Executive Summary

Kosovo has recorded an average GDP growth rate of 3.3% over the last few years, marking one of the few countries in the region to have positive growth despite the Euro zone crisis. At the end of 2013, the country successfully concluded a two-year Stand-by-Arrangement with the International Monetary Fund (IMF) that helped guard the sustainability of public finance. With an estimated 2014 GDP of €5.4 billion, Kosovo is planning no budget growth with its 2014 budget of €1.5 billion. Its 9% of GDP public debt is well below international standards. The economy relies heavily on imports; exports cover only about 11% of its trading activities. Diaspora transfers at 12% of GDP account for a substantial part of the economy, with risks of decreases if the effects of the Euro zone crisis persist. The informal economy is estimated at 40% of GDP. While the official unemployment rate is 30.9%, it is believed to be closer to 45%. In addition, a high level of perceived and actual corruption in the government and weak rule of law have taken their toll in attracting Foreign Direct Investment (FDI) and slowed the country's general economic development.

Kosovo continues to move towards a market-oriented economy, and the Government of Kosovo is working to improve the investment climate by strengthening the legal environment necessary to attract and retain foreign investment. The World Bank's Doing Business report acknowledged these efforts with a higher 2014 score for Kosovo. Kosovo has adopted numerous legislative acts, and established task forces and councils. Practical implementation of reforms and these bodies' roles, however, need to be strengthened. Privatization of former Socially Owned Enterprises (SOEs), as well as of the country's key assets, is an ongoing process, and often faces public discontent and charges of corruption.

The banking sector in Kosovo is stable and liquid, but high interest rates on loans are stifling commercial endeavors, prompting the government to enter into credit guarantee schemes with international donors to improve access to credit for businesses.

Despite the many challenges, Kosovo's relatively young population, low labor costs, and abundant natural resources attract foreign investment, with several international firms and franchises already present in the market.

1. Openness To, and Restrictions Upon, Foreign Investment

Despite many investment opportunities and the lack of strong competition in certain sectors, Kosovo's business climate remains challenging. The Government of Kosovo (Government), specifically the Ministry of Trade and Industry (MTI) and the Investment Promotion Agency of Kosovo (IPAK) actively promote foreign investment and welcome the expansion of the private sector. Nevertheless, public distrust of the private sector, opposition to the government's policy of privatizing all Socially Owned Enterprises (SOEs) and many Publicly Owned Enterprises (POEs), political or self-interested interference by government officials, a lack of a comprehensive economic development plan, and unreliable energy supply increase the risk and cost of investment in Kosovo.

FDI Summary

Kosovo is a secular, western-oriented country with European Union (EU) integration goals. Current legislation and regulations are purposely written with EU standards in mind. Perceptions of official corruption, a slow judiciary, weak protection of intellectual property rights, competition from unlicensed vendors, and frequent irregularities in public-procurement processes prove to be obstacles to attracting significant levels of foreign investment. These obstacles exist notwithstanding the government's stated pro-business posture, the country's strategic location, rich natural resources, low wages, and an educated young workforce. Kosovo has attracted foreign investment in the construction, infrastructure, transportation, mining, and telecom sectors. The most visible foreign investment projects for 2013 included the Pristina International Airport concession operated by Turkish-French consortium Limak-Aeroport de Lyon that includes a newly constructed 42,000 m^2 terminal, and the purchase of the previously state-owned electricity distribution and supply company by Turkish consortium Limak-Calik. American-Turkish consortium Bechtel-Enka recently completed construction of Route 7 (the Ibrahim Rugova National Highway), which was paid entirely by Government funds without incurring any debt. International firms and franchises, including Coca-Cola, RC Cola, FedEx, UPS, DHL, Deloitte, Booz Allen Hamilton, PriceWaterhouse, Hertz, Century 21, and Microsoft have an established presence or a local agent in Kosovo. A flat 10% corporate tax and temporary exemptions on Value Added Taxation (VAT) payments for new exporters help attract foreign investors and businesses. Nonetheless, no western franchises yet exist in the food, hotel, or hospitality industries in Kosovo.

The American Chamber of Commerce (AmCham), the Kosovo Chamber of Commerce (KCC), and the Kosovo Business Alliance (KBA) are active and directly involved in strengthening the private-sector business climate in Kosovo. At times, they appear to have the government's ear on business matters, as reflected in their participation in the government's economic policy discussion body, the National Council for Economic Development (NCED), which resumed work in April after a six-month pause. These business organizations are also part of the Economic Advisory Council (EAC) established in December 2013 that includes representatives of the Ministry of Finance, Customs and Tax Administration. The EAC provides a forum for businesses and the government to work together on fiscal reforms. In addition, Kosovo's President Atifete Jahjaga helped launch the Kosovo Women's Chamber of Commerce in October 2012. The Chamber aims to provide connections, mentoring, and support for women entrepreneurs and business leaders. A lack of access to finance and cultural attitudes concerning the role of women typically pose a challenge to businesswomen in Kosovo.

Kosovo is a member of the International Monetary Fund (IMF) and the World Bank, and became a member of the European Bank for Reconstruction and Development (EBRD) in December 2012. In May 2013, EBRD announced its strategy for Kosovo, which entails targeted investments in energy, water supply, sanitation, and rural infrastructure, as well as a commitment to forging a stronger relationship between the government and private sector. In June 2013, Kosovo signed a framework agreement with the European Investment Bank (EIB) and a credit line with the ProCredit Bank, both of which aim to support small and medium businesses. The same month, Kosovo also joined the Council of Europe's Development Bank, which will enable the country to receive up to $60 million annually through credit lines and loan guarantees.

Laws/Regulations for FDI

The legal system in Kosovo is a matrix of three layers of legislation operating simultaneously, and includes laws enacted by the former Yugoslavia through 1989, regulations issued by the United Nations Interim Administrative Mission in Kosovo (UNMIK), and laws passed by the Kosovo Assembly. With international assistance, the government of Kosovo has been moving towards a legal structure that complies with European standards. Although the legislative framework for a market-oriented economy is in place, poor enforcement, uncertainties regarding legal recognition of foreign arbitral awards, and a nascent modern judiciary hinder economic growth and investment. To address these challenges, the U.S. Government and the EU provide assistance aimed at enhancing Kosovo's judiciary. On the enforcement front, licensed private enforcement agents began assisting enforcement of judicial decisions in January.

The Kosovo Assembly and UNMIK, which governed Kosovo until 2008 under UN Security Council Resolution 1244, have passed pro-business legislation that specifically seeks to attract foreign investment. Under Kosovo law, foreign firms operating in Kosovo are granted the same privileges as local businesses except that foreign investors may not hold more than 49% ownership in a business producing or selling military-related products (Reg. No. 2001/3, Section 6). A new Law on Foreign Investment passed by the Assembly in late 2013 further improves the legal infrastructure and helps address inconsistencies in current legislation that unduly discourage foreign investment.

All major sectors of the Kosovo economy are open to foreign investment. In 2011, the Government took substantive steps to further open Kosovo to foreign investment through the passage of the Public Private Partnership (PPP) Law. The PPP Law was harmonized with European Council regulations and EU *Acquis Communitaire*. The law creates separate definitions for concession and PPP, meaning that FDI transactions can be structured more flexibly. Prior limits on the length of investment projects and a provision allowing unsolicited proposals, which could have allowed procurement outside a competitive bidding process, while have been removed.

Kosovo's commercial laws are available to the public in Kosovo's official languages (Albanian and Serbian), as well as English. They can be found on the Kosovo Assembly's website at: www.assembly-kosova.org/?cid=2,191 and on the Government's Official Gazette website at: http://www.gazetazyrtare.com/e-gov/index.php?lang=en. A full understanding of a specific legal issue might require research into various legal acts and amendments. USAID is assisting the development of a legal information database, which should include all governing normative acts. While national laws are generally available, access to municipal regulations is often difficult. USAID is similarly assisting with transparency in this regard, including encouraging municipalities to post municipal regulations on their websites.

Privatization Program

The government has an ambitious agenda to privatize its key assets. Despite some notable successes, however, the process has received criticism, partially because the government has failed to educate the public on the benefits of privatization. Energy distribution and supply was privatized in mid-2012, and the Limak/Çalik Turkish consortium's final takeover took place in May 2013. The government is preparing to issue a tender for a new coal-fired power plant, "New Kosovo," in June, with a September submission deadline and an award expected later in the year. The government is also considering options for privatizing an existing 2x330 MW lignite power plant. Kosovo's Assembly approved the spatial plan and the public-private partnership strategy for the year-round tourist resort Brezovica in February. The tender for the private-sector concession is underway, and a contract signing is scheduled for September. Following the second failure to privatize Post and Telecom of Kosovo (PTK) in the beginning of 2014, the GoK is working to revitalize the company after 18 months of neglect related to the failed privatization process. The Privatization Agency of Kosovo (PAK), an independent agency, is legally mandated to handle the disposition of Kosovo's numerous SOE assets. As of 2014, PAK has created a trust fund of over €600 million sales from the sale of about 300 SOEs.

Competition Law

Kosovo has adopted legislation limiting unfair competition. The Law on Competition and Law on Antidumping and Countervailing Measures were adopted in 2010. Established in 2008 and consisting of four members and a chairperson appointed by the Assembly, the Competition Authority is in charge of implementing these laws, as well as the Law on Consumer Protection. It took several decisions following its establishment, but has been nonfunctional since November 2013 due to the expiration of its members' mandates and the Assembly's delay in appointing new members.

Investment Trends

Kosovo's reforms to improve its business environment include its eliminations of charter capital requirements for Limited Liability Companies (LLCs), of the business registration fee, and of the municipal work permit. In late 2013, the Assembly adopted a new Law on Licenses and Permits that aims to streamline and simplify the system with a view toward further improving the business environment. These reforms helped lift Kosovo 12 places to 86/189 in the World Bank's Doing Business Report for 2014, placing the country among the 10 most improved economies.

Kosovo has an active business registration process. MTI reported the registration of over 9,200 new businesses in 2013, indicating a growing development of local enterprises. In 2013, however, more than 1,500 businesses failed for a variety of reasons, including poor business model planning and a lack of access to credit. MTI's Agency for Business Registration processes requests through offices located in municipalities and normally issues them within three business days. Completion of all necessary steps, including secondary requirements such as municipal business licenses or technical inspections, however, can take as long as two weeks.

Businesses are required to obtain a fiscal number and a Value-Added Tax (VAT) number from the Tax Administration. Certain businesses may require additional filings. In addition to national-level requirements, businesses sometimes must obtain a business license from the municipality in which they plan to operate. This practice is being phased out, with several larger municipalities other than Pristina recently adopting ordinances that reduce, suspend, or eliminate local business license requirements.

Kosovo’s economy is based on a private property ownership model, with significant state and publicly owned assets, whose privatization is scheduled for completion in the coming years. Determining private property ownership remains a challenge. Formal property transfers require a review by a court, but many occur via informal agreements between buyers and sellers who frequently do not record them. While declining, the practice remains widespread. Finished commercial and habitable residential buildings are subject to property tax, while unimproved land is not. The government adopted a new Construction Law in 2012, which streamlined and simplified the process for obtaining construction permits, and requires that the calculation of construction permit fees be based on cost recovery principles. Along with similar reforms in spatial planning/land use regulations and a law to legalize existing construction that entered into force in January, this effort helped contribute to Kosovo’s significant improvement in the World Bank’s 2014 Doing Business Index Report. The government is also moving forward with the adoption of a comprehensive construction code based on European norms, expected in 2014.

Kosovo’s rankings in select surveys are noted below where data are available:

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	(111of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation’s Economic Freedom index	2013	(X of 177)	http://www.heritage.org/index/ranking
World Bank’s Doing Business Report “Ease of Doing Business”	2013	(86 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(x of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 3,600	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B – Millennium Challenge Corporation (MCC) Scorecards:

MCC Scorecard	Year	%
Government Effectiveness	2013	47%
Rule of Law	2013	38%
Control of Corruption	2013	34%
Fiscal Policy	2013	77%
Trade Policy	2013	n/a
Regulatory Quality	2013	72%
Business Start Up	2013	38%
Land Rights Access	2013	n/a
Natural Resource Protection.	2013	19%

2. Conversion and Transfer Policies

The 2013 Foreign Investment Law guarantees unrestricted use of income from foreign investment following payment of taxes and other liabilities. This ability includes rights for transfers to other foreign markets or foreign currency conversions, which must be processed in accordance with EU banking procedures. Conversions are made at the market rate of exchange. Foreign investors are permitted to open bank accounts in any currency.

Remittances

Remittances are an important source of finance for at least 43% of population in Kosovo, representing over 12% of GDP or €633 million in 2013. The majority of remittances come from Kosovo's diaspora residing in countries like Germany and Switzerland. The Central Bank reports the remittances are mainly used for personal consumption and very little for investment purposes.

3. Expropriation and Compensation

Articles 7 and 8 of the Foreign Investment Law protect foreign investments from unreasonable expropriation, and guarantees due process and timely compensation payment based on fair market prices for valid claims. To prevent lawsuits due to the expropriation and sale of property during the privatization of SOEs, UNMIK approved an eminent domain clause in April 2005.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

A new Law on Enforcement Procedures that came into force in January 2013 permits claimants to utilize bailiffs licensed by the Ministry of Justice to execute court-ordered judgments. The 2012 Law on Obligations repeals the former Yugoslav law on Obligations and provides the basic legal framework for contracts and torts. In addition, the government adopted Laws on Arbitration and Mediation in 2007, and later amendments to the Law on Contested Procedure to harmonize it with the Law on Arbitration. These have all addressed key impediments to enforcing arbitral awards.

In 2011, the Kosovo Assembly passed three laws of particular importance to privatization matters: Law on the Privatization Agency of Kosovo, Law on the Reorganization of Certain Enterprises and their Assets (the “Trepca Law”), and Law on the Special Chamber of the Supreme Court of Kosovo. Comprised of eight international judges and 12 local judges, the Special Chamber adjudicates disputes and claims related to privatization and economic restructuring. It has primary jurisdiction over appeals against decisions of the Privatization Agency of Kosovo (PAK), claims arising from the privatization and liquidation of SOEs, and creditor, ownership, and property claims brought against SOEs and POEs. The procedures for claimants wishing to institute proceedings are detailed in the PAK Law.

Major overhauls to the 2004 UNMIK-based Criminal Code and the Criminal Procedure Code that entered into force on January 1, 2013 are fully compliant with the EU Convention on Human Rights, modernized definitions and best practices, and should reduce the waste of judicial resources. The new criminal code contains penalties for tax evasion, bankruptcy fraud, intellectual property offenses, antitrust, securities fraud, money laundering, and corruption offenses. The Law on Courts also entered into force on January 1, 2013 and significantly changes and simplifies the current structure of the courts. The new court structure includes Basic Courts, a Court of Appeals, and the Supreme Court. The Basic Courts and Court of Appeals each have a Department for Administrative Cases, Department for Serious Crimes, General Department, and Department for Minors.

The Law on Courts also changed the structure and jurisdiction of the Commercial Court, creating a Department for Commercial Matters within the Basic Court of Pristina that has jurisdiction for the entire territory of Kosovo and a Department within the Court of Appeals. The Court’s jurisdiction changed to specifically include “disputes between domestic and foreign economic persons in their commercial affairs.” It also includes reorganization, bankruptcy, and liquidation of economic persons; disputes regarding impingement of competition; and protection of property rights and intellectual property. The Department for Commercial Matters now has jurisdiction over economic disputes between both legal and natural persons. Commercial cases take on average six months to one year to resolve. Following the finalization of a judgment, however, its execution has often been lengthy and problematic. Backlogs should be significantly reduced with the implementation of the 2013 Enforcement of Procedures Law (see above) and its bailiff system, which has been successfully used in a number of countries in the region. Foreign investors are litigants in about 10% of the cases, most of which are trademark cases. The Court of Appeals also includes a Commercial Matters Department and addresses all appeals coming from the Pristina Basic Court’s Department for Commercial Matters.

The backlog in the overall court system, much of which is related to utility bills and loan collections, is a major obstacle to dispute resolution. To address this issue, the Kosovo Judicial Council adopted a Backlog Reduction Strategy in 2010 and cooperative mechanisms (MOUs) with Post Telecom of Kosovo (PTK) and electricity utility Kosovo Energy Corporation (KEK). While some progress has been achieved, significant obstacles remain.

Kosovo’s judicial system, although improving, still suffers from many weaknesses. Local courts recognize foreign arbitral awards, but enforcement is weak and time-consuming. In addition, the lack of secondary legislation pertaining to bankruptcy hinders the work of the Basic Court's department for commercial matters in discharging bankruptcy cases.

Investment Disputes

Article 16 of the Foreign Investment Law assigns jurisdiction for business dispute resolution to Kosovo courts. Foreign investors are free, however, to agree upon arbitration or another alternative dispute resolution mechanism. The American and Kosovo chambers of commerce operate alternative dispute resolution centers and an increasing number of businesses are stipulating use of these centers in their contracts. The results of arbitration are enforceable by local courts, since Kosovo has voluntarily accepted the International Center for Settlement of Investment Disputes (ICSID) Convention and enshrined it in local law. The Foreign Investment Law stipulates that investors select from the following standards for investment dispute arbitration:

a) The ICSID Convention if both the foreign investor's country of citizenship and Kosovo are parties to said convention at the time of the request for arbitration;

b) The ICSID Additional Facility Rules if the jurisdictional requirements for personal immunities per Article 25 of the ICSID Convention are not fulfilled at the time of the request for arbitration;

c) The United Nations Commission on International Trade Law Rules. In this case, the appointing authority referred to therein will be the Secretary General of ICSID; or

d) The International Chamber of Commerce Rules.

Since 2011, arbitration services have been available at Arbitration Tribunals within the Kosovo Chamber of Commerce and American Chamber of Kosovo. Six cases have thus far been processed through the former and two through the latter. Kosovo Arbitration Rules are a set of model rules based on the 2010 United Nations Commission on International Trade Law (UNCITRAL) Model Rules for Commercial Arbitration. They are consistent with international best practices. The Law on Foreign Investment also favors the use of arbitration. To utilize this option, the law requires the disputed agreement/contract include an arbitration clause.

In addition, in accordance with the Law on Mediation, the Ministry of Justice has established a Mediation Commission, which has adopted the necessary rules to create mediation services and has trained and certified several mediators.

5. Performance Requirements and Incentives

The Government does not specify performance requirements as a condition for establishing, maintaining or expanding investments in Kosovo. A 16% across-the-board value added tax (VAT) came into force in January 2009. Article 27 of the Law on Value Added Tax provides exemptions for VAT on certain goods, such as medicines, medical services, pharmaceutical products, agricultural inputs, and public education services. Reduced VAT rates as low as 5% and enhanced rates up to 21% are also provided for certain goods and services, but the Assembly has not acted to trigger these rates. To encourage investment, the government grants businesses certain VAT-related privileges, such as a six-month VAT deferment upon presentation of a bank guarantee for companies importing capital goods. Suppliers may export goods and services without being required to collect VAT from foreign buyers. Suppliers may claim credit for taxes on inputs, by offsetting those taxes against gross VAT liabilities or claiming a refund. A 10% flat corporate tax helps attract FDI.

In September 2000, the EU formally recognized Kosovo as an autonomous customs territory and amended its General Scheme of Preferences, eliminating quantitative restrictions for most industrial products from Kosovo. By June 2002, the EU granted preferential treatment to all imports from Kosovo, removing all remaining tariff ceilings for industrial products, including steel and textiles, and improving access to EU markets for agricultural products. Kosovo Customs continues to work to harmonize certificates of origin standards with EU Customs. In December 2008, the United States designated Kosovo a beneficiary developing country under the Generalized System of Preferences (GSP) program. While only a few companies currently take advantage of this designation, the GSP program provides an incentive for investors to export products, such as light manufacturing and certain agricultural goods, in Kosovo and export them duty-free to the United States.

A Customs internal Administrative Instruction (AI) reduces the number of documents required for export and import. Only two documents are needed to export -- a commercial invoice and a customs export declaration -- and only three are now required to import – a commercial invoice, a customs import declaration, and a certificate of origin.

6. Right to Private Ownership and Establishment

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

a) Foreign investors may transfer property rights, including permits, to other legally qualified persons in the same manner and to the same extent as domestic investors;

b) Foreign investors have the right to purchase residential and non-residential property to the same extent as domestic entities;

c) Foreign investors with less than a majority stake in an investment are protected as domestic minority shareholders in accordance with applicable law;

d) Foreign investments are subject to the same tax obligations as domestic businesses; and

e) Foreign investors may establish subsidiary enterprises, branches, and representative offices in the same manner and to the same extent as domestic businesses.

7. Protection of Property Rights

Generally, Kosovo's *de jure* property-related laws are well-structured and provide for security and transferability of rights. As a result of regime changes, confiscation, and conflict, a complex legal and regulatory framework prevails. Although general agreement exists that many of Kosovo's property laws reflect international best practice, most also argue that the pluralistic legal environment would benefit from a harmonization exercise.

In general, the current institutional framework is not designed to resolve claims and challenges to property rights in an efficient and effective manner. Government ministries, municipal authorities, and independent agencies often have overlapping jurisdictions, and the court system is backlogged with property-related cases. The cadastral record, having been moved out of the country in 1999 (see below) and with many documents destroyed or lost, is slowly being rebuilt. The delay also limits the development of the formal property market needed for more stable economic growth. Concerns about restitution of property and the privatization of SOEs have not yet been fully resolved, while issues related to the rights of minority communities exacerbate tensions between groups. Illegal construction in Kosovo abounds, and obstacles to women's right to inherit land, maintain marital property, and protect their property rights claims in the court system are widespread. This piecemeal approach to reform over the past decade has left the country with a patchwork of uncertain property rights, which continues to undermine long-term growth and economic stability.

Resolution of residential, agricultural and commercial property claims remains a serious and contentious issue in Kosovo. Most property records were destroyed or removed to Serbia by the Serbian government during the 1998-1999 conflict, making determination of rightful ownership for the majority of properties complex. There have been cases of multiple ownership claims on a single property, each claimant presenting a variety of ownership documents as proof. The EU-facilitated Kosovo-Serbia dialogue process is helping to address the cadastral record taken from Kosovo in 1999 by Serbia. With respect to the 1998-1999 armed conflict, the Kosovo Property Agency (KPA), formerly the Housing and Property Directorate (HPD), has the authority to receive, register, and resolve property claims on private immovable property, including agricultural and commercial property. Decisions taken by the Kosovo Property Claims Commission within the KPA are subject to a right of appeal only to the Supreme Court. KPA received 42,696 total claims, of which 37,645 relate to agricultural property. The KPA is also mandated to deal with a limited number of activities that formerly belonged to the UNMIK-era HPD and to implement Housing and Property Claims Commission (HPCC) decisions pending enforcement. Legislation currently in the National Assembly will transform the KPA into the Kosovo Property Comparison and Verification Agency with the additional mandate of implementing the EU dialogue agreement on the cadaster. The U.S. government in conjunction with the EU also will soon launch a four-year project on property rights to improve legislation, reduce court times for property-related cases, strengthen relations between municipalities and the relevant central-level institutions, and raise awareness for women's property rights.

Intellectual Property Rights

The Law on Patents, Law on Trademarks, and Law on Industrial Design, together with the relevant Criminal Code provisions, provide for strong protection of intellectual property rights, authorize enforcement of trademark, copyright and patent laws, and comply with related international conventions. In 2013, the Assembly adopted the Law on Geographical Indices, further enriching the IPR legal base. MTI established the Industrial Property Rights Office (IPO) in 2007, which is tasked with IPR protection. The 1981 Yugoslav Law on Protection of Inventions, Technical Improvements, and Distinctive Signs, and 1991 Law on Authors Rights are also considered applicable law in Kosovo's courts. These laws adhere to international treaties and conventions, such as the Paris Convention, Madrid Protocol, Trade- Related Aspects of Intellectual Property Rights (TRIPS) Agreement, Budapest Treaty, and several European Council Directives on protection of IPR. To enhance IPR enforcement and increase inter-agency coordination, the government adopted an IPR Strategy and established the National Intellectual Property Council and the Task Force against Piracy. These bodies' structures are similar, comprised of the IPO, the Copyright Office, Customs, Kosovo Police Departments for Economic and Cyber Crimes, Market Inspectorate, Ministry of Justice. The Council also comprises the Kosovo Prosecutorial Council, courts, and other government and non-governmental institutions. The presence of institutions notwithstanding, relevant staff engaged in IPR protection generally lack capacity, and the government needs to conduct more training and enforcement actions. Protection of intellectual property is poor. A number of counterfeit consumer goods (notably CDs, DVDs, and clothing items) are available for sale and are openly traded. The government implemented an anti-piracy awareness campaign in April-August 2013 that resulted in the confiscation of more than 37,000 counterfeit CDs and photocopied books. In addition, two associations for collective administration of copyrights were licensed in 2013 and are negotiating tariffs with media broadcasters. These actions mark the first serious steps by the government towards combating IPR infringements.

Embassy point of contact: Cavan Fabris FabrisCE@state.gov
List of local attorneys: http://pristina.usembassy.gov/attorney_information.html

8. Transparency of Procurement Regulatory System

The 2011 Law on Public Procurement devolves the power of procurement to budgetary units (i.e., ministries, municipalities, and independent agencies) except when the government authorizes the Ministry of Finance's Central Procurement Agency to procure goods and/or services on its behalf. All tenders are advertised in Albanian and Serbian, as well as in English in cases of large tenders. The Public Procurement Regulatory Commission (PPRC) initiates procurement audits of the various Kosovo ministries, municipal authorities, and agencies receiving funds from the Kosovo Consolidated Budget. In November 2013, the GoK amended the Law on Public Procurement in line with a request by business associations to encourage the purchase of domestic goods through public contracts. The amended law was passed by the Assembly in late March, 2014.

All legal, regulatory, and accounting systems in Kosovo were created to adhere to European Union standards and follow best international practices. Laws passed in the Assembly are generally business-friendly. However, public procurement practices in Kosovo remain an ongoing challenge. While the government seeks transparency in the process, international companies competing in high-value public procurement projects have reported numerous irregularities. The government publishes the rules, regulations, and procedures of the tendering process on the Public Procurement Regulatory Commission (PPRC) website at: http://krpp.rks-gov.net/Default.aspx?LID=2. Public procurement appeals are managed by the Public

Procurement Review Body (PPRB). The PPRB did not operate from August 2013 to March due to Assembly delays in appointing new board members. Once reconstituted, the PPRB experienced a backlog of over 250 appeals, many with expired mandates.

9. Efficient Capital Markets and Portfolio Investment

The Central Bank of Kosovo (CBK) is an independent body responsible for fostering the development of competitive, sound, and transparent banking and financial sectors. It supervises and regulates Kosovo's banking sector, insurance industry, pension funds, and micro- finance institutions. The CBK also performs other standard central bank tasks, including cash management, transfers, clearing, management of funds deposited by the Ministry of Finance and other public institutions, collection of financial data, and management of a credit register. Kosovo received a SWIFT code in August 2013, which aims to ensure the safety of the Kosovo banking system, following failed prior attempts due to a lack of international recognition. The CBK cannot grant loans to banks, but issued the first government securities in the form of 90-day Treasury bills at 3.5% in January 2012. Only commercial banks could participate in the auction, because they met the criteria of primary bond traders per the Regulation on Treasury Bonds. A secondary market to allow banks and other clients to trade the securities is under development. The Government raised €80 million through Treasury bills last year, and is planning to raise €100 million through six-month to two-year Treasury bills in 2014.

Kosovo’s private banking sector remains well-capitalized and profitable. Difficult economic conditions, a lack of strong rule of law and contract enforcement processes, and a risk-averse posture have limited banks’ lending activities. This cautious approach is evident in its excess reserves, which are above the minimum level required by the Central Bank of Kosovo. Most deposits are demand deposits, and total assets of the three largest banks, which are international banks, amount to 67.9% of Kosovo’s entire banking sector. As of June 2013, Kosovo’s banks increased loans at an annual rate of only 2.8% (less than one-third the rate of the prior year). Approximately 70% of all lending activity is to businesses. Despite positive trends, relatively little lending is directed toward long-term investment activities. High interest rates (averaging approximately 13%) and collateral requirements act as disincentives to borrowers. Slow lending is most notable in the northern part of Kosovo due to a weak judiciary, slow economic growth characterized by informal business activities and few qualified borrowers.

As of the beginning of 2014, Kosovo had nine commercial banks and 13 licensed insurance companies.

The official currency of Kosovo is the Euro even though the country is not part of the eurozone. Given that the Central Bank of Kosovo does not have independent monetary policy; prices react heavily to market trends in the larger eurozone.

10. Competition from State-Owned Enterprises

Kosovo has 61 state-owned enterprises, 44 of which municipalities manage and are concentrated in central heat, waste, and water sectors. The majority of Kosovo’s state-owned enterprises operate with loses and need government subsidies to sustain. A few, like Post and

Telecommunications (PTK) and the Kosovo Energy Corporation (KEK), generate profits. State interference in the operation of these companies is considerable since the appointment of boards and senior executives is based on political patronage, with little importance placed on qualifications. These companies are led by Boards of Directors, and each board reports to the government. All POE directors must complete an annual training course on Corporate Governance. State-owned enterprises must submit annual reports and are subject to external audits. The government has privatized some of its key assets and aims to continue doing so. Kosovo does not have a sovereign wealth fund.

11. Corporate Social Responsibility

With the maturation of Kosovo’s economy, reflected in its legislation, institutions, and an improving business climate, the private sector is beginning to adopt and pursue international best practices on corporate social responsibility (CSR). Through the efforts of the business community, CSR is becoming a more widely recognized concept. AmCham Kosovo, for example, has prioritized raising funds for local charities, such as those supporting autistic children, and organizations that promote employment of persons with disabilities.

12. Political Violence

In the summer of 2011, a trade dispute with neighboring Serbia, one of Kosovo’s largest trading partners, led to a blockade of cross-border trade between the countries for approximately two months. Isolated incidents of inter-ethnic and politically motivated violence, as well as sporadic political protests, have occurred since then, but none of these events adversely affected Kosovo's political stability or overall economic situation. The Kosovo Police, Kosovo Security Force, the European Union's Rule-of-Law Mission in Kosovo (EULEX), and the NATO Kosovo Security Force (KFOR) respond to and investigate such events in accordance within their legal mandates. Kosovo’s judiciary is augmented by EULEX, which has a Monitoring, Mentoring, and Advising (MMA) role, in rule of law matters.

13. Corruption

The World Bank’s “Doing Business” Report for 2014 ranks Kosovo 86 out of 189 economies, an improvement of 10 places in one year. Corruption, real and perceived, remains one of the most serious problems in attracting foreign investment in Kosovo. Transparency International’s 2012 “Corruption Perceptions Index” ranked Kosovo 111 out of 177 countries and territories surveyed, similar to the prior year’s results.

General Advice

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

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

Anti-Bribery Treaties and Conventions:
U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States.

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

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

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

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

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

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

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. Kosovo does not currently have a FTA with the United States.

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

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

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Embassy Pristina became a Commercial Partnership Post with Vienna in January, allowing it to offer more services to qualified U.S. companies. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center : See "Report a Trade Barrier" Website at
http://tcc.export.gov/%5C%5C/Report_a_Barrier/index.asp

Local Information: Public sector corruption in government procurement tenders and privatization, including bribery of public officials and officials seeking payoffs, remains a major challenge for U.S. firms operating in Kosovo. Corruption also remains widespread in private industry, adversely affecting commercial development. The Law on the Suppression of Corruption was passed in May 2005, creating an Anti-Corruption Agency (ACA) to address this problem. This agency is tasked with, among other duties, preparing an anti-corruption strategy for Assembly approval, conducting administrative investigations of alleged corruption cases, and monitoring proper implementation of the Corruption Law. Citizens can report suspected corruption via a toll-free hotline number 044 082 82 or through the Anti-Corruption Agency's website at www.akk-ks.org. For 2013, Anti-Corruption Agency figures show an increase of reports received by ACA and of those forwarded for investigation and prosecution. Other government institutions and agencies in Kosovo that combat corruption include Investigation Units within Customs, Tax Administration, Kosovo Police, State Prosecutor, Financial Intelligence Unit, Public Procurement Review Body, and Office of Auditor General. Transparency International Kosovo has a presence in Kosovo through the Kosovo Democratic Institute, a local NGO anti-corruption watchdog, and several independent local NGOs also monitor and publish anti-corruption reports.

In 2008, the Kosovo government took additional legislative steps to combat corruption. Government officials are now required to disclose all gifts received, as stipulated by the Law on Suppression of Corruption. In June 2009, the Assembly passed the Law on Declaration, Origin, and Control of Assets of Senior Public Officials, which requires government officials to file asset declarations upon entry and exit from government service. ACA reports indicate that over 95% of all senior officers declared their assets; non-reporting officials were subject to court proceedings, with fines resulting in some cases. In January 2010, the Kosovo Assembly adopted a new law that established the Kosovo Anti-Corruption Agency and defined its status and role in preventing and combating corruption. Kosovo's Financial Intelligence Unit has the authority to conduct analysis in support of criminal investigations. The amended Law on the Prevention of Money Laundering and Terrorism Financing passed in 2013 is largely compliant with the EU *Acquis Communitaire*.

There are frequent reports of irregularities in public tendering procedures. The Public Procurement Law clearly defines the division between executive and regulatory functions in accordance with EU practices. Tax evasion is high, and both local and foreign businesses are concerned about the professional ethics of some government officials who reportedly accept bribes or extort firms in exchange for licenses, permits, movement of paperwork, or even routine public services.

Anti-Corruption Resources: Additional resources for individuals and companies regarding the combating of corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Anti-bribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Anti-bribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in countries and territories of the world. The CPI is available at: http://cpi.transparency.org/cpi2013/ TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/research/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.aspx#countryReports The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Additional information on labor legislation and issues can be found at the U.S. Department of Labor's Child Labor Report at http://www.dol.gov/ilab/reports/child-labor/findings/2012TDA/kosovo.pdf

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org.

- World Bank's Ease of Doing Business Report: http://www.doingbusiness.org/rankings.

- Heritage Foundation: Please note the Heritage Foundation does not cover Kosovo during; general data for other countries can be found at: http://www.heritage.org/Index/Ranking.

- For Millennium Challenge Corporation (MCC) Kosovo Rankings visit: http://www.mcc.gov/documents/scorecards/score-fy13-kosovo.pdf.

14. Bilateral Investment Agreements

Albania was the first country to sign a Free Trade Agreement (FTA) with Kosovo in 2003, followed by Macedonia in 2005. The Kosovo-Macedonia FTA stipulates that Kosovo imports have complete duty-free access to the Macedonian market. In reality, however, Macedonia still imposes some duties at the border, particularly on agricultural imports. In September 2013, Kosovo and Macedonia had a 10-day trade dispute over Macedonia's failure to revoke restrictions on wheat imports by the deadline set by the Central European Free Trade Area (CEFTA), prompting Kosovo authorities to ban imports of all Macedonian goods and resulting in a border blockade by Macedonia's transporters' association. In 2006, Kosovo, through UNMIK representation, signed FTAs with Croatia and Bosnia-Herzegovina and became a signatory to CEFTA and EU Common Aviation Area. CEFTA came into force in July 2007; by September 2007, all signatories ratified the agreement, including Serbia. As with the FTA with Macedonia, CEFTA signatories continue to charge various fees for Kosovo goods. Kosovo signed a FTA with Turkey in September 2013. Kosovo aims to liberalize trade with the EU as part of its ongoing negotiations for a Stabilization and Association Agreement. Its membership in the Athens Process on Energy for the Southeastern Europe Energy Community Treaty is a significant step for Kosovo toward achieving increased regional cooperation and securing alternate sources of energy.

15. OPIC and Other Investment Insurance Programs

The U.S. Overseas Private Investment Corporation (OPIC) has been involved in Kosovo since 2000, providing financing, political risk insurance and other investment vehicles to U.S. investors. In June 2009, OPIC signed an investment agreement with Kosovo. With OPIC assistance, U.S. investors are currently involved with projects in the energy and real estate development sectors. Kosovo is also a member of the World Bank, Multilateral Investment Guarantee Agency, International Monetary Fund, and EBRD.

16. Labor

Kosovo's Law on Labor requires employers to observe all applicable employee protections, including a 40-hour full-time work week, payment of overtime, adherence to occupational health and safety standards, respecting annual leave benefits, and ensuring up to 12 months of maternity leave (six months of paid leave at a reduced rate, followed by six months of unpaid leave). The labor law calls for a monthly minimum wage, which a 2011 government decision set at €130 for employees under 35 and €170 for those over 35 years of age. A public-sector salary increase of 25% will take effect in May and might cause inflationary pressures on private-sector wages. In March, the GoK, labor unions, and private-sector representatives signed a collective agreement regulating employee-employer relationships, ensuring protection of employee rights, and providing €2 daily allowance for meals for each employee. The Ministry of Labor and Social Welfare has created a compliance office with the authority to inspect employer adherence to labor law requirements. Labor disputes are formally adjudicated in local courts, but access to courts and predictability of judgment presents investor risk.

Kosovo requires businesses to pay a 5% social security contribution per employee, one of the lowest rates in Europe. A new Law on Health Insurance, adopted in April 2014 and scheduled to take effect in 2015, requires a 3.5% payment per employee.

17. Foreign-Trade Zones/Free Ports

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

The Customs Code permits the establishment of zones for manufacturing and export purposes, and the GoK recently approved the establishment of economic zones in the municipalities of Gjakova/Djakovo and Mitrovica.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Kosovo does not currently have a formalized system for collecting foreign direct investment data. The Investment Promotion Agency of Kosovo (IPAK) estimates over 2,800 foreign companies of all types and sizes are currently operating in Kosovo. Central Bank figures indicate €204.9 million of FDI as of September 2013, representing an increase of 14% compared with same period in 2012. At the end of September 2013, the top foreign investors by country were Turkey (€72.8 million), Switzerland (€31.6million), Albania (€18.3 million), and Germany (€13.4 million). The top sectors for foreign investment as of September 2013 include real estate (33.4%), construction (17.0%), transport and telecommunications (14.6%), and financial services (10.9%).

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source* Central Bank of Kosovo		USG or international statistical source IMF		USG or international Source of data Source of Data: IMF
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	6.8 billion	2013	7.1 billion	http://www.imf.org/external/country/UVK/index.htm
Foreign Direct Investment	Host Country Statistical source* Statistical Agency		USG or international statistical source IMF		USG or international Source of data: IMF
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	87.2	2012	54	(BEA) click selections to reach. • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)

Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	9	2012	9	(BEA) click selections to reach • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (***calculate)***	2012	6.3%	2012	4.3%	http://www.imf.org/external/pubs/ft/scr/2013/cr13379.pdf

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	3,331	100%	Total Outward	155	100%
Slovenia	297	9%	Albania	41	26%
Germany	265	8%	Germany	17	11%
Turkey	229	7%	Macedonia, FYR	12	7%
Netherlands	223	7%	Switzerland	10	7%
Switzerland	167	5%	United States	9	6%
"0" reflects amounts rounded to +/- USD 500,000.					

IMF data presented in table 3 slightly differ from the Central Bank of Kosovo's (CBK) data: CBK data for 2012 show a total $3.272 billion in FDI, with major investors being Germany ($515 million), Slovenia ($289 million), Switzerland ($240 million), Turkey ($203 million), and the Netherlands (112 million). Data for Outward Direct Investment match the CBK data for 2012.

TABLE 4: Sources of Portfolio Investment

Portfolio Investment Assets		
Top Five Partners (Millions, US Dollars)		
Total	**Equity Securities**	**Total Debt Securities**

All Countries	1,516	100%	All Countries	467	100%	All Countries	1,049	100%
Ireland	471	31%	Ireland	424	91%	Luxembourg	356	34%
Luxembourg	356	23%				Belgium	337	32%
Belgium	337	22%				Italy	53	5%
Italy	53	3%				Sierra Leone	51	5%
Sierra Leone	51	3%				Germany	48	5%

CBK data for 2012 indicate the same country-based percentage participation in Kosovo's portfolio investments. Slight differences are noted in the statistics for the percentage of equity and debt securities in the total assets of portfolio investment, namely 30% (CBK) vs. 26.6 %(IMF) for equity and 70% (CBK) vs. 64 %(IMF) for debt securities.

19. Contact Point at Post for Public Inquiries

- **Cavan Fabris**
- **Economic and Commercial Officer**
- **Nazim Hikmet n.n, Arberia, 10000 Pristina**
- **+381 38 5959 3000**
- FabrisCE@state.gov