

# The Hidden Tax: Why do Kosovars Pay More?



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# **The Hidden Tax: Why do Kosovars Pay More?**

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## Executive Summary

There is evidence that numerous products cost significantly more in Kosovo than in its neighbouring countries. The higher prices raise the living costs of most Kosovars. As a result, the domestic consumer price index has steadily increased for the past seven years. Adding to the price pressure, businesses as well as households depend heavily on imports.

This paper analyzes the price trends of two main products for which the country's commercial consumer pays more in comparison to those in the region. The findings indicate the presence of several market inefficiencies and price gouging practices. Specific sectors in the market are dominated by privately owned companies that have created monopolies by erecting entry barriers on new entrants.

A clear example is the sub-sector of cash registers with indications of monopolistic behaviour, business and industry inefficiencies. The cement industry is another case in which a particular seller unfairly uses its dominant position in the market. These phenomena lead to a strong suspicion of corruption. The higher cost for companies ultimately translates into higher costs for ordinary Kosovars.

With regard to both products, there are sufficient indicators to signal institutional inefficiencies such as the lack of legislation and lack of competence from responsible institutions to inspect and regulate the market.

The relevant Kosovo institutions have not done enough to protect the market from unfair market practices. The research shows that these market practices have come about due to inadequate policy choices and decisions taken by the authorities.

A market economy with free competition is one of the basic provisions of the Constitution of the Republic of Kosovo as well as one of the key criteria for the EU membership. However, the controlling mechanisms currently in place have been inefficient in ensuring proper market safeguards. These mechanisms are continuously challenged by the high level of smuggling, organized crime, inefficient regulatory bodies and perceived corruption.

Challenges remain in guaranteeing a proper safeguard for a free and fair market environment. Except the unfair market practices, ensuring proper and measurable consumer protection remains a challenge, namely for the Kosovo Competition Authority to tackle.

Consequently, the implementation of the Competition Law suffers as well. In line with the final recommendation of this paper, the Kosovo Competition Authority and relevant institutions should be equipped with the clout to act systematically and fulfil their mission.

Kosovo cannot prosper without a proper market economy. In turn, the market economy cannot be properly established without the regulation of the economic environment with competent institutions and authorities ensuring free and fair competition. This environment will not come about without appropriate enforcement of existing regulations, and the further development of the related current legal framework. More specifically, there is an immediate need for a strategy to fight smuggling and all sorts of illegal trade.

## Introduction

This paper brings new evidence to shed light on artificially inflated prices of essential products in Kosovo. In addition to explaining the underlying forces at play which lead to higher prices, the paper intends to influence policy makers and push them to adopt corrective actions.

Under the framework of the “Think and Link” Regional Policy Programme, Democracy for Development Institute conducted a study in order to identify the hidden tax and the potential for boosting purchasing power in Kosovo. Through an analysis of the prices of particular products in the country and other countries in the region, this paper aimed to assess whether there are price fixing and other shady practices in the market.

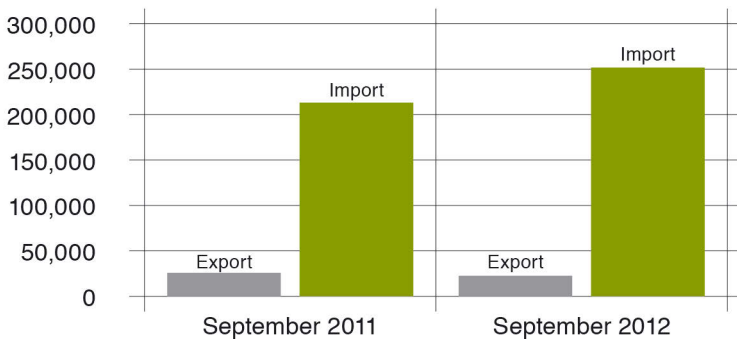
The level of poverty in Kosovo remains high with 34.5% of the population living in general poverty.<sup>1</sup> Official unemployment is reported at approximately 37%.<sup>2</sup> Coupled with the fact that more than 70% of imports are fast-moving consumer goods,<sup>3</sup> consumers in the country are forced to pay much more than those in the region.<sup>4</sup>

The net trade balance continues to show a high deficit due to the low level of domestic production, with Kosovo continuing to import most of its consumer goods. As presented in the figure below, in a one-year-period until September 2012, the net trade deficit further increased with total imports increasing and total exports decreasing.

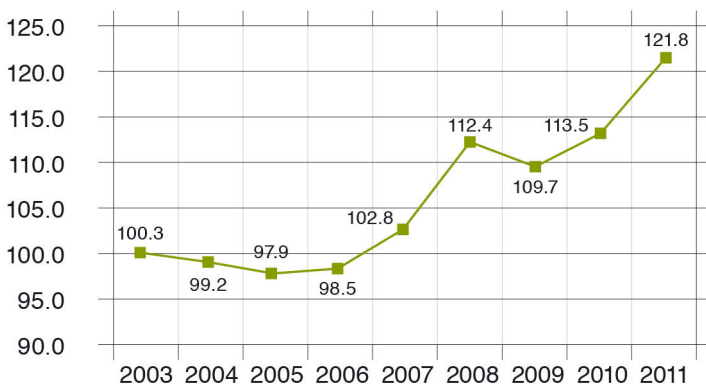
The result is a consumer price index (CPI) with a steady upward trend for over seven years. Food and non-alcoholic beverages carry the highest weight as a share of the CPI, followed by transport, clothing and footwear, housing, water, electricity and other essential consumer goods.



**Figure 1: Exports and Imports for September 2011 and 2012<sup>5</sup>**



**Figure 2: Consumer Price Index Development 2003 - 2011, (October - 2012)<sup>6</sup>**



In an economic environment where most consumer goods are imported, analysing price formation and setting cannot be complete without proper comparative analysis with other similar economies. For our purposes, the data were compared with the regional markets of Albania, Serbia and

Macedonia. The choice of products focused on those that are also imported in these regional economies, leaving only taxes and custom duties to account for the differences in price.

Specific sectors in the market seem to be dominated by private sector companies. They are suspected to have created monopolies by erecting high barriers to new entrants. An illustrative example in Kosovo is the cash register industry, as is explained later in this paper.

Price fixing agreements seem to also be present in certain industries where existing players effectively purge the potential for competition. Short of free competition, competitors accrue unfair profit by increasing the prices that ordinary Kosovars have to bear.

Other price inflating causes are related to an unfavourable business climate. This ranges from limited access to finance for businesses, which unfortunately dictates a higher cost of borrowing, up to an unreliable judiciary and ineffective court decision enforcement mechanisms. The cash register market is another example of this phenomenon, while the unfavourable business climate affects all businesses.

The goal of our research is to identify the genuine cause why end-user prices are higher in Kosovo than those in the region. Given the limited scale of the project, D4D saw it as methodologically adequate to select two products and examine the whole cycle, from their import to their resale.

The aim is to discern key potential elements which affect price gouging practices in the country. Price gouging practices refer to all situations in which goods or commodities are priced much higher than the reasonable fair price—price fixing agreements being one of them.

The study first establishes whether the prices of certain goods in Kosovo were high relative to those in other

countries in the region. After establishing the evidence of higher prices, the research undertook a detailed analysis of the pre-identified products for which the prices were clearly higher than in the region, and for which there is no obvious and economically rational reason. Based on our analysis, these price differentials are not derivatives of higher taxes or tariffs imposed to importers, or subsidies of any kind provided to exporting producers.

## Research Methodology

In order to understand the pricing mechanism and compare specific product prices in Kosovo to those of the same products in the region, a detailed study of the forces driving the prices and the market was needed. To this end, this study was carried out in several phases.

Information used for the purpose of this research was gathered via interviews and retail price scanning as well as other official data sources. It was important to gather this data from all relevant stakeholders and carry on the analysis with price breakdowns to better understanding key market drivers and the behaviour of key players. The aggregation and analysis of significant data ensured an objective approach to understanding price fixing practices in the market.

Due to the sensitivity of the issue, not all the data that D4D sought was possible to identify and deconstruct. Subsequently, following the pre-set research methodology, conclusions were drawn from a thorough study of two products chosen. They should thus be taken as samples of likely trends of price inflation in various other sectors.

The research methodology foresaw the selection of several products whose prices and respective price formation was compared and contrasted with the prices of the same products in the regional countries. The selection process started from an extensive initial list of products, which was then used as a benchmark for product and price comparison.

Ultimately, two products were identified as adequate for illustrating price and market irregularities. Primacy was placed on explaining two products well rather than making a half-case for a larger number.

### *Stage 1: Extensive initial list of products*

The starting point of our research was an analysis of the consumer basket in each of the targeted countries. The extensive list consisted of essential and standardized products from several categories including but not limited to food, housing, health and transport. It includes products and services ranging from water supply and electricity, to food products such as bread, meat and eggs, and other products such as oil, cash registers and several pharmaceutical products.

### *Stage 2: List Reduction*

Several criteria were set in order to ensure a proper comparison across products, and in order to narrow down the list of potential products to be researched and compared. The starting point was the household budget survey (HBS), which was used to benchmark against two additional criteria:

- ⇒ Ensure that we identified products which are essential and important.<sup>7</sup>
- ⇒ Products that are more standardized and preferably imported in most if not all the regional countries used for comparison purposes.

This stage involved preliminary research of a wider list of products. Product categorization ensued, differentiating products that are imported as a basis for analysis. In addition, a selection of products with higher prices identified in the first stage of the research was added as criteria for further reduction of the list of products analysed.

Additional information was gathered as it was deemed important in helping with the selection process. Information was gathered from importers, regulatory government

agencies involved in controlling and licensing imported products and related companies.

It must be noted that a broad base of businesses and individuals were interviewed in order to attain an extensive understanding of the market dynamics. Regional customs regimes, tariffs, as well as procedures followed in order to market a product were researched as well. It was essential to ascertain all the additions to the import price in order to accurately estimate the profit margin, and research whether the profit margin in Kosovo was too high.

These steps narrowed the initial list to 14-15 products in the main product categories. Further research collected price information for the remaining products in three regional countries.

### *Stage 3: The short-list*

In order to confirm that the selection process for products was appropriate, we conducted additional field research for each particular product. The key research criteria during the short list creation ensured that:

- ⇒ The product is standardized and comparable;
- ⇒ Price gathering and price verification was conducted in at least three points of sale in each of the selected countries;
- ⇒ The unit prices at the retail end of the market served as a benchmark, analysing the price that the consumer pays to get the product;
- ⇒ Furthermore, by conducting price verification on the same dates in all of the researched countries, the process ensured that the comparison was appropriate, relevant and finally analogous.

Other research aspects at this stage included but were not limited to: import policies (customs, excise tax, tariffs),

enterprise effectiveness and market dynamics with a specific focus on possible market barriers leading to market monopolies.

#### *Stage 4: Import regimes (Import policies)*

The research compared customs and excise duties for each country and differences among them in order to obtain empirical comparison. The analysis relied on import taxes which are applied in Kosovo, hence narrowing the list of comparable products.

This analysis clarified whether the differences are a derivative of import regimes or rather if these taxes have the same implications on the pricing of the products in each of the countries researched. As per our criteria, end-prices are considered compatible when tax and import regime effects are the same in each country.

#### *Stage 5: Final list of products*

By this stage, price differences in the product list could not be explained from the import duties and this triggered a detailed analysis on two fronts:

- ⇒ Enterprise effectiveness, and;
- ⇒ Price gouging and consequently monopolistic behaviour of the enterprises in the market for certain products.

This research also analyzed pharmaceutical products but they were not included in this final presentation. Due to the varying regulatory requirements of the chosen countries in relation to their pricing of pharmaceuticals, it was difficult to draw comparisons and therefore ascertain the causality behind the higher prices in Kosovo.

This analysis relied on the fact that the economies compared are approximately of the same size and that there are no

legal and/or regulatory dispositions that would account for any effect on product pricing.



## Two Tricky Products

The selection process as described above resulted in choosing the following products: cash registers and cement. Only these two products fulfilled most if not all of the predefined criteria allowing for an adequate methodology for comparison.

### *Cash registers*

In 2009 the Government of Kosovo introduced cash registers in order to minimize or altogether halt tax evasion. Nevertheless, fiscal evasion is still present, and the process of integrating cash registers has only weakened small businesses. Moreover, through this process, small and medium sized businesses have paid more than 20 million euros since 2009 just for installing cash registers.<sup>8</sup>

In order to implement the policy, the Government of Kosovo initially announced a public tender for cash registers. The final outcome of the tendering process was the licensing of two companies, Dukagjini L.L.C and Gekos L.L.C, for selling, installing and maintaining cash registers. However, neither of the selected companies had any previous record or experience in the sale or the maintenance of such equipment prior to being awarded the tender.<sup>9</sup> On top of the sale price, these suppliers of cash registers would go on to charge a yearly maintenance fee to the businesses.

These two companies were later fined for their irregular market practices. A subsequent investigation conducted in September 2010 by the Kosovo Competition Authority (KCA), an independent body established by the Assembly of Kosovo, found that the aforementioned companies monopolized the market. The KCA issued a fine of 100,000 Euro to each as a result.<sup>10</sup>

Despite this decision, which highlighted that companies offering cash registers in Kosovo created a monopoly, the price of cash registers has continued to be disproportionately higher in the country compared to the same product in the region.

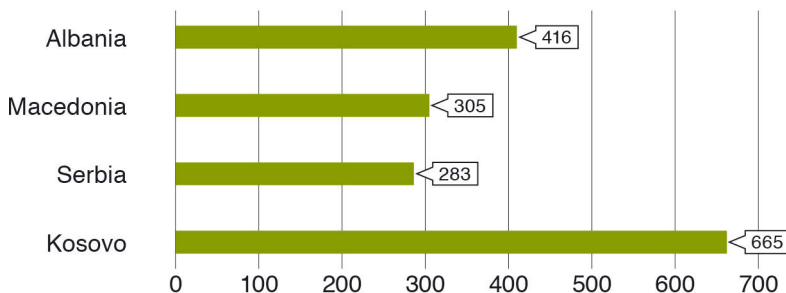
For comparative reasons, the research conducted for this project refers to only one type of cash register. Specifically, the cash register looked at and analysed was the MP-55Ej. The price of this cash register together with its complementary equipment is EUR 665 in Kosovo while the same product's price is significantly lower in all countries of the region surveyed. The graph below presents this considerable gap between the prices.

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**Figure 3: Cash Registers' Price - D4D's Market Findings**

Cash Register Prices in Researched Countries (EUR)

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Referring to official information from Kosovo Customs, this product is imported from Bulgaria with a fixed price of EUR 138. On the other hand, the end user, enterprises and businesses, have to purchase it for a price that is four and a half times higher, the aforementioned EUR 665.

L.L.C. “GEKOS”, the first licensed company, was fined with a fee of EUR 100,000 for selling cash registers and creating

a monopoly, as well as for exploiting its dominant position in the entire domestic market. Likewise, the other company, L.L.C. “Dukagjini”, was penalized with EUR 100,000 for their coordinated practices that enabled L.L.C. “GEKOS” to create a monopoly and exploit their dominant position.

GEKOS had an inconsistent attitude. In one hand, GEKOS engaged in coordinated practices, created and maintained the monopoly. At the same time, it sent a letter of recommendation to the Ministry of Economy and Finance requesting market liberalization. Paradoxically, it requested the licensing commission to analyse the entire process of installing cash registers in Kosovo.

Shortly after the decision from the KCA, two more companies were granted licenses from the Ministry of Trade and Industry for selling, installing and maintaining cash registers. The licensing mechanism provided for a closed market in which a limited number of companies allowed to participate.

In comparison, regional markets for cash register have multiple companies offering cash registers and have no market dominants. Albania has tens of licensed companies that sell this product. In Macedonia one does not need a license to sell cash registers and this product can be found in most electronic item outlets.

Even after two years, the newly licensed companies, “Printec” and “R&T”, did not manage to enter the market. The first mover advantage and the entry barriers erected and created by “GEKOS” and “Dukagjini” allowed them to collude in maintaining a dominant position in the market. This was a consequence of market protection by the policies set from the government. The insufficient fines incurred from these activities were essentially treated as “rents” to maintain the status quo, and to create the veneer of

regularity. The producers pay low fines in order to continue to effectively control their market.

The problem in Kosovo derived from the fact that initially the license to operate on this market was only granted to two companies, and these companies ended up coordinating their activities. According to information from the American Chamber of Commerce in Kosovo, by the time other operators were granted licenses, more than 90% of the market was already covered. When the buyer does not have the possibility to choose, the opportunity for creating a monopoly and inflating prices is very high. Moreover, once the registers were installed in more than 90% of the market, entry barriers became high, consequently raising the cost for market entry.<sup>11</sup>

There is almost certainly monopolistic behaviour in the domestic market for cash registers. Given the advantage enjoyed by the first entrants, the subsequently licensed companies failed to overcome the entry barriers of these first movers, who have—beyond the first mover advantage—also engaged in coordinated practices.

To conclude, the market is dominated by the two first entrants, which now have more than 90% market share in cash registers. As they make much of their profit from maintenance, this further limits the entry potential for other companies. These two companies were given sufficient clout by the policy choices made by the government to ensure that they can afford to pay market monopoly fines, i.e. “rents.” This clout has been kept intact by maintaining the current policy choice.

### *Cement*

Of all the Western Balkans, cement is most expensive in Kosovo. The main reason is that the neighbouring countries

have more liberal markets in which competition functions relatively well.

Recently, a tax on imported cement was enacted in Kosovo in line with the Law on Safeguard Measures on Imports.<sup>12</sup> This was imposed as a protective measure against imported cement, an in defence of the domestic producer. This policy imposed a protective mechanism that consequently destabilized the market as it led to the creation of an artificial monopoly for SharrCem, the Kosovar-based cement manufacturer. The main argument put forward by the government was that the barriers were erected in order to protect and regulate the economy. However, the barriers have produced the opposite of the desired results.

SharrCem cement factory is the sole manufacturer of cement in the country. In 2010, the Kosovo Privatization Agency, which is in charge of the privatization process, created NewCo “SharrCem” which was acquired by Titan Group<sup>13</sup> for 30.1 million Euros. Apart from SharrCem, Titan Group also owns other cement factories in the region such as Cementarnica USJE AD located in nearby Skopje, Macedonia, Kosjaric Cement Factory in Serbia and ANTEA of Kruja, Albania.

In the region, Titan Group has a very strong competitor in Fushë Kruja Cement Factory (FKCF), which has two factories, one located in Elbasan and the other in Fushë-Kruja owned by Lebanese Group Seament.

SharrCem is not considered competitive enough due to its old infrastructure and according to Titan Group, a not so favourable privatization contract it entered. Moreover, the key contract issue, as explained by Titan in interviews, is that the number of employees must be kept at the same level for the next three years while the company is simultaneously losing market share.<sup>14</sup>

Moreover, the national highway being built in Kosovo opened the possibility for FKCF, the Albanian cement producer, to penetrate further into Kosovo's market. FKCF has done so with its products in the western part of Kosovo where it increased market share significantly during 2011. The data for the cement imports from Albania and their development over the last years is best depicted on the table below.

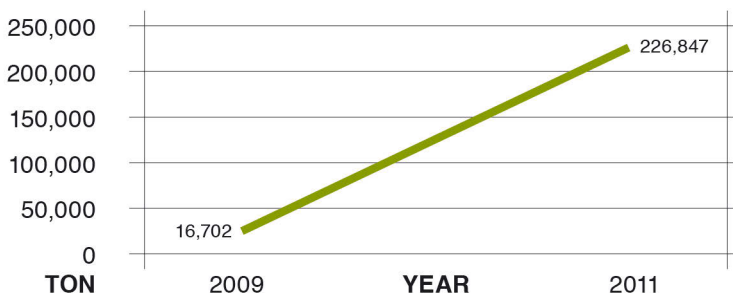
The import of cement from Albania saw a dramatic increase in 2011 and our research findings indicate that this trend has continued in 2012. In 2009, FKCF had only 3.2% of the Kosovo cement market share. By 2011, it reached 21.1% market share.

The market share increase by FKCF was mainly due to its perceived superior quality and very low offered price of around EUR 12 per ton, compared to SharrCem's price of EUR 65-71 per ton.

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**Figure 4: Cement Imports from FKCF Albania - Kosovo Customs Service**

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In order to address this market situation, the Ministry of Trade and Industry agreed to heed SharrCem's request to intervene in the market and enforce temporary market safeguards in order to protect SharrCem as a domestic

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producer. Temporary safeguards on imports of cement were established for all cement imports, with a tax rate of 35% for a period of 90 days as stipulated in the law on safeguarding from imports.

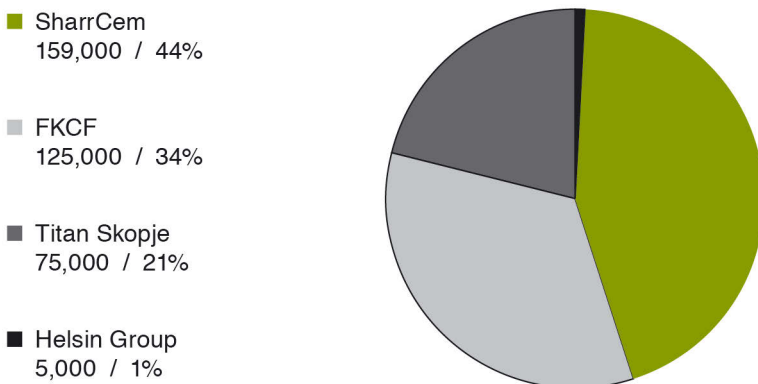
The aftermath of these government measures is graphically presented below, depicting cement market share in June 2012. Data shows that Titan Group (SharrCem and Titan Skopje) has, due to this intervention, increased its market share to about 65% in Kosovo's cement market.

Taking advantage of the protective measures imposed, SharrCem increased their price by 21% to EUR 94 per ton. The aftermath of this decision affected the market in the price, quality, and the availability of choices. Alternatively, the quality of FKCF's cement was considerably higher, and came at a lower price. The decision created a situation in which SharrCem misused its market position. Ultimately, the government protective mechanism resulted with more expensive and lower quality products being forced on the final consumers.

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**Figure 5: Cement market share in Kosovo (June 2012)<sup>15</sup>**

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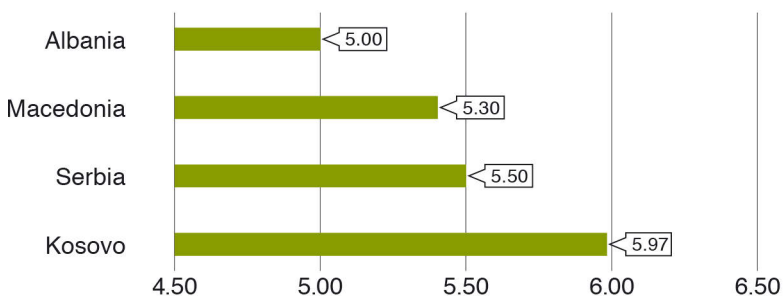
With the stipulation of the economic barriers, two agreements were breached: the Central European Free Trade Agreement (CEFTA) and the bilateral economic agreement between Kosovo and Albania. Such steps are not usually undertaken between countries with very good bilateral relations, such as those between Kosovo and Albania. On the grounds that it was in contradiction with CEFTA, this decision was also challenged by the European Union Office in Kosovo.<sup>16</sup>

Private interviews with several SharrCem employees disclose of quality lagging and other irregularities.<sup>17</sup> Retail price comparisons of the same product (a 50kg cement sack) across the region clearly indicate that the Kosovo retail market is the most expensive. The price in the country is 19% above the retail price in Albania, 13% more expensive than in Macedonia and 9% more expensive than what the end-user pays for the same product in Serbia. The cheapest among all four countries compared is Albania, with the latter's product being almost 10% below the average price.

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**Figure 6: Cement Price - D4D's Market Findings**

Cement Prices for a 50kg Sack (in EUR) in Researched Countries



It appears that there were several factors that had a direct impact on determining the end-user prices in the domestic



cement industry. Firstly, SharrCem could not compete with cement prices due to overstaffing, as underscored by its management, old technology and expensive imported coal.

According to KCA, the decision of the Ministry of Trade and Industry to help local cement producers by establishing temporary safeguards on imports of cement created disorder in the domestic market. As stated by representatives from this authority, KCA is to carry out a more thorough investigation of the cement industry as prior examination has shown that SharrCem continues to hold a dominant market position.<sup>18</sup> This vow came after being alerted by D4D about the market anomalies.

KCA believes that the temporary safeguard decision has further enhanced SharrCem's position as the dominant company in the cement industry. As a result, the erected safeguard has increased the price of a lower quality product, while allowing the producer to unlawfully maintain a dominant position.<sup>19</sup>

The end customer in the country has to bear an additional 10% above the average price of all four countries researched for 50 kg of cement.

## Ensuring Competition in Kosovo

The average Kosovo consumer remains unprotected and bears the brunt of unfair market competition. A relatively large number of essential products that directly impact the budget of the consumer are disproportionately more expensive than in the region, which motivated this research.

The Competition Law requires that Kosovo Competition Authority to monitor the market and ensure sustainable development of the market economy. Unfortunately, the authorities have thus far done little to achieve this. According to the KCA, they lack capacity and consequently much is left undone. For instance, they get most of their information from the media as they lack capacity to inspect the market and independently gather reliable information.<sup>20</sup>

The KCA must identify and fight any arrangements or indications of secret agreements among companies that result in higher prices. It must proactively act to ensure a free and fair market competition. This institution has so far failed to accomplish its mission.

Referring to the Competition Law, the KCA has the responsibility and authority for law enforcement, the promotion of competition among enterprises and the protection of consumers in Kosovo. As a result, the KCA has to prohibit actions that limit, oppress or deregulate market competition.

The law outlines free and effective competition in the market, based on three main pillars that determine protecting market competition:

- ⇒ Abuse of dominant position;
- ⇒ Prohibited agreements in the form of cartel, and;
- ⇒ Mergers or concentrations of enterprises.<sup>21</sup>

Competition is a crucial component of a developed market economy. The KCA should function as an incentive and serve as an advocate of competition. It should protect the interests of consumers and companies with the final aim being a free and regulated market.

But there is no market economy and no free competition in the selected subsectors. Referring to our analysis and interviews, Kosovo consumers face higher prices than those in regional countries when it comes to other products that remain to be researched in the future.

Moreover, the unreasonably high prices of cash registers, as well as unjustified market distortions with state intervention as shown from the cement industry analysis, show that the KCA has failed in fulfilling its objectives and responsibilities. Coupled with institutional incapacity, the political economy and state-based corruption are the main reasons for the KCA's failure.

## Conclusion

### *Monopolistic Behaviour – Price Fixing*

The existence of artificial monopolies seems to be one of the main drivers of higher prices in the Kosovar market. Findings from the cash registers, in particular, constitute a sound base to come to this conclusion. Furthermore, when monopoly is the reason behind price discrepancies, the price level is even higher.

Secret agreements, price fixing, and other coordinated practices among companies seem omnipresent, especially upon observation of the behaviour of the players in the cash registry business is taken into account. On the other hand, the Kosovo Competition Authority has not managed to channel and fight these practices, although they have confirmed and to exist. It can easily be argued that this failure has further heightened market inefficiencies and distorted respective markets.

### *Corruption*

To the degree that this type of research has to discern illegal practices, it is difficult to point to corruption with a sufficient degree of certainty. However, the phenomena that we point serve as sufficient evidence for authorities to raise processes to inquire and order to collect the type of data that were withheld from us, or that we had to collect anonymously.

Corruption is the most likely cause behind the market inefficiency that we clearly demonstrate, although this cannot be proven. The market situation in the two industries of interest does highlight the lack of engagement by the competent authorities and regulators. The institutional inefficiencies can, if nothing else, foster the perception of

corruptive behaviour that in turn affects price gouging practices.

Undoubtedly, continuous monopolistic behaviour and price fixing agreements in the market are strong indicators that corruptive behaviour should not be excluded from the equation. In addition, our paper has listed that both these industries have actors which maintain dominant market positions due to policy choices or policy negligence from the government authorities.

### *Market, Business and Institutional Inefficiencies*

The genuine cause for higher product prices and a lack of market competition appear to be institutional inefficiencies, namely the lack of institutional involvement in protecting the market economy. However, it is actually these institutions themselves that have created market distortions.

The responsible institution, the Kosovo Competition Authority, has failed to monitor the market and ensure sustainable development of market economy in the country. The KCA has failed to consistently confront secret agreements among companies that result in higher prices.

Similarly, the KCA has not managed to enforce proper market functioning by introducing punishments that are insufficient, and are evidently treated as rents by the operators in the market. The producers pay low fines in order to continue to dominate their market. The rate of fines is very low compared to the benefits they obtain from their privileged position.

On the other hand, the case of cement industry indicates that market and business inefficiencies, coupled with government intervention without proper control mechanisms, can have a substantial effect on the market, by both affecting the price and quality offered for the final product.

## Recommendations

The following recommendations are essential for the development of a market economy with free and fair competition where the consumers are effectively protected, be it on the retail or business.

The Kosovo Competition Authority, respective institutions and committees responsible for overseeing industries and competition, should start acting to systematically fulfil their missions. Though there may also be a need for further regulation and legal infrastructure in order to eliminate inefficiencies, the current regulations and laws should be reinforced in practice.

Only by enforcing the laws and regulations in place, with a regulated economic environment and competent institutions and authorities, will the market economy substantially develop and establish a spirit of free and fair competition.

Therefore, the KCA primarily should push for the creation of mechanisms that enable it to intervene and regulate, once practices that hinder proper and efficient market functioning are identified and proven.

In addition, the legislative gaps should be mended and addressed by the respective stakeholders, i.e. the Ministry of Trade and Industry, the business associations as well consumer protection organizations. The legislative gaps include but are not limited to enforcement rules and regulations made available to the KCA. Gaps also pertain to linkages among all relevant institutional stakeholders, courts, ministries, prosecution as well as the KCA, and market protection.

Any decision on market intervention should be done through a process that ensures the inclusion of several stakeholders, rather than leave it to the discretion of a single entity. It is recommended that a verification mechanism of

the Kosovo Assembly or one of its committees, to institute protective measures.

Business associations should also work in concert with the KCA and the Ministry of Trade and Industry to ensure that any market distortion is red-flagged and suspicions are brought forward through a credible mechanism. Such a mechanism should ensure proper communication among the associations, the Ministry and the KCA.

## Endnotes

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<sup>1</sup> Kosovo Agency of Statistics. Home. Social Indicators. Available at: <http://esk.rks-gov.net/ENG/home>.

<sup>2</sup> Kosovo Ministry of Labour and Social Welfare. 2011 Annual Report. Labour and Employment, pg. 9. Available at: <http://mpms.rks-gov.net/Portals/0/Librat/2011%20Raporti%20Vjetor%20Puna%20dhe%20Punesimi%20ENG%2002may12.pdf> (last accessed 22 January 2013).

<sup>3</sup> Fast-moving consumer goods include products that are sold quickly and at a relatively low cost. Examples include non-durable goods such as groceries.

<sup>4</sup> Kosovo Agency of Statistics. September 2012. Economic Statistics: External Trade Statistics, pg. 10. Available at: [http://esk.rks-gov.net/ENG/publikimet/doc\\_view/1051-external-trade-statistics-september-2012?tmpl=component&format=raw](http://esk.rks-gov.net/ENG/publikimet/doc_view/1051-external-trade-statistics-september-2012?tmpl=component&format=raw). Referring to the report, more than 70% of imports are fast moving consumer goods: (21.6%) mineral products, (12.3%) prepared foodstuffs, beverages and tobacco, (10.9%) base metal and articles of base metal, (10.3%) machinery, appliances and electric material, (6.9%) products of chemical industries, (6.0%) transport means, (5.8%) plastics, rubber and articles thereof.

<sup>5</sup> Kosovo Agency of Statistics. September 2012. Economic Statistics: External Trade Statistics, pg 9. Available at: [http://esk.rks-gov.net/ENG/publikimet/doc\\_view/1051-external-trade-statistics-september-2012?tmpl=component&format=raw](http://esk.rks-gov.net/ENG/publikimet/doc_view/1051-external-trade-statistics-september-2012?tmpl=component&format=raw).

<sup>6</sup> Kosovo Agency of Statistics. October 2012. Economic Statistics: Consumer Price Index, pg, 9. Available at: [http://esk.rks-gov.net/ENG/price/publications/doc\\_view/1047-consumer-price-index-october-2012?tmpl=component&format=raw](http://esk.rks-gov.net/ENG/price/publications/doc_view/1047-consumer-price-index-october-2012?tmpl=component&format=raw).

<sup>7</sup> Based on the Household Budget Survey of the Kosovo Agency of Statistics product selection was consequently divided into the following categories: food, healthcare, transport, communication, housing and construction.



- <sup>8</sup> Gazeta Jeta në Kosovë. 5 March 2012. Arkat e Varfërisë (Poverty Registers). Available at: <http://gazetajnk.com/index.php?cid=1,987,1534>.
- <sup>9</sup> Gazeta Jeta në Kosovë. 5 March 2012. Arkat e Varfërisë (Poverty Registers). Available at: <http://gazetajnk.com/index.php?cid=1,987,1534>.
- <sup>10</sup> Kosovo Competition Authority. 9 January 2010. Decision No.04 dated 1.09.2010 on the practice of coordinating fiscal cash for the sale, between the enterprise L.L.C. Dukagjini and enterprise L.L.C. Gekos. Available at: <http://ak.rks-gov.net/repository/docs/VENDIMI%20I%20DUKAGJINIT-anglisht123eper.pdf>.
- <sup>11</sup> Representative of the American Chamber of Commerce in Kosovo. 14 September 2012. Personal Interview.
- <sup>12</sup> Assembly of Kosovo. 31 August 2011. Law No.04/L-047 on Safeguard Measures on Imports. Available at: <http://www.assembly-kosova.org/?cid=2,191,751>.
- <sup>13</sup> Titan Group is a Greek cement company which is considered to be the largest in the region in terms of market share.
- <sup>14</sup> Anonymous Interview. 14 August 2012. Personal Interview.
- <sup>15</sup> Koha Ditore. 18 June 2012. Dissolving the Protection Measures after Having Good Results in Supporting Domestic Production of Cement. Print.
- <sup>16</sup> Koha Ditore. 16 June 2012. Kusari-Lila nuk tërhiqet, nuk brengoset nga vlerësimi i BE-së (Kusari-Lila does not back down, is not worried about EU's opinion). Available at: <http://www.koha.net/?page=1,13,103619>.
- <sup>17</sup> Representatives of SharrCem. 7 August 2012. Personal Interview.
- <sup>18</sup> Representative of the Kosovo Competition Authority. 19 September 2012. Personal Interview.
- <sup>19</sup> Representative of the Kosovo Competition Authority. 19 September 2012. Personal Interview.
- <sup>20</sup> Representative of the Kosovo Competition Authority. 19 September 2012. Personal Interview.
- <sup>21</sup> Kosovo Competition Authority. Mission Statement. Available at: <http://ak.rks-gov.net/?cid=2,11>.
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