry in which it is trained.

Whereas, the Minister agreed that the 24-month work limitation set by law may be problematic and that the Ministry is open to support the private sector, but that some preconditions should be discussed, to limit misuse possibilities. Therefore, the Minister considered that the issue of this time limit should be left to be addressed technically by experts.

In this regard, the Minister reminded that in the economic revival package, one of the measures was the full subsidy for the education and training of staff. However, according to him, these subsidies have not been sufficiently utilized by the private sector, only 79 companies have benefited from this measure. Therefore, he considers that businesses need to further raise their awareness to invest in their staff.

Speaking about the Government, he said that it aims to facilitate the whole process, but that mechanisms through which the intended goal is achieved must be identified. He said that it is intended to create a system with as many self-regulatory mechanisms as possible, with as little bureaucracy and administrative burden as possible, to have digital services, but also achieve the intended goal.

In line with this issue raised by the private sector, the Minister expressed readiness to cooperate going forward, especially also with TAK, as this issue falls more in its scope.

The issue of recognising losses, damages

Artan Mehmeti, Secretariat, NCEI, presented an issue that has been raised by businesses in sectoral forums as well as in the past, related to losses, evaporations, surpluses, damages, destructions and spoilage of products for tax purposes.

According to Mr. Mehmeti, the complain of the businesses relates to the non-existence of standard rates for recognition of product loss due to their characteristics, which would be used for deduction to tax payments such as excise and income tax. Furthermore, he said that businesses also complain about the complicated procedures for documenting damage, spoilage and destruction of products that are applied by the Tax Administration of Kosovo.

As for the economic implications, he stressed that since these issues are already addressed in the region and the EU, the non-recognition of these losses (or difficulties in recognizing these losses) creates additional cost for businesses by reducing their competitiveness in the international market and negatively affects the perception of potential investors when considering Kosovo.

Given the factual situation, Mr. Mehmeti focused on three recommendations through which this issue would be resolved:

- Issuing a subnormative act on standard loss rates due to their characteristics for excise products by the Ministry of Finance, Labour and Transfers. The drafting of this subnormative act is stipulated in the new Customs Code. In the drafting of this act, the Ministry of Industry, Entrepreneurship and Trade shall be also included in an advisory role.
- The new subnormative act on implementation of the Law on Administration of Tax Procedures, which is expected to be completed this year, shall simplify documentation of damage, spoilage and destruction of products by the Ministry of Finance, Labour and Transfers and the Tax Administration of Kosovo.
- Consider the Law on Corporate Income Tax and the one on Personal Income as the basis for creating loss standards, to include for non-excise products which would be used in calculating deductible expenses when determining income tax.

Ilir Murtezaj, TAK, initially stressed that TAK has been developing a reform program for years where the main goal is to support the business community including facilitation and digitalization of many services. Regarding the issue raised, he stressed that TAK is a law enforcement body, as such it must follow the procedures deriving from the law. Regarding the matter raised, he said TAK recognizes the loss whenever it can be documented. However, he also stressed that businesses that have continuous damage and destruction, find it difficult to comply with the current legal requirements for documenting those losses where the presence of TAK inspectorate and market inspectorate is foreseen. He stressed that the adoption of the new Customs and Excise Code has created the basis for issuing a sub-legal act for determining and defining losses also from the aspect of industries. He said it is important that this bylaw prevents abuse of real losses by businesses. Finally, he stressed that TAK team is ready to offer its expertise and to be involved in working groups for the development/issuance of such acts.

Agron Llugaliu, Kosovo Customs, said that Kosovo Customs have carried out significant reforms for trade facilitation, especially in the last two years. As for the part of the losses, he stressed that in the procedure of import and suspension of duties, in general the current code enables this. However, the rates are determined based on the authorizations based on the normatives presented by the subjects subject to these authorizations. Regarding the new Customs Code, he stressed that unlike the current code, the new code has provided a special provision for excise

products and an administrative instruction is expected to be issued by the Minister of Finance to define more precisely this part of the standard rates of losses for excise products.

Minister Hekuran Murati, MFLT, added that this issue has been raised for a long time by businesses. He further stressed that the Ministry of Finance has been working with GIZ and the EU where expertise has been provided and a report on the issue has been prepared. According to Mr. Murati, the analysis of this issue should be divided into two parts, firstly the loss during the transport to be handled by customs, and secondly the losses within the territory of the country related to the process of production, processing or sale which should be regulated from the tax aspect. He added that the Ministry of Finance has already started addressing this issue, but he expressed openness to the involvement of other parties to see the best practices in order to provide an adequate solution.

To conclude, **Mr. Artan Mehmeti** expressed readiness to provide support also from the Secretariat in dealing with this issue.

Minister, Rozeta Hajdari, MIET, presented the establishment of new industrial and technological parks and the functionalization of existing established and certified parks.

The Minister said that the main objectives of industrial parks are to create a physical environment with a required infrastructure for local and international businesses, attract new local and international investments, expand the capacities of existing industrial enterprises, create and provide new opportunities for access to labor market as well as increase the production of local consumption and decrease the trade balance between import and domestic export. For the implementation of this law, we have committed 33 million euros in this year's and the following two years budget for the construction of industrial, technological and business incubators.

Minister Hajdari informed about the establishment of new industrial and technological parks and the functionalization of the existing ones that have been certified for almost 10 years, but not developed/constructed, and about other activities that the Ministry of Industry, Entrepreneurship and Trade (MIET) has been working on during the years 2021-2024:

- In cooperation with the municipality of Suhareka we have finalized investments in the construction of physical infrastructure of the industrial park in Shiroka (163 ha). Also the initial payment of EUR 257,000 has been realised in 2021 and is in service of businesses.
- In cooperation with the municipality of Vushtrri, the investment in the construction of physical infrastructure (14.86 ha) was finalized, and works were completed in 2022, the technical acceptance of the works was made and final payments were realized in the amount of 167,000 Euros. This park has been handed over to the municipality of Vushtrri and is ready for inauguration and to be given for use to businesses.

- In November 2023, the inauguration of the industrial park in Vitia (15.50 ha) was completed, with investments in the amount of 563,000 Euros. It has been handed over to the municipality of Vitia and is ready for businesses to use.
- In December 2023, the business incubator in Malisheva has been completed. Technical acceptance of the works has been done and it has been handed over to the municipality of Malisheva and is ready for inauguration and for use by businesses. The total value of the project was 270,000 Euros.
- Since 2021 we have continued the work in Qylagë, Lipjan in the construction of physical infrastructure in the industrial park with an area of 56 ha. In 2022 MIET has allocated a budget of 600,00 Euros, and also in 2024 nearly 1 million Euros are being invested.
- The industrial park in Optrushkë of Rahovec (34.89 ha) has been certified for seven years. The works first started in 2023, supported by KIESA in the amount of 1.5 million Euros, while in 2024 the ministry has allocated additional EUR 1 million in order to fully functionalize the park.
- The industrial park in Frashër, Mitrovica with an area of 47 ha, worth 1.1 million Euros. Also through KIESA we have announced that the municipality will bring both the project and the pre-measure to tender this investment project as soon as possible.
- In April 2024 we completed and established the general park in Livadicë, Podujeva (29.8 ha), in the amount of approximately 4 million Euros.
- Industrial Park 2 in Drenas, which is being planned to be built opposite the current business park, has an area of 36 ha. The value will be 5 million euros of capital investment. Also, a modern plant will be built with this park which will integrate the two industrial parks of Drenas 1 and 2. According to the study, the value of this plant is about 4 million Euros. Both of these in the amount of 9 million Euros are expected to be tendered after receiving consent from MESPI.

To increase cooperation with higher education institutions and to be in the function of building human capacities and developing innovation and entrepreneurship, we are building business incubators and innovation centers within universities.

Lulzim Rafuna, KCC, addressed a question to the Prime Minister about punitive measures, which the member businesses of this chamber consider to negatively affect their relations with partner businesses as well as opportunities for cooperation in the future.

As a second point, he addressed a question to the Minister of Finance about whether they have envisaged measures in the fiscal policy, administrative policy to reverse the export trend to growth? He said that imports have passed six billion, while exports during these four months have dropped by 30%.

As far as the regional market is concerned, he declared that the private sector needs Government help. The countries of the region have imposed administrative and non-administrative measures on Kosovo goods, despite many agreements being signed. Although the Chamber of Commerce, within the leadership of the Chambers of the Western Balkans is working to eliminate these, there are still measures that should be discussed with the Ministers, so that they can raise them with their counterparts at ministerial level.

Nora Hasani, GKCC, thanked the Government for their efforts and engagement in public-private dialogue, as an initiative that has been missing for a long time, and expressed close cooperation with the Secretariat.

Ms. Hasani said that Kosovo has the lowest salaries in the region and is the last country in terms of foreign direct investment, therefore there should be thinking about what needs to change to fix the situation in this regard. The fact that Kosovo is not part of the UN is disadvantaged in many procedures. However, something that concerns us, especially the bilateral chambers of businesses, is the political situation in northern Kosovo, despite being aware that this is a political issue. Due to the news produced by the situations caused in the north, this always becomes a topic of discussion at B2B meetings.

She agreed that the EU measures are intimidating for businesses that are potential investors in Kosovo. In line with this, she suggested that the measure banning imports of Serbian products be analyzed, because there are international producers that produce products in Serbia for the entire CEFTA market. There are also many German companies that are affected by this measure.

She also spoke about the program for prevention and reduction of administrative burden, as a very good project of the EU Office, which is led by the Office for Strategic Planning within the Office of the Prime Minister. The GKCC has identified some measures that should be discussed within this project, for which they had an appointment to discuss with the Deputy Prime Minister, and which was then terminated due to the event in Banjska. Therefore, Ms. Hasani took the opportunity to call for realization of a more technical nature meeting to discuss issues related to administrative burdens.

Otherwise, Ms. Hasani said that we should be proud that last year, foreign direct investment reached the level of 9% of Kosovo's GDP, which is much higher in comparison with countries of the region. She also said it is understandable that imports increase when there is investment, but at the moment the difference between exports and imports is very large, therefore it should be discussed how to reduce this gap.

Arjeta Pozhegu, AWPK, in the capacity of representative of the association of wood industry, raised the issue of VAT reimbursement, proposing it should be carried out digitally every three months, not through continuous checks in the traditional way, as is the situation currently.

Ms. Pozhegu considers that this helps Kosovo's manufacturing businesses, which need constant turnover (lack of *petty cash* is a big problem they face), while access to finance is not so easy for them, nor are the conditions in commercial banks very favorable to them.

The second point she raised is the promotion of Kosovo abroad, where the permitted percentage of marketing for businesses promoted abroad, either with fairs or in other ways, should be reviewed. To increase the investment, Ms. Pozhegu proposed that strategic and long-term fiscal policies be created that would attract investors.

Adding to the topic that was raised about workplace (on the job) training, Ms. Pozhegu said that according to practice in foreign countries, the period of six months or one year the new employee works there is considered training, while from the company's point of view this is considered investment in the new person who receives training for the profile.

Another point that she raised was that despite the fact that the timber industry is a strategic profile, in Kosovo we still do not have a certified forestry unit. In the absence of good forest management, which also affects the safety of the producer, this can very quickly result in difficulties. Kosovo exporting companies import raw materials from other countries in order to supply themselves with certified wood, to enable export. Therefore, it would be very useful to do the certification of forest units, to make the legitimate use of forests. However, with a budget for forests in the amount of 0.01% of Kosovo's budget, this is difficult to achieve. She considers it is very necessary for this to be carried out in the near future. While forests have been being used for heating so far, with investments being made in energy, we will no longer have 1.5 million cubicles used for firewood, but we need to prepare the ground for them to be technical wood and have added value. Specifically, if the value of firewood is 60 euros/cubic, that same wood when processed reaches the value of another 500-1000 euros per cubic. This is the added value to the resources we have. I hope there will be coordination in this direction until the next meeting.

Hartim Gashi, PePeKo, initially called on participants to be more active on Forumiks-e, so that we have the opportunity for deeper discussion during these sectoral meetings.

Regarding the processing industry of trees and vegetables, which he represents, he said that recently local producers are very focused on export growth, however, because of this, we are losing a share of the local market. In line with this, he added that one of the major problems that is hindering Kosovo's manufacturing economy is the ratio of doing business with vendors or networks of local retailers. This is a sensitive topic, but it makes it very difficult for Kosovo producers to work. Mr. Gashi proposes that this issue be addressed through the Law on Internal Trade or the Law on Payment System, in order to establish a standard payment procedure.

Prime Minister Albin Kurti, Chairman, NCEI, stressed that the Government makes policies, i.e., laws and strategies to improve the business environment and relevant enforcement mechanisms.

In line with this, he mentioned that the Law on Sustainable Investment, approved by the Government in January 2023 and then in Parliament in October 2023, was sent to the Constitutional Court by an opposition party and it has now been seven months and we still have no answer.

Prime Minister Kurti indicated that the Government has close cooperation generally with over 15 business associations and 5 international institutions in Kosovo, which aim to support the development of the private sector, as well as representatives of over 100 of the most competitive companies in the country. Undoubtedly, these meetings are good to be held in other formats even more often, therefore all ministries and other institutions of the state system are open for cooperation with the private sector and their representatives.

Forumiks meetings are held every three months with business associations and relevant donor projects, where we have identified over 130 issues raised by the private sector. Among them are tax incentives for workforce development, regulation for callus (losses), removal of export permit for medical products, challenges in accessing electricity network, functionalization of the Independent Commission for Mines and Minerals and so on.

The Prime Minister suggested that, together, we try to emphasize the sociocultural aspect of our population - the industrial expansion of the enterprise and not simply the financial benefit of the owner. Because the paramount to our economic development is not employment anymore, but productivity. So, the need for increased productivity is emphasized, and this is related both to the modernization of technology and to the skills of the workforce, and this productivity undoubtedly translates immediately into competitiveness in both the local and regional market, the European and global one.

Finally, referring to the questions raised by associations and businesses, the Prime Minister spoke about the deescalation of the situation in the north of the country, especially after the terrorist attack in Banjska, where Sergeant Afrim Bunjaku was killed and over 5 million Euros worth of weapons were confiscated that had been brought in Kosovo for a broader and longer conflict. There is no doubt among the international partners as to who was the cause of the escalation and who is the risk factor. In the summer of last year, the mayors were asked to withdraw from municipalities in northern Kosovo and I was against it. Implementaton of Article 72 of the Law on Local Self-Government was enabled, where on April 21 we had a vote which was not successful and now those four presidents remain in their duties. Finally, we have now closed illegal roads, we have police stations in the border areas and when there is legality, constitutionality, order, law, security, and peace is also there, maybe not yet like in other parts of Kosovo, but with a kind of overreach, without question, quantitative and qualitative.

Minister Hekuran Murati, MFLT, regarding the increase in import value, said that the high import figures have been and are of concern to this Government as well. In the past two to three years, he attributes it to an extent to the increase in the formality and declaration of imports. Furthermore, he explains that the government does not have much room for import intervention as the orientation is towards free trade, in order to increase competition. As for businesses, he stressed that the Government has offered supportive measures to facilitate doing business, facilitating the work of manufacturers and promoting exports.

He also focused on access to finance for businesses, as an important aspect in which the government worked on. First, Mr. Murati commented on receiving credit *rating* as a very important achievement in terms of access to finance, as it will affect the reduction of the financing price. Then, it focused on other developments that have influenced the increase of access to finance such as the increase of the credit fund, as well as the government's support measures for subsidizing investment loans. He also stressed that the Government through public debt management, focusing on external financing, has influenced the financial sector in Kosovo to have the opportunity to provide credit to the economy as a whole by removing the burden for financing the state debt.

As for the employment, Mr. Murati said that the Government supported employment, especially of women, through subsidies. He also stressed that the launch of the "Superpuna" platform has positively impacted the growth of youth employment.

Mr. Murati also stressed that in cooperation with the Ministry of Economy have helped businesses in coping with external fluctuations in the energy price through support packages.

He further stressed that it is important to promote the export of services as results can be seen sooner. He said the government has offered support measures in terms of promoting the export of services. For example, we offer scholarships for girls and women in STEM (Science, Technology, Engineering, Mathematics) fields. These support measures aim to create an ecosystem for people with the talent and skills needed to contribute to the development and growth of exporting services.

After that, Mr. Murati also commented on the salaries situation in Kosovo compared to the region. He stressed that if we look at the situation in the Republic of Albania, in the last two years we have seen an increase in wages in Euro, even in cases where, in Albanian Leke, there has not been any real increase. This increase is mainly due to changes in the exchange rate. Thus, even though wages appear to have increases in euros, in reality, no change in the value of wages in the local currency has occurred. A similar situation is seen in the Republic of North Macedonia. If we compare gross salaries in the public sector, they may be slightly higher compared to Kosovo, but net salaries are actually higher. This is so because taxes and social contributions in Macedonia are

on average thirty-three percent of the gross salary, while in our country they are only 11% of the gross salary. This means that citizens or employees in the public sector in Kosovo receive higher salaries at the end of the month compared to other countries in the region.

Nora Hasani, GKCC, regarding the platform "Superpuna", proposed that middle-aged women (fourty to sixty-five years old) should be introduced as a special category. She said that in a report published by the GKCC, a great potential for employment in this age group has been identified, considering their great will for work, as they have been out of the labour market for a long time.

Iilir Murtezaj, TAK, wanted to relate to the topic of VAT reimbursement, which was raised by AWPk. He said that TAK has carried out many reforms over the years, including the part of requests from taxpayers for reimbursement, completely digitizing the process of categorizing requests for reimbursement. He pointed out that the electronic TAK system categorizes all requests for reimbursement into categories A, B and C, depending on the level of risk. This means that taxpayers who request a reimbursement for taxes without which there are minimal risks of non-payment receive their reimbursement within seven days. Those who have medium-sized risks of non-payment receive reimbursement within fifteen days, while those with higher risk, in which detailed checking is required, receive their reimbursement after an accurate assessment process, which may take longer. Also, the average treatment time for all requests submitted within one year by our institution is 20 days, which is lower than the 30 days period provided by law.

Zana Beqiri, CTIK, raised the issue of the Law on Sponsorship. She stressed that while the law supports culture and sport, it should also include mechanisms for funding innovation and scientific research in the future. Countries in Europe, in addition to subsidizing employees, have established mechanisms for funding scientific research. Local businesses, especially manufacturers, should be favored, and special mechanisms can be created through universities or higher educational institutions to help them in innovation and scientific research.

Regarding this, the **Minister of Finance, Labor and Transfers, Mr. Murati**, stated that, to his knowledge, a process of auditing and evaluating the implementation of the Sponsorship Law is underway to analyze whether this law has achieved its intended goals. He added that once the report is finalized, including assessments from the Tax Administration of Kosovo (ATK), it will be evaluated what needs to be done to proceed further.

Following the Minister, **Mr. Rafuna from the Kosovo Chamber of Commerce (KCC)** took the floor and expressed full readiness to cooperate with the Government towards improving the business environment in Kosovo.

Minister Rozeta Hajdari, MIET, thanked businesses and industrial associations for their contribution in drafting industrial policy which is a very ambitious strategy. More than 15 have

been part of seven forums for industrial policy development. The Minister added that Kosovo's industry has not yet revealed the potential to be a contributing driver for social, economic and environmental development. With the contribution and cooperation of all respective ministries, this potential shall be achieved. Among other things, this includes MFLT, ME, MAFRD, but also MEST, since now as the first industrial policy activity is the finalization of the in-depth study on vocational education, where a greater contribution is expected from the private sector to dual education and faster reform of education profiles in accordance with the needs of industry.

She also explained the support to 499 businesses to facilitate and increase export, helping to enhance the machinery, certification, standardization, training and digitalization. Also, 33 million euros are from the 1,000 loans worth 67 million euros for nearly 1,000 businesses. Then, under Measure 2.1, there were 450 businesses supported in the value mentioned by Minister Murati - 12.4 million Euros. For export growth and facilitation, we have included Kosovo in *the EU Single Market program*, as the largest EU programme aimed at increasing competitiveness, supporting small enterprises, market surveillance and more. The Minister also mentioned the finalization of the EFTA agreement, where Kosovo is the only one in the Western Balkans that has included trade in services, besides that of goods.

Regarding the issue raised by PePeKo for producer-trade relations, the Minister said that the Law on Internal Trade will fix this issue, and there will be no longer long waits from traders as has been the situation so far.

In order to increase the competitiveness of businesses, the Minister stressed that they have pushed 20 laws that contribute to the business environment in Kosovo, a success mentioned in the EU progress report as well.

MIET and MEST have jointly finalized the Law on Innovation and Entrepreneurship. Now MIET is investing in innovation centers within universities, while MEST with the science fund, in order to provide as much cooperation as possible to academia-government and private sector and to create the ecosystem in the field of innovation and entrepreneurship.

Furthermore, the Minister stressed that, according to the OECD's preliminary report, Kosovo is the first in the Western Balkans and Turkey when it comes to with the climate of policies on investment, trade, fiscal system, tax and agriculture. MIET has helped promote businesses to participate in many fairs, so far in 41. She took the opportunity to call on private sector representatives to offer even more recommendations to the National Council for Industrial Development.

In the end, Minister Hajdari said that the Law on Chamber of Commerce has been finalized, where everyone is expected to offer their proactive contribution. She added that the government

is trying to unravel the potential of industry, innovation and tourism. Tourism has been a completely silent sector, and now with the relevant new laws on tourism and tourism policy, opportunities for Kosovo as a tourist destination are developing.

Minister Artane Rizvanolli, ME, related to the issue of supply chain in the wood processing sector that Ms. Pozhegu raised. She said it is important to have a discussion of the similar nature, but because of the production of heating biomass I have had with some experts, I consider this to be one of those areas where technical assistance would be very useful to identify a *roadmap* for the steps we need to take.

As to the issue of effect of events in the north or more precisely the news produced by the north, the Minister shared their experience with the solar auction. The deadline was sometime on October 4, 2024, about a week after the attack in Banjska, where the impact of this event was noted, but especially on companies that are not active in Kosovo. This translated into an additional commitment to promote the auction, to have direct contact with potential investors to clarify the situation, and she considered that the result at the end with six potential investors, three of whom were new, showed that it was a success.

Finally, in relation to the discussion about the situation in the north, the Minister said that the fact that the northern municipalities have not been in the news does not mean that things have been good. It has been a source of smuggling, informality, organized crime, and consequently unfair competition. The schemes failed in the Mitrovica region because formal companies failed to compete with companies from the north that did not even pay for electricity. All of these is important to be seen from both sides for a better clarity about the situation, about what is happening in reality.

Minister Rozeta Hajdari, MINT, when talking about the Rules and Procedures of the work of NCEI, raised the issue of the independence of the Secretariat of the National Council for Economy and Investments, for which she said that MINT considers should be part of the Prime Minister's Office, and not an independent entity. The Minister added that the fact that the Secretariat is supported by international partners should not play a role in the independence of the Secretariat, since the Ministry itself is supported from international actors. Finally, she said that the Ministry is accountable to everyone, but firstly to the Government of Kosovo, and that they aim for the Government to advance the public-private dialogue.

Artan Mehmeti, Secretariat, NCEI, thanked the participants and invited them to prepare for the next NCEI meeting. Since today's discussion lasted longer than expected, and we didn't manage to approve the Rules and Procedures of the NCEI work, we will aim to have them approved electronically.

Commitment of the NCEI Secretariat until the next meeting:

- Coordination on the issue of tax incentives for workforce development.
- Follow-up of the commitments of the relevant public institutions regarding the issue of losses, evaporations, surpluses, damage, destruction and spoilage of products for tax purposes.
- Monitoring the implementation of the export permit removal by KMA and Kosovo Customs.

LIST OF PARTICIPANTS

Representatives from the Government:

1. Prime Minister, Chairman;
2. First Deputy Prime Minister for European Integration, Development and Dialogue;
3. Minister of Industry, Entrepreneurship and Trade;
4. Minister of Economy;
5. Minister of Finance, Labor and Transfers;
6. Chief of Staff of the Prime Minister;
7. Deputy Minister of Environment, Spatial Planning and Infrastructure;
8. Representatives from the Central Bank of Kosovo;
9. Director General of Tax Administration of Kosovo;
10. Director General of Kosovo Customs;
11. Acting Director General of Kosovo Investment and Enterprise Support Agency (KIESA);

Representatives from chambers and business associations:

12. Executive Director of the Kosovo Chamber of Commerce;
13. Executive Director of the Kosovo-German Chamber of Commerce;
14. Executive Director of the Council of European Investors;
15. Deputy President of the Kosovo Women's Chamber of Commerce - G7;
16. Executive Director of the Association of Wood Processors of Kosovo;
17. Executive Director of the Kosovo Association for Information and Communication Technology (AICTK);
18. Executive Director of the Metal and Industry and Renewable Energy Cluster in Kosovo (MIRECK);
19. Executive Director of the Chamber of Industry and Commerce – Kosovo;
20. Executive Director of the Association for the Processing of Fruits and Vegetables of Kosovo (PePeKo);
21. Director of the Association of Municipalities of Kosovo;
22. Director of the Kosovo Prefabricated Buildings Cluster (PREFAB);

Representatives from embassies and diplomatic missions:

23. Representatives from the U.S. Embassy in Kosovo;
24. Representatives from the UK. Embassy in Kosovo
25. Representatives from the German Embassy
26. Representatives from the Embassy of Italy;
27. Representatives from the Turkish Embassy;
28. Representatives from the Embassy of the Netherlands;
29. Representatives from the Japan Embassy;

30. Representatives from the Austrian Embassy;
31. Representative from the EU Office in Kosovo;

Representatives from international partners:

32. Director of the European Bank for Reconstruction and Development Office in Kosovo (EBRD);
33. Representatives from the World Bank in Kosovo (WB);
34. Program Leader of the U.S. Agency for International Development (USAID);
35. Country Officer of International Financial Corporation (IFC) in Kosovo;

Non-permanent attendees:

36. Chairman of the Board of the Energy Regulatory Office;
37. Representatives from the EBRD;
38. Representatives from the PMO;
39. Representatives from CBK;
40. Representatives from the WB;
41. Representatives from the Embassy of Turkey;
42. Representatives from TAK;
43. Representatives from KGCC;
44. Representatives from ME;
45. Representatives from the office of the Deputy Prime Minister;
46. Representatives from the Chamber of Commerce of Kosovo;

ABBREVIATIONS USED

NCEI – National Council for Economy and Investments

KCC – Kosovo Chamber of Commerce

KGCC – Kosovo-German Chamber of Commerce

STIKK - Association for Information and Communication Technology of Kosovo

AWPK – Association of Wood Processors of Kosovo

OPM – Office of the Prime Minister

OSP – Office for Strategic Planning

CBK – Central Bank of Kosovo

TAK – Tax Administration of Kosovo

DK – Kosovo Customs

EFTA – European Free Trade Association

CEFTA - Central European Free Trade Agreement