



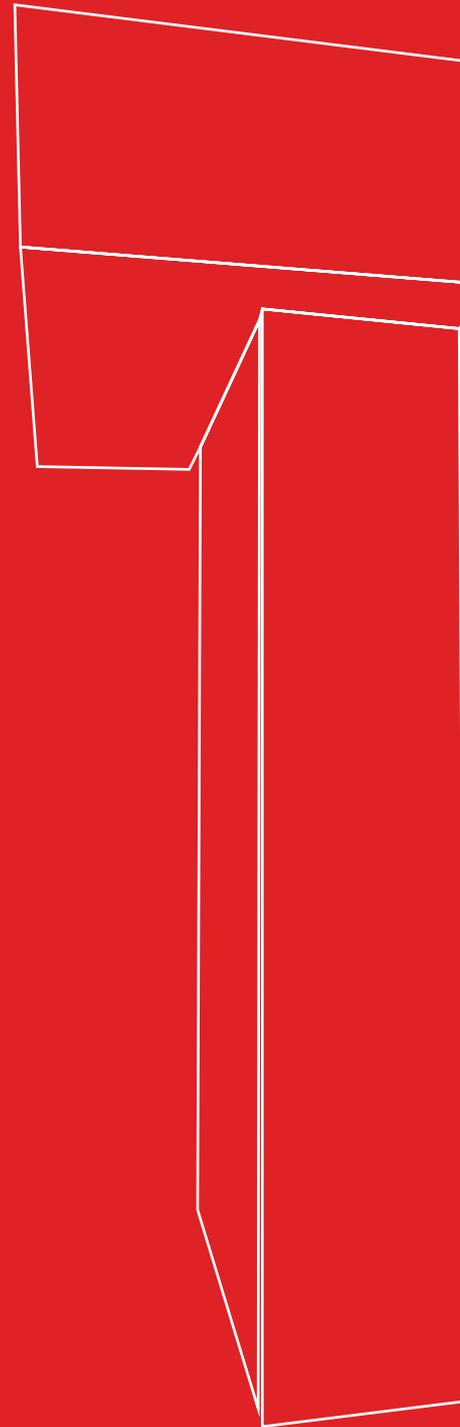
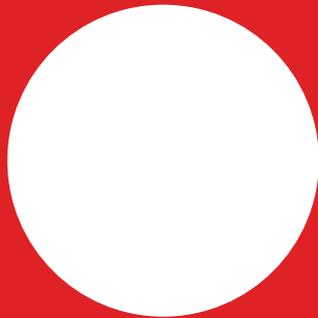
Feasibility Study

On Establishing Six Pilot One - Stop – Shop
Business Registration and Licensing Centers



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Business Registration and Licensing Centers



Prepared by:



Note

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one
stop
shop



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Executive Summary

This study has been commissioned by BSC Kosovo as part of its EC Liaison Office to Kosovo funded project “Facilitating Business Friendly Environment through One Stop Shops and Business Advisory Services”. The document has been produced after extensive research with the relevant stakeholders. The project brings novelty to Kosovo as aside from aiming to offer basic registration and licensing services for businesses (a component that only brings the service closer to the businesses, it also provides for supplementary advisory services for businesses that need them. As such, the model chosen to be piloted in the six municipalities is unique and un-tried before in Kosovo.

The concept of One-stop-shops for business registration and licensing at the municipal level, is already being tested in Kosovo by the World Bank BETA project, but the model they have followed is limited to the provision of basic registration and licensing services. While BSC Kosovo should maintain its initial plan and model, it should take note to the lessons learnt from the BETA Project.

The study shows that piloting the BSC Kosovo One-Stop-Shop model is possible and should be continued. The project brings novelty and tests a model that is not tried before in Kosovo. In terms of services that these municipal one-stop-shops will offer, they should be maintained as initially planned, namely, BSC Kosovo and its implementing partners should chose between the two suggested scenarios in the Mapping Exercise, and proceed with activities as initially foreseen in the project proposal. It should be noted that one of the strongest characteristics of the proposed business model by BSC is precisely the diversification of services that it offers.

The implementing environment for this intervention is favorable, but in constant change. The Ministry of Trade and Industry (MTI) has intensely engaged in regulatory reform and has announced major changes in the implementing environment. Because of this, wide-ranging coordination should be established with MTI as the main stakeholder in the sector. Additionally, extensive coordination should also be achieved with the WB BETA project as the only similar initiative in Kosovo.

The competition in the market for the services offered through this project, is dual—namely, one in relation to One-Stop-Shop models and the other in offering business advisory services. The only One-Stop-Shop model is that mentioned above (BETA project). Given the similar objectives of the two projects, extensive synergy should be sought. The COOPETION model instead of applying the classical competition model is highly advisable due to the complex nature of the situation and the size of Kosovo. The second type of competition – Business Advisory Services for start ups and coaching activities for more advanced businesses is bigger in comparison to the first one. The closest competition comes from CEED which is currently implementing two projects for capacity building of SMEs for two major donors in Kosovo, namely, EC Liaison Office to Kosovo and USAID. The major advantage and difference with this organization is the fee charged for services. While CEED charges participation fees for all of its services, BSC Kosovo through the project subject to this document, offers free of charge services to all interested businesses.

The proposed business model is based on increasing the efficiency of service delivery, optimizing administration processes and adding value to development by offering capacity building for start-ups and consequently increasing the likelihood of their success. The model subject to this document increases the likelihood of success as it utilizes active market interventions for raising the capacities of startup entrepreneurs. The product of this project will be a model that enables quality service provi-

sion and supplementary aid/services for the private sector. It should be noted that for some of the aspects/components of the product, there are product substitutes, offered by other organizations and institutions. The innovative characteristic of the product offered by the project is that it combines two or more components that are present in the market but not under such combination. This makes the product of BSC Kosovo unique, innovative and with great potential for success.

Price is one of the major advantages of the BSC offered product. Because of the support it received from EC Liaison Office to Kosovo, the product will be offered free of charge for the project beneficiaries. While the basic services for business registration and processing will remain at the current level or be reduced, the business advisory services for businesses will be free for businesses, while most of the competitive products in the market are currently being offered against a fee.

The location of the One-Stop-Shops and Business Advisory Centers, is an additional asset for the project. In comparison to the competition, the One-Stop-Shops and BAS services will have close to a monopoly location as they will be located in official municipal buildings. The locations are an advantage also because they are easily located and accessible by both public transportation.

Promotion is another extremely important factor for the success of the project. Extensive use of both traditional and non-traditional promotion tools and channels is necessary to effectively promote the project and its activities. Utilizing social networks such as facebook and twitter as well as other online promotion vehicles is of utmost importance as they represent the most efficient and low-cost vehicles available. The focus during promotion should be placed in the value of the new services offered. Special attention during promotion should be placed in the Business advisory services as a unique element that the project entails and also as the key differentiating component in relation to other similar initiatives.

The regulatory framework for Kosovo business registration and licensing is foreseen to undergo significant changes (over 14 laws have been identified for amendments and some of them are already in the process). The most important priorities that have been put forth by the government and the respective ministries include: the liberalization of the economy, the simplification of the administrative and bureaucratic procedures, the abolishment of half of the permits and licenses, the improvement of the legal framework and the creation of a database for legal acts in order to provide transparency and protect investors, the further digitalization of the municipal services, the improvement of inspection capacities and the increased voluntary formalization of the economic activities.¹

The project subject to this study is expected to have a positive impact on the environment. As a result of this project, and the revision of procedures, the amount of paper spent to complete administrative procedures for registration and licensing process will be significantly reduced. The biggest positive impact on the environment however, comes from reduced fuel spending. The data on business registration trends suggests that need to travel will be reduced for approximately 5 thousand businesses. By taking into account that insofar they had to make at least 4 trips/visits to the different institutions involved in the registration and licensing, the total of expected visits/trips would be around 20,000.

¹ Balkan Chronicle. Kosovo to Undergo Serious Business Reforms. 09.May, 2011. Available at: http://www.balkanchronicle.com/index.php?option=com_content&view=article&id=1035:serious-reforms-to-improve-doing-business-in-kosovo&catid=29:business&Itemid=550

Under the assumptions set forth above an estimation of reduced cost and negative impact on the environment that comes as a direct result of this project is the following:

Reduced CO2 emissions/year = 8,987,133 kg

Some of the major risks involved for the successful implementation of this project that can undermine the success of the project include:

- The inability to provide hardware and software solution to interconnect to the MTI network. The likelihood of this risk occurring is fairly low, given the fact that the initial examination of the system requirements is fairly simple. In case that technical compatibility issues arise, hiring of an IT consultant may be required.
- **The existence of One-Stop-Shop centers and BAS centers is not known to the target audience.** This risk should be minimized by the project team through extensive information campaigning and visibility actions. This risk may seriously jeopardize the project effectiveness as it has happened with other initiatives in the past.
- **Unwillingness of local and national authorities to commit to forwarding project achievements.** The project team considers this risk to be of low probability given the recent developments in Kosovo. In order to avoid even the smallest possibility of this risk to occur, the BSCK team should closely cooperate with local and national institutions to ensure their involvement. This is particularly important given the vibrant implementing environment and continuous expected changes in the regulatory framework.

The budget foreseen for the implementation of this project is sufficient to achieve the desired outcomes. While minor adjustments may be required during the implementation as a result of changes in the implementing environment, the budget foreseen for the establishment of One-Stop Shops and Business Advisory Centers is adequately planned.

One aspect that is particularly important for the sustainability of the action pertains to the running costs once the project funding is exhausted. To this end, the IQ Consulting team has estimated that the cost of running these offices in one municipality for one year is the following:

#	Description	Unit	Number of Units	Cost per Unit	Total
1	Human resources	Salary/month	24	350.00 EUR	8,400.00 EUR
2	Office costs (consumables)	Per month	12	150.00 EUR	1,800.00 EUR
3	Office costs (utilities)	Per month	12	150.00 EUR	1,800.00 EUR
4	Print and Promotion	Per month	12	100.00 EUR	1,200.00 EUR
TOTAL Running Cost per Year					13,200.00 EUR**

**NOTE: The estimated running cost may be higher for larger municipalities where the workload is higher.

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In conclusion, it could be stated that the project is feasible, realistic and has very good prospects for success. It can be implemented within the time plan of the project and can be materialized with the budget at the disposal of BSC for implementing it. Because of the important role that MTI plays in the project, it is recommended that representatives of this ministry are invited to the Project Steering Committee. Additionally, the management structure of the project should be expanded to include the establishment of working groups (composition to vary depending on the task) mandated to carry out the different aspects of the process.

Introduction

This document pertains to whether a project initiative of establishing One – Stop - Shop Business Registration and Licensing Centers according to the model proposed by BSC Kosovo is feasible. The study has been commissioned by BSC Kosovo—the implementing organization of “Facilitating Business Friendly Environment through One Stop Shops and Business Advisory Services” a project managed by the European Commission Liaison Office to Kosovo. The project seeks to facilitate the improvement of business enabling environment by improving service provision for business registration and licensing and offering business development services for start ups. Despite the fact that there is another internationally funded project which has established several one-stop-shop centers, and plans to establish additional ones, the project subject to this document is a true novelty in Kosovo and should be treated as such. The specific model followed by the project, that of provision of business development services and training to young entrepreneurs alongside improved efficiency in service delivery, is a model that has not been tested in Kosovo.

The initiative of six partner Municipalities² to join forces with BSC Kosovo—a local NGO with a good track record of project implementation and apply for an EC Liaison Office to Kosovo funded grant, is an acknowledgement that the business registration and licensing process has become a problematic issue that needed attention. The magnitude of this issue is also amplified by the fact that it is amongst rare cross municipal initiatives that has attracted so many stakeholders. The need for such intervention is also made apparent in the World Bank Doing Business Report for Kosovo where business registration and licensing processes are ranked quite low. In its country ratings, Kosovo is assessed very low for specific indicators of business registration and licensing.

The project subject to the project will be implemented in six out of eight municipalities of the Economic Region Centre with Prishtina as its main municipality. This region is one of the most economically active regions in Kosovo. It should be noted that Prishtina Municipality has around 30% of all registered business in Kosovo, hence, the beneficiaries in the project account for a significant portion of Kosovo business community. The target groups for this action include local/municipal authorities, the business community (SMEs) and aspiring businessmen/entrepreneurs. Below, brief profiles of all municipalities involved in the project are presented.

Prishtina Municipality³

Category	Description
Area and Population	Prishtinë/Priština municipality is located in the central part of Kosovo covering an area of 572 km ² . It is the administrative, political, economic and cultural centre of Kosovo and the most populous municipality. The huge influx of people to Prishtinë/Priština after the 1999 conflict from other parts of Kosovo placed tremendous pressure on the existing infrastructure in the municipality, from accommodation to public services and roads. The telecommunication situation is rather good; the landline network has been upgraded and the mobile networks well operational. The total population, which increased significantly since the end of the 1999 conflict, is estimated at 500,000.

² Municipality of Prishtina, Municipality of Podujeve, Municipality of Glogoc, Municipality of Fushe Kosove, Municipality of Shtime, and Municipality of Obiliq,

³ Source: Association of Kosovo Municipalities and OSCE.0

Economic Activity	A wide range of economic activities take place in Prishtinë/Priština, including construction, agriculture, communication, trade, and hotel industry. The area of aglavica/Çagllavicë village has experienced a considerable increase in business activities. Further, many efforts have been put to promote micro-credit schemes to further economic growth.
Number of Registered Businesses	The Municipality of Prishtina has 23,096 businesses. Most of the businesses in Prishtina Municipality are trade and hotel industry businesses (54%) 15% are involved in transportation, 8% in real estate and only 4% in production and processing. The remaining businesses are involved in service provision.

Lipjan Municipality⁴

Category	Description
Area and population	Lipjan/Lipljan municipality is placed in the central Kosovo covering an area of 422 km ² . The Lipjan/Lipljan town is located on the junction of the main routes from Prishtinë/Priština to Prizren and from Prishtinë/Priština to Skopje, the capital of the former Yugoslav Republic of Macedonia. The municipality consists of the town and 70 villages. Road infrastructure requires major interventions as the situation with most of the roads is poor. Electricity supply cuts are a frequent occurrence. The total population is estimated at 76,000. The majority are Kosovo Albanians (83 percent).
Economic Activity	The municipality is predominantly agriculture-oriented. However, in the recent years numerous production and processing businesses have emerged. In addition, the physical location of the Prishtina Airport within the territory of this municipality has caused an increasing trend of emergence of numerous service businesses.
Number of Registered Businesses	The Municipality of Lipjan has 2,747 businesses. Most of the businesses are oriented towards trade and services.

Fushe Kosove/Kosovo Polje Municipality⁵

Category	Description
Area and population	Fushë Kosovë/Kosovo Polje municipality is located 8 km southwest of Prishtinë/Priština. The municipality consists of a town and 17 villages. The main road from Prishtinë/Priština to Pejë/Pec and the train route from Leposavi /Leposaviq to Skopje, the capital of the former Yugoslav Republic of Macedonia, run through the town. The estimated total population of the municipality is 50,000. Its vicinity to Prishtina has been a positive influence on the development of the private sector in Fushe Kosove/Kosovo Polje.
Economic Activity	Agriculture is the most promising foundation for the economic development of this municipality. Sixty percent of the municipal land is arable and there are 522 hectares of pasture. Agro processing is also an activity on the rise in this municipality. Most frequent examples of agro-processing include: flourmill, bread factory, dairy plants etc. Aside from the agriculture, there are a number of small shops, café, restaurants and other businesses thriving, yet unemployment remains high. Along the main road from Prishtinë/Priština to Pejë/Pec a number of warehouses and super markets are built.
Number of Registered Businesses	The Municipality of Fushe Kosove has 2,395 businesses

Obilic Municipality⁶

Category	Description
Area and population	Obiliq/Obilic municipality is located in northwest of Prishtinë/Priština on the main road to Mitrovicë/Mitrova. The municipality was created in 1989, prior to which it was part of Prishtinë/Priština municipality. It consists of a town and 19 villages. The road infrastructure is poor especially in rural areas, but overall the road system is improving. Some villages also suffer from a lack of adequate sewage systems. The total population is estimated at 30,000.
Economic Activity	The economy of Obilic has been traditionally revolving around the Kosovo Energy Corporation (KEK), with two major power plants and a third one projected. The major natural resource is a large reserve of coal with an estimated 13 billion tones of lignite. Aside from heavy industry, agriculture is also well developed in the municipality with 52 percent of arable land cultivated.
Number of Registered Businesses	The Municipality of Obiliq has 926 businesses

Drenas/Glogovac Municipality⁷

Category	Description
Area and population	Drenas/Glogovac municipality is located in central Kosovo. The main road between Prishtinë/Priština and Pejë/Pect crosses through the municipality. The municipality consists of a town and 36 villages. While the roads have generally been in bad shape, in the recent years they have been improved significantly. Electricity supply is frequently interrupted and sewage systems are insufficient. Mobile phones are the main mean of communication in the municipality. The total population is estimated at 73,000.
Economic Activity	Agriculture is the main economic activity in Drenas/Glogovac municipality. The main crops cultivated are wheat and corn. Before the 1999 conflict, a socially owned agricultural enterprise dominated the production, but in its aftermath, a large portion of the land is not cultivated any more. Main local employers are the “Ferronikel” (privatized in 2005), two quarries, a handful of small enterprises and the municipality. Many people also work in small, family-owned businesses such as shops, car washes, and cafés.
Number of Registered Businesses	The Municipality of Drenas has 2,373 businesses.

⁶ Source: Association of Kosovo Municipalities and OSCE.

⁷ Source: Association of Kosovo Municipalities and OSCE.

Shtime/Stimlje Municipality⁸

Category	Description
Area and population	Shtime/Štimlje is a predominantly rural municipality located in the south-central part of Kosovo around 30 km southwest of Prishtinë/Priština. The municipality consists of a town and 22 villages. The road from Prishtinë/Priština to Prizren passes through the Shtime/Štimlje town. The road infrastructure and other public utility services such as water supply, electricity and sewage remain underdeveloped, despite seemingly large investments in these areas. The total population is estimated at 31,000.
Economic Activity	The local economy is largely reliant on agriculture. There are two agricultural co-operatives in the Shtime/Štimlje town and one in the village of Muzeqinë/Mužicane, but old equipment and the lack of investment have been hampering further development of the sector. The municipality has established an office to support the private businesses, yet the municipality remains the largest employer. In June 2007, the “Technologic Park” was inaugurated – an industrial zone funded by the Slovenian Government. The project has faced numerous challenges and drawbacks.
Number of Registered Businesses	The Municipality of Shtime has 1,122 businesses

Podujevë/o Municipality⁹

Category	Description
Area and population	Municipality of Podujevë/o is located north of Prishtina and encompasses a territory of 663 km ² . It is comprised of the town and 78 villages. During the last couple of years, the municipality has began capital investment projects in road infrastructure and sewage and water supply. Energy and water supply remain unstable and problematic. The total population is estimated at 126,000.
Economic Activity	Agriculture is the main economic activity in the municipality. In 2005 the two biggest factories in this municipality (brick factory and metal processing factory) were privatized and the municipality has made continuous attempts to develop the private sector by reducing the tax burden and easing the procedures for businesses operations. To this end, Podujevo Municipality is one of the most advanced municipalities in Kosovo in offering online services as well as opening a one-stop shop center for business registration and licensing. Unemployment remains one of the most serious challenges for the Municipality.
Number of Registered Businesses	Podujevë/o Municipality has 3,145 registered businesses.

Below, this document will argue in favor of establishing Pilot One-Stop-Shop Business Registration and Licensing Centers under the assumption that such model brings novelty and seems feasible and within the capacities of partner municipalities in this project. Moreover, the authors of this document are convinced that given the pace of expected changes in the environment and the intensity with which the MTI plans to introduce these changes, BSC Kosovo can easily place its project within the overall flow of events forecasted to happen.

⁸ Source: Association of Kosovo Municipalities and OSCE.

⁹ Source: Association of Kosovo Municipalities and OSCE.

The Services to be Offered

The project implemented by BSCK Kosovo for the establishment of One-Stop-Shops in the municipalities of the Economic Region Centre provides for a better business environment would significantly improve the business environment, as it will simplify procedures for businesses to operate in this region. Such improved processes will stimulate more businesses to comply with regulations and legal provisions, hence contributing towards a more formal business sector in Kosovo.

The actions foreseen to be implemented by the project include provision of advice and services to both existing businesses and business start-ups. The action will enable partner municipalities to bring their services closer to the business community, hence stimulating growth of the private sector and investments.

In short, the action seeks to offer the municipalities a chance to revise their services in terms of efficiency and quality, and at the same time, to provide businesses with knowledge on professional business management that would lead to growth and more employment.

Business Registration and Licensing Services

As outlined in the project documentation for this contract, the services offered at One Stop Centers at the municipal level will be all those necessary for successful business registration and licensing process. To this end, the current business registration and licensing model includes a series of 10 or 1110 steps necessary to complete for successful process of registering a business.

The process mapping exercise send vis-à-vis this study suggests that there are several steps that could be shortened out of the process for the applicant business. The analysis during this study has been focused on the process of legally establishing Limited Liability Company. The reason behind choosing to analyze the registration procedures for LLC companies is the fact that such types of businesses have the greatest chance of generating employment and economic development. In addition, this is precisely the procedure on the basis of which the WB Doing Business Report bases its assessment of business climate, hence, providing for a measurement scale on the impact of the project. Being that one of the objectives of this project is to improve the ranking of Kosovo in the Doing Business Report, this type of company appeared to be the only solution to achieve project objectives. The current services (offered both commercially and by public institutions) necessary for business registration of type Limited Liability Company is the following:

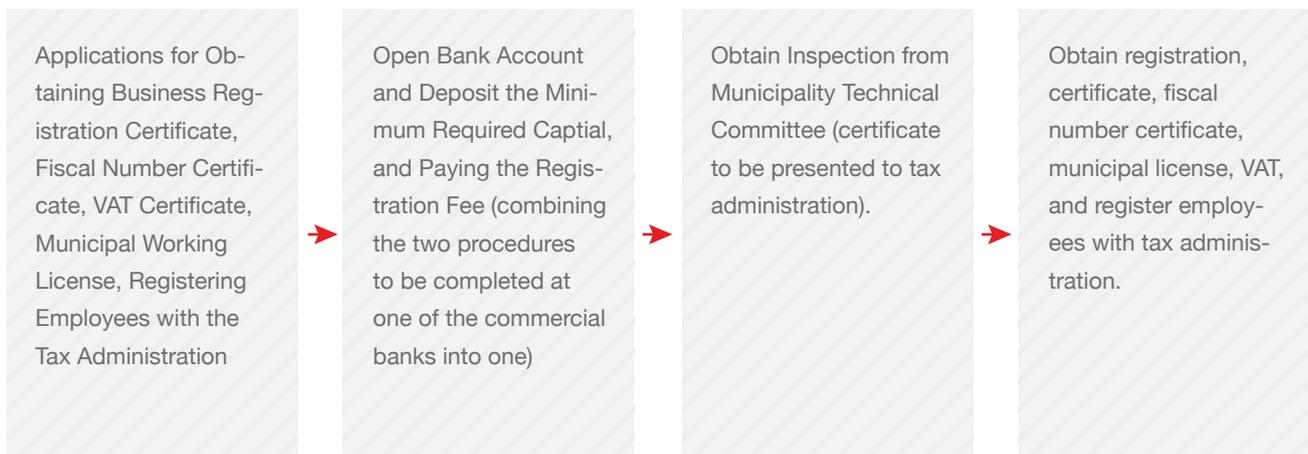
- ➔ Open Bank Account and Deposit the Minimum Required Capital. (Local Bank)
- ➔ Obtaining Business Registration Certificate and the 'Business Information' document
- ➔ Pay Business Registration Fee
- ➔ Produce Company Seal

¹⁰ Depends whether the business hires non-Kosovo nationals.

- ➔ Obtain municipality license
- ➔ Obtain Inspection from Municipality Technical Committee
- ➔ Obtain Fiscal Number Certificate
- ➔ Obtain the inspection of business premise by Kosovo Tax Administration
- ➔ Register for VAT
- ➔ Registering Employees with Tax Administration

The mapping exercise suggests that some of these steps should be grouped together (on the part of involvement of applicant businesses) and the entire process is reduced to five steps (both scenarios). The rationale behind such suggestions lies in the fact that services suggested to be grouped are offered by one and the same institution and with adequate adjustments can be completed parallel to one another. The mapping has identified two possible scenarios for this process reform. Figure below lists the necessary steps to be completed:

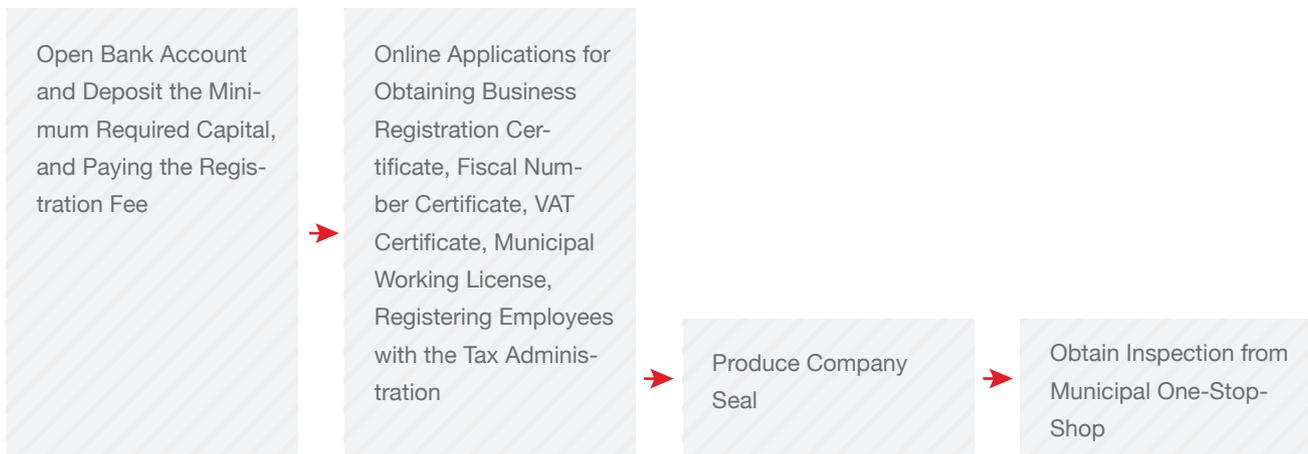
Scenario 1: Procedures



It should be noted that the Scenario 1 presented in the mapping exercise is the favorite model of the project team as it does not require slow and complicated changes in the legal infrastructure. Changing of legal infrastructure would be a rather difficult process that may hinder the success of the project as it would require stalling of all project activities until the legal reform has been completed. Given the short timeline for implementation of this project under the current contract with EC Liaison Office to Kosovo, BSC Kosovo is advised not to risk its success, but instead, proceed with the path of least resistance. Moreover, changing of the legal infrastructure may create problems for the MTI's efforts to establish One-Stop-Shop Centers in cooperation with the World Bank BETA Project. Regardless of the scenario chosen to be implemented, given the recently announced reforms in the legal environment, all activities would have to be closely coordinated with the MTI. To this end, the suggestions listed in this document may be shared with the ministry.

The Scenario 2 presented in the mapping exercise represents a more thorough exercise that changes the regulatory aspects of business registration and licensing. While this is extremely important for the sustainability of results generated by this project, it also represents a larger intervention that is outside the scope of the BSC project. According to the mapping exercise, successful business registration under Scenario 2 requires the completion of the following steps:

Scenario 2: Procedures



Municipal Business Advisory Centers

Adjunct to the essential business registration and licensing procedures, the project will also offer business development services for startups in the six partner municipalities. It is advised that a breaking line for defining the start-ups is set at 2 years, as this is an evidenced turning point in the life of businesses in Kosovo, as most of startups that reach this age, have greater chances of survival in the market.

The services to be offered as a value added to private sector development and improvement of business enabling environment as stated in the annexes to the contract signed between BSC Kosovo and EC Liaison Office to Kosovo are defined as follows:

A.8.1. Development of detailed schedule of advisors per municipality (according to the type of activity, i.e. Monday will be marketing day in Prishtina, Tuesday will be in Fushe Kosove etc.)

A.8.2. Development of BAS Advice Manuals for business advisors. This is considered to be compulsory in order to guarantee the same quality of service in all municipalities and a standardized approach towards advice provision.

A.8.3. Deployment of business advisors in the municipalities will be carried out by the project team. The business advisors will be presents in all municipalities Monday-Friday (except for national holidays).

A9: Conducting trainings for start-ups and young businesses. This activity will also be carried out in several phases.

As the project documents that are the legal basis for this project do not specify the type of service to be offered as an added value, the type, form and length of services to be offered by the Implementing organization should be determined by the project steering board, whereby all relevant stakeholders will determine the need for specific trainings and coaching required.

On another note, activity 10 in the project is clearly defined both in terms of services offered and the procedures to follow.

“A10:Coaching for most advanced businesses, is part of the approach adapted by BSCK and the project partners to ensure that participants in the trainings with the biggest potential to succeed and grow are provided with an opportunity to further improve their skills. This activity will be carried out at the end of year one and beginning of year two (following the completion of the first training series)”.

Technology

Technology is extremely important for the efficient delivery of services in the modern age. The flexibility, speed and accuracy of technology in process administration has become one of the underlying paradigms in all public services reforms and modeling. In order to take into consideration all technology related impacts that a given project may have, we need to ensure that there is a clear understanding of how the technology will be used, the limitations of our technical capacities and the relevant effect on operations.

Technology as it is used in this section is defined as, “The making, usage and knowledge of tools, techniques, crafts, systems or methods of organization in order to solve a problem or serve some purpose.”¹¹

Given this definition, the first step is to determine the level of application of technology in administration of processes by the MTI’s Business Registry Agency as the ‘Bigger system’ where the municipal One-stop-shops will be linked. To this end, it is evidenced that technology is used by MTI at all stages in the process for both administration and archiving purposes. The entire database of the Kosovo Business Registry is available online and includes search engines. Extensive use of technology (including phone and internet) is also used for communication and coordination purposes.

In order to match the level of applied technology of MTI, the Municipal One-Stop-Shops should also provide for a matching technology infrastructure in order to avoid technology gaps and discrepancies.

The technology requirements for this initiative are fairly modest and suffice with the following:

- Stable electricity supply (or alternative self-supply systems available).
- One Computer per One-Stop-Shop (with UPS and other support equipment),
- An internet link for each of the One-Stop-Shop
- Workable technical solution with the Ministry of Trade and Industry to link these centers with the National Business Registry database in real time or close to real time.
- One printer per One-Stop-Shop

The important aspect of this section is also to identify the limitations of communication technology and application of more traditional means. Hard copy documentation still required to formally register businesses will need to be physically transferred from municipalities to MTI, will have to be done by postal services. To this end, PTK should be immediately approached to determine the tariffs, fees and other details of delivery of post.

Based on this initial assessment, the it is suggested that the solution should be sought by IT staffs of the partner municipalities and IT staffs of MTI. When discussing the technical/technological aspects of the project with MTI, be advised that future expected changes in the ICT infrastructure may have consequences in the future and should be taken into consideration.

¹¹Merriam Webster. Definition of Technology

Implementation Environment – ‘The Market’

The biggest obstacle to economic growth and job creation in Kosovo is considered to be the regulatory framework and inefficient institutional mechanisms for their implementation. The business enabling environment is problematic in Kosovo and the scores obtained in the World Bank Doing Business Report for 2010 confirm this. The proposed action is very relevant to contributing towards improvement of the situation as it will directly reflect on the improvement of procedures, capacities of local authorities to offer services to the business community and the overall improvement of business index in these municipalities.

Being that this would be the first time that BSC model of the One-Stop-Shops will be implemented in Kosovo, this action will most likely provoke a chain reaction in other economic regions as well. The seep with which the effect will become visible will largely depend on circumstantial factors and on the situation in the other municipalities, as well as the support it receives by line ministries (i.e. Ministry of Economy and Finance, Ministry of Trade and Industry, Ministry of Local Government Administration, etc). Through initiating such chain reaction, the action will in the long run contribute towards establishment of a more flexible system that is adaptable to an ever-changing business environment and identification of most efficient processes to service the business community. In the worst case scenario, the model and its consecutive success will be taken into consideration by the relevant actors when considering policy options.

MTI is the key stakeholder in this project without the cooperation of which the project cannot be implemented. Being that this ministry is undergoing a transition period whereby all Heads of Agencies and Department Heads positions have been advertised as vacant, the most appropriate point of contact for coordinating activities with this ministry would be the Minister’s Cabinet. Extensive/ongoing cooperation mechanism should be established with MTI also because of the expected major changes in the regulatory framework which was announced by the Minister and which can have a direct impact on the activities of the project.

While the One-Stop-Shop business registration centers have become ever more attractive at a global scale, they have shown different levels of success based on the model adapted. The regional experiences are also questionable as there is not enough empirical evidence to conclude in favor of one or the other model. The current information and analyses testify in favor of the Albanian model, but peculiarities should be carefully adapted to suit the reality in Kosovo. Nevertheless, choosing the most appropriate model from the region will largely depend on the future legal provisions adapted in the regulatory framework.

It is because of the uncertainties stated above that the authors of this study suggests that closest attention is placed in the practices in Kosovo. Until now, the only such example in Kosovo is the World Bank BETA project which has established several One-Stop-Shop Centers.

The officials of this project should be approached and requests to coordinate activities should be made. The reason behind this suggestion is that the BETA project is implemented in partnership with MTI and any attempted rivalry to this project would

automatically make the implementation of this project impossible. The cooperation of the two projects is considered to be of mutual interest as it would avoid overlaps and it can increase efficiency. For instance, one of the weaker points of the WB BETA project has been its public relations and promotion. Being that the project subject to this document has allocated promotion and visibility budget, this project can also improve the success rate of the BETA project.

Competition

In the traditional sense of the competition analyses, two aspects should be considered, namely, the competition in relation to One-Stop-Shop models and the competition in offering business advisory services.

With regards to the first type of competition—that of One-Stop-Shop models, the only known initiative to the authors of this document is that mentioned above (BETA project). Being that both project strive to achieve similar results synergies between the two can be established and results optimized due to the increase in scale of activities.

The COOPETION model instead of classical competition model is highly advisable due to the complex nature of the setting and the impossibility to implement completely different models of One-Stop-Shops in a country of the size of Kosovo.

The authors of this study are firmly convinced that synergies between the two projects and sharing of experiences would benefit both parties and the common objectives of the two projects may be furthered more effectively and efficiently.

By adapting such an approach towards the only competitive idea/model for One-Stop-Shops for business registration and licensing the project will eliminate the biggest market threat and turn it into its advantage.

The second type of competition is that for Business Advisory Services for start ups and coaching activities for more advanced businesses. The market of BAS provision is quite developed in Kosovo despite numerous cases of quality deficiencies. Aside from private service providers which are not affordable for most of the start-ups in Kosovo, there are numerous isolated projects, often with clear periodic character that offer free or subsidized services for businesses. The closest competition comes from CEED which is currently implementing two projects for capacity building of SMEs for two major donors in Kosovo, namely, EC Liaison Office to Kosovo and USAID.

Unlike the project subject to this document, CEED strives to ensure sustainability through co-payment and cost-sharing practices on the part of trainees. Aside from the advantage of offering services for start-ups free of charge, the competitive advantage of BSC project is that the location of these service centers will be in the vicinity of One-Stop-Shops, hence, ensuring maximum visibility and in direct touch with the target audience.

Concerning CEED, it is also highly advisable to promote cooperation and achievement of synergies as it would greatly impact the results of both organizations in BAS provision.

Business Model

The proposed business model is based on increasing the efficiency of service delivery, optimizing administration processes and adding value to development by offering capacity building for start-ups and consequently increasing the likelihood of their success in the market. The model subject to this document increases the likelihood of success as it utilizes active market interventions for raising the capacities of startup entrepreneurs.

The business model subject to this document has adapted a broader understanding of the business process and the interaction between the public service provider and the businesses (client). According to the more conventional understanding of the subject matter, 'A system or chain of processes must be set up to move materials and goods from producer to consumer. Ensure that each link adds value to the product or service being processed'¹². The underlying paradigm of the proposed business model is that 'The customers looks for value, not the chains or circles behind it. Create and deliver value as close as possible to the customer'.¹³ This proposed shift in the angle through which processes are designed leads to more favourable systems and procedures adapted as they are developed by taking into consideration the needs of the target audience.

One of the biggest advantages of the proposed model its dual nature of offering both basic services registration and licensing services as well as supporting services for the development of businesses. By providing such combination, the model offers for added value for its target audience as aside from bringing services closer to them and at a lower cost (if considering the travel costs currently endured for registering businesses in Prishtina), it also focuses on raising the capacities of these businesses and has direct impact on their future development.

Given the low education levels in Kosovo, the educational/capacity building component of the proposed model can prove to be the key to success of the proposed action. Improved service delivery and capacity building and support to entrepreneurial individuals will most likely have a positive long-term impact on the target audience.

Establishment of One-Stop-Shops in the six municipalities of Region Centre provides for a better business support infrastructure would significantly improve the business environment, as it will simplify procedures for businesses to operate in this region as well as make service provision by local authorities more efficient. Such improved processes will stimulate more businesses to comply with regulations and legal provisions, hence contributing towards a more formal business sector in Kosovo.

¹² Rene Domingo, Future Proof with the One-Stop-Shop Business Model. <http://www.rtdonline.com/BMA/CSM/15.html>

¹³ Ibid.

Marketing and Sales Strategy

Marketing

Product

The product if (it can be called as such) in this project activities and services. The product of this project will be a model that enables quality service provision and supplementary aid/services for the private sector. In this sense, the product is of high quality (given the background of BSC Kosovo) and it has no competition (identical product offered by the competition). It should be noted that for some of the aspects/components of the product, there are product substitutes, offered by other organizations and institutions. To this end, World Bank BETA project is one of the major competitive products to the project subject to this document. In addition, there are numerous other organizations offering training and capacity building for the private sector.

The innovative characteristic of the product offered by the project is that it combines two or more components that are present in the market but not under such combination. This makes the product of BSC Kosovo unique, innovative and with great potential for success.

Price

One of the major advantages that the product offered is price. While the basic services for business registration and processing will remain at the current level or be reduced, the business advisory services for businesses will be free for businesses.

As far as the first aspect is concerned (essential services for business registration and licensing), depending on the cost implication for each of the services, the payment level can either remain the same or be reduced. Given the fact that the new and improved process (suggested in the mapping exercise) will save time for businesses, it automatically reduces the cost both for the institutions offering that service and the applicant businesses.

The second aspect (Business Advisory Services) is clearly an advantage to this project as businesses will not be required to co-finance the services received as it is the practice with most similar products in the market.

Place

The location of the One-Stop-Shops and Business Advisory Centers, is an additional asset for the project. The location of the One-Stop-Shops is irrelevant for the successful implementation of the activities foreseen as it includes compulsory procedures and services for lawful operation of businesses. Nevertheless, being that the project seeks to improve the business enabling environment and ease the burden on businesses, a central location in each of the municipalities which is easily located and accessible by both public transportation, is highly advisable for achieving this project objective.

The second aspect (provision of BAS) is rather sensitive to location. It is of utmost importance that the BAS centers to be established are in the same physical locations as One-Stop-Shops. If this is not the case, the project may face difficulties in attracting the clients for business advisory services. It should be noted that location is essential as it enables easy access to

services, but also because it ensures that the target audiences are reached adequately (referral system from One-Stop-Shops).

Promotion

Promotion is extremely important for the success of the project. The project subject to this document has adequately planned resources for promotion. However, a the development of detailed promotional plan and visibility guidelines should be designed. To this end, aside from traditional promotional materials such as brochures and posters, alternative and innovative communication mechanisms should be sought. Utilizing social networks such as facebook and twitter as well as other online promotion vehicles is of outmost importance as these channels of communication are becoming ever more important for promotion. The focus during promotion should be placed in the value of the new services offered. Aside from the reduced costs of establishing and licensing a business and improved quality of services, special attention during promotion should be placed in the Business advisory services as a unique element that the project entails and also as the key differentiating component in relation to other similar initiatives.

Management and Personnel Requirements

The Management structure of the project is such that enables maximum coordination among the relevant stakeholders, but at the same time allows for maximum flexibility. In terms of management and performance monitoring for ensuring same quality service provision in all partner municipalities, templates for all administrative documentation of the process should be developed. In addition, the coordinators in partner municipalities should be cleared on the expectations from their performance.

The Project Manager is the Key person for the successful implementation of the project. In order to facilitate a smooth implementation of activities, a detailed timeline of activities should be developed (if it is not developed yet).

The suggested management approach for this action is the participatory approach as the process of establishing the pilot One-Stop-Shops requires extensive coordination with numerous stakeholders. The BSC staffs need to pay specific attention to vertical alignment of policies with line ministries but also through its municipal coordinators ensure that the project is implemented uniformly across all six municipalities.

The major decisions on the form, functions and other strategic aspects of the project implementation should be taken by the Project Steering Committee. Such approach enables for shared responsibility and ownership between the relevant stakeholders. It is strongly advisable to invite a representative of MTI in the project Steering Committee as this would eliminate many potential obstacles during the implementation of activities.

The PSC should also form working groups for managing different aspects of preparation, (i.e. IT working group, by-law/regulation group, etc) and assign people to participate in these groups. All the working groups should have clear mandates and activity plans. While the working groups will implement all activities assigned to them and will be tasked with problem-solving and operations, their work should be closely monitored by the Project Manager and the PSC.

The personnel foreseen to be engaged in the implementation of the project is deemed to be adequate for the implementation of the project activities. Clear division of work between technical and administrative staffs as well as adequate workload assessment is key to successful implementation of the activities under this project.

Intellectual Property

The intellectual property produced as a result of this project should be set in accordance with the rules set forth in the contract signed between EC Liaison Office to Kosovo and BSCK. To the best of the author's knowledge, under the rules and procedures for the contracting vehicle used for this project by EC Liaison Office to Kosovo, there are no obstacles to the proposed solution for intellectual property rights of project results.

BSC Kosovo as the lead of the project should have the right to replicate the project in other municipalities if the pilot ones prove to be successful. Partner municipalities should also hold the right of use of all knowledge and property created by the project.

This shared intellectual property formula optimizes the use of the project deliverables and allows for replication of the project in other locations, hence contributing to the development of all organizations/institutions involved.

Regulations

The regulatory framework for Kosovo business registration and licensing is foreseen to undergo significant changes (over 14 laws have been identified for amendments and some of them are already in the process). The objective that the government has put forward for its performance is ranking Kosovo among the first 40 countries with the most business friendly environment. The most important priorities that have been put forth by the government and the respective ministries include: the liberalization of the economy, the simplification of the administrative and bureaucratic procedures, the abolishment of half of the permits and licenses, the improvement of the legal framework and the creation of a database for legal acts in order to provide transparency and protect investors, the further digitalization of the municipal services, the improvement of inspection capacities and the increased voluntary formalization of the economic activities.¹⁴

According to Minister Mimoza Kusari-Lila, further legislation reforms as well as the need to trim the administrative burdens among other measures. From the perspective of the MIT, the foreseen measures include “[...]the revision of the property-tax rates, the simplification of business registration, the unification of data between the Customs, the Tax Administration of Kosovo, and the Ministry of Industry and Trade, the abolishment of other administrative burdens such as the elimination of work permits which is an unnecessary obstacle for business and which was mentioned in the report of World Bank,” said Kusari-Lila¹⁵.

With these constant expected changes during the implementation of the project, BSC and its partners should carefully consider all options and harmonize its activities in full with the expected changes in the implementing environment.

The project does not have any negative impact on the regulations in place. In the contrary, it aims at improving the current regulatory system and removal of unnecessary procedures. The transfer of competencies from central to local level at the One-Stop-Shops can be made by using the same legal grounds as the pilot centers of the World Bank BETA project.

¹⁴ Balkan Chronicle. Kosovo to Undergo Serious Business Reforms. 09.May, 2011. Available at: http://www.balkanchronicle.com/index.php?option=com_content&view=article&id=1035:serious-reforms-to-improve-doing-business-in-kosovo&catid=29:business&Itemid=550

¹⁵ Ibid.

Environmental Issues

The project subject to this study is expected to be very much in favor of improving the environment and/or reducing the negative impact on the environment. As a result of this project, and the revision of procedures, the amount of paper spent to complete administrative procedures for registration and licensing process will be significantly reduced. With this reduction, the negative impact on the environment will also be reduced.

In addition, given the fact that businesses will be able to complete all procedures in one location, the travel needs and gas spent to go from one destination to another will be significantly reduced. While the exact amount of CO₂ emissions are not known at this point, based on the current trends of business registration it can be assumed that the need to travel will be reduced for approximately 5 thousand businesses. By taking into account that insofar they had to make at least 4 trips/visits to the different institutions involved in the registration and licensing, the total of expected visits/trips would be around 20,000.

Under the assumptions set forth above an estimation of reduced cost and negative impact on the environment that comes as a direct result of this project is the following:

$$20,000^* \times 30 \text{ km}^{**} \times 6^{***} = 3,600,000 \text{ liters of gas/year.}$$

LEGEND

*20,000

**30 km (average distance to Prishtina)

***6 Liters of gas necessary to travel 30 km

If one uses the Code of Federal Regulations¹⁶ (40 CFR 600.113) as the basis for calculating the emissions in the environment from petrol, the values for carbon content per gallon of gasoline and diesel fuel are the following:

CO₂ emissions from a gallon of gasoline = 2,421 grams x 0.99 x (44/12) = 8,788 grams = 8.8 kg/gallon

CO₂ emissions from a gallon of diesel = 2,778 grams x 0.99 x (44/12) = 10,084 grams = 10.1 kg/gallon

If gallons are replaced with liters (1 US gallon = 3.78541178 liters) and the emissions input in the equation above, the final equation for the emissions of CO₂ is the following:

$$A \times B = 8,987,133 \text{ kg of CO}_2 \text{ emissions/year}$$

A = 3,600,000 Liters (951,019.4 gallons)

B = 9.45 kg (average of emissions if assuming that 50% of cars run on gasoline and 50% on diesel)

¹⁶ Emission Facts: Average Carbon Dioxide Emissions Resulting from Gasoline and Diesel Fuel, available at: <http://www.epa.gov/otaq/climate/420f05001.htm>

Critical Risk Factors

The table below offers an overview of major risks that the project feasibility faces. These risks have been categorized as physical, social, political and economic risks.

PROJECT RISK ANALYSIS							
Risk Type	Risk Probability			Risk Impact			Contingency Plan
	High	Medium	Low	High	Medium	Low	
Physical Risks							
The inability to provide hardware and software solution to interconnect to the MTI network							The initial examination of the issue indicates that the likelihood of such risk is very low, but in case that it arises as an issue, hiring of an IT consultant may be required.
Social Risks							
The existence of One-Stop-Shop centers and BAS centers is not known to the target audience.							This risk should be minimized by the project team through extensive information campaigning and visibility actions. This risk may seriously jeopardize the project effectiveness as it has happened with other initiatives in the past.
Political Risks							
Unwillingness of local and national authorities to commit to forwarding project achievements							The project team considers this risk to be of low probability given the recent developments in Kosovo. In order to avoid even the smallest possibility of this risk to occur, the BSCK team should closely cooperate with local and national institutions to ensure their involvement.
Economic Risks							
Since no activities under this action are related to economic activity (income generation), there are no risks associated with this dimension in the risk registry.							No action required.

Budget

The budget foreseen for the implementation of this project is sufficient to achieve the desired outcomes. While minor adjustments may be required during the implementation as a result of changes in the implementing environment, the budget foreseen for the establishment of One-Stop Shops and Business Advisory Centers in the 6 municipalities covered by the project and their operation for the duration of the project is adequately planned.

One aspect that is particularly important for the sustainability of the action pertains to the running costs once the project funding is exhausted. To this end, the IQ Consulting team has estimated that the cost of running these offices in one municipality for one year is the following:

#	Description	Unit	Number of Units	Cost per Unit	Total
1	Human resources	Salary/month	24	350.00 EUR	8,400.00 EUR
2	Office costs (consumables)	Per month	12	150.00 EUR	1,800.00 EUR
3	Office costs (utilities)	Per month	12	150.00 EUR	1,800.00 EUR
4	Print and Promotion	Per month	12	100.00 EUR	1,200.00 EUR
TOTAL Running Cost per Year					13,200.00 EUR**

**NOTE: The estimated running cost may be higher for larger municipalities where the workload is higher.

Capital Requirements and Strategy

Currently, there is no need for capital investments as the project has already refurbished the premises where the One-Stop-Shops and BAS Centers will be located. In addition, the same premises have also been equipped adequately with office furniture and machinery necessary to ensure normal work process in these offices.

The need for capital investments however will arise within 5 years, when the equipment and furniture will be depreciated beyond repair and the buildings will necessitate renovation. To this end, no estimations are necessary as this process will be very similar to the initial refurbishment of the premises, hence the amounts spent will be similar to those needed in the future (unless major renovations will be required).

In terms of strategic positioning, BSC Kosovo and its partners should seek to replicate the project in all other municipalities of Kosovo excluding the ones where the World Bank BETA project will establish one-stop-shops. In these municipalities the focus should be in establishing BAS centers in order to achieve a uniform system of registration and licensing as well as equal quality service throughout the country. To this end, extensive coordination should be carried out with the Ministry of Trade and Industry and Ministry of Finance as the two main stakeholders in this process.

Conclusions and Recommendations

Some of the key Recommendations and Conclusions are the following:

Conclusion 1: The project is feasible and is possible to implement within the specified timeframes and budget.

Recommendation 1: BSC and its project partners should proceed with the establishment of One-Stop-Shop Centers as planned in their initial project proposal. Activities to this end, should proceed as per specifications in the mapping report and this document. The action plan appendix to this Feasibility Study should be broken down further into specific tasks and responsible personnel to complete them.

Recommendation 2: Finance Manager should proceed with the execution of the planned budget. Minor relocations may be required amongst budget lines, but in general, the cost structure foreseen in the budget of the project will remain unchanged for the most part.

Recommendation 3: BSC should develop a Master Plan of activities and tasks that includes a very detailed breakdown that eliminates the possibility of error. This is particularly important given the number of stakeholders involved in the project implementation.

Conclusion 2: The project brings novelty and a unique business model that has good perspective for success.

Recommendation 4: The proposed model is well-conceptualized and should be piloted at the earliest convenience. Specifically, BSC should advocate with MTI to have the model acknowledged and piloted. Given the importance of MTI involvement, BSC should make use of all possible resources at its disposal for actively engaging the MTI in the project.

Because of the complex nature of activities and the extensive coordination required, BSC is strongly advised to request from the PSC that working groups are established to coordinate different aspects of project implementation as specified in this study.

ANNEX: Action Plan for Establishing One-Stop-Shop Centers and Business Advisory Services

#	Description	Action required	Responsibility
1	Meeting of Project Steering Committee	Independent action requiring availability of PSC members. Obtain confirmation on the course of action	BSC and Project Partners
2	Meeting with MTI representatives	Present them with the action plan and seek coordination of activities. Designated contact person within MTI may be requested	BSC and MTI
3	Establishing working group with the Ministry and municipal IT experts for system compliance	Set up technical working group to work out the details of physical linkages between Kosovo Business Registry and municipal one-stop-shops	BSC, municipalities and MTI
4	Establishing working group with the Ministry and municipal officials for defining the mission and responsibility of One-Stop-Shops and BAS centers in municipalities	Set up technical working group to draft the scope of work of One-Stop-Shops and BAS centers	BSC, municipalities and MTI
5	Define BAS Services to be Offered	In cooperation with the Municipalities and the MTI, BSCK should clearly define a finite list of services to be offered	BSC and municipalities
6	Promotion Activities	When the statement of work of one-stop-shops and BAS centers has been developed, the project team should start promoting them and informing its target audience with the anticipated changes	BSC and municipalities
7	Hiring of BAS Centers Staffs	Consultants that are to deliver the businesses development services at the BAS centers are hired	BSC and municipalities

8	Drafting of the procedures and rules for One-Stop-Shop and BAS Centers	Set up working group to draft the uniformly applied procedures at the municipal one-stop-shops	BSC, municipalities and the MTI
9	Training of Municipal Staffs to be working in the One Stop Shops	Training session with all designated staffs of the One-Stop-Shops on the responsibilities and procedures to follow during the service delivery	BSC
10	Training of BAS consultants	Training session with all designated staffs of the One-Stop-Shops on the responsibilities and procedures to follow during the service delivery	BSC
11	Testing the system requirements	Testing the functionality of the system installed in the One-Stop-Shops and its compatibility with BRAK	BSC, MTI and municipalities (IT experts may be required)
12	Beginning the delivery of business development services at the municipal level	BAS centers are launched in public events to promote their existence and services begin to be offered	BSC and municipalities
13	Beginning the delivery of basic business registration and licensing services at the Municipal level	One-stop-shop centers are launched in public events to promote their existence and services begin to be offered	BSC and municipalities
14	Beginning the delivery of basic business registration and licensing services at the Municipal level	Develop working schedule of consultants, different days in which services will be offered, milestones and expected results, etc	BSC and municipalities
15	Produce the strategic development plans for BAS centers	Develop long-term perspective for the sustainability of BAS centers and their inclusion in the municipal budgets for succeeding years	BSC and municipalities



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