

## Countdown Euro Changeover

### How the new money affects your business in Kosovo

The introduction of the Euro on January 1st, 2002 is much more complex than the currency changeover to the DM after the war. Whereas the DM was used alongside the Yugoslav Dinar for a long time, there is this time hardly any transitional period to adopt the new system.

Now, Kosovo needs to import the new money and export all its old DM. Truckloads of paper and coins will have to cross the borders. The changeover scenario is further complicated because a simple thing is missing in Kosovo: personal bank accounts.

And what applies to the private citizen is all the more important for companies. The dual circulation period ends only two months after the changeover to the Euro, on February 28th, 2002. After these short two months payments are no longer accepted in DM, and, most important, in Kosovo the DM will be no longer exchanged free of charge into Euro. Anybody, who by then has not exchanged his or her DM into Euro will face a series of problems.

Therefore, it is strongly recommended for private citizens and companies alike to immediately open bank accounts. Any DM deposits will then automatically be exchanged into Euro free of charge.

The changeover in Kosovo will be managed by the Banking and Payments Authority (BPK), which has established a special working group for this task. The so called remaining "transitional period" will end by December 31st, this year. Until then the BPK will apply their regulation of "no prohibition and no obligation" in regards to adopting the Euro in non cash transactions, accounting systems, budgets, financial statements, the opening of bank accounts, dual pricing and compulsory payments.

But, companies have now only a short time to prepare their businesses for the changeover. Dual price lists have not been displayed everywhere. For customers it remains difficult to get used to the new currency. Considering the fact, that broad based information campaigns have started in western Europe more than two years ago, the general public in Kosovo still knows very little about the introduction of the Euro and how it will affect their daily life.

Managers of companies who have not prepared their companies to operate in Euro by the end of the year will run into serious problems. This will not only affect their bank transactions but also the internal operation of their businesses.



The Euro in Every Day Life

Regarding cash transactions the BPK adopted some special regulations applying in Kosovo. Cash up to 1.000 DM will be exchanged into Euro free of charge. For amounts above, a fee will be charged. Amounts exceeding 10.000 DM shall be deposited and the rule on money laundering will apply. Customers will need identification for whatever amount they would like to exchange. Exchange fees depend on the costs of shipping cash to and from Kosovo. The fees on deposits during the dual circulation period should be announced, soon. All cash deposits made before December 31, 2001 will be automatically converted to Euro with the fixed conversion rate (1 EUR = 1.95583 DM). **E.Q.**

### In this issue...

- Euro Changeover: Countdown . . . . . page 1
- EICC Kosovo: Your Local Team . . . . . page 2
- EICC Events: Participate in Seminars! . . . . . page 2
- Story: Italian-Kosovo Joint Venture . . . . . page 2
- How to? Register a Business in Kosovo. . . . . page 3
- KCC: The Chamber of Commerce . . . . . page 3
- EICC Cooperation with other Institutions . . . . . page 3
- Trade Fairs: A Visit to Italy . . . . . page 3
- Finances: Profile of the ICU . . . . . page 4
- EU-Kosovo Trade Preferences. . . . . page 4
- EU Business Proposals: Your Opportunity page 4

## Editorial

By Ejup Qerimi

This is a special occasion to say thank you! A lot of credit belongs to the European Agency for Reconstruction..

Without the funding by the EAR, the Euro Info Correspondence Centre could not have opened its doors in Kosovo. Let me also say thanks to our European experts, four specialists contracted by SEQUA foundation which is our international consortium partner in setting up the EICC Kosovo. And last, not least, a tribute to the Kosovo Chamber of Commerce, which acts as our host partner. May we all work well together in order to achieve our main goal: to boost the future perspective of small to medium size enterprises in Kosovo.

Our official inauguration on October 2nd, attended by Ambassador Andy Bearpark and many other VIPs gave us the confidence that people in Kosovo have understood what an important role the EICC can play in developing the local economy.

This is the first edition of our bimonthly newsletter. Expect the next one in December. We will keep you up-to-date! **Ejup Qerimi**



An EU-funded project managed by the European Agency for Reconstruction - [www.ear.eu.int](http://www.ear.eu.int)

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The EICC Kosovo is an European Institution established within the Kosovo Chamber of Commerce

### Impressum:

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# The Interim Credit Unit (ICU) is One Year old

*Trying to set up a functioning institution in Kosovo means to overcome many problems and obstacles*

The Interim Credit Unit (ICU) has now been in operation for one year. This first anniversary also marks a success story of one of the most important Kosovo's institutions. The ICU has so far provided over 55 credits to private companies registered in Kosovo for a total value of over 7.158.086 EUR (14 million DM). Some of the hurdles that needed to be overcome by the ICU and its clients include the provision of financial statements for the past three years. But most clients' records had been destroyed as a result of the conflict, so many could only supply the record for the year 2000. That of course made it difficult for the ICU to judge the financial history of many of its clients.

The conflict also resulted in the loss of Title Deeds to properties owned by clients who had to mortgage these to the ICU. In Pristina, the cadastre records were able to be duplicated because computer records were found except for 1997 and 1998 when 1.000 cases of security transfers were lost or taken to locations outside Kosovo. However, in many other municipalities

this is not the case. Another problem was that many cadastre records were out of date and buildings recently constructed were not shown on the Titles.

ICU clients were provided with loan facilities to enable them to purchase equipment, machinery and raw materials. They were required to obtain competitive quotations from at least three suppliers from two different countries. The aim was to enable suppliers in countries that had supported Kosovo in its rehabilitation after the conflict to sell their products to Kosovo. This process has worked quite well but its drawbacks are that Kosovo's clients need to visit the suppliers factories to view equipment, test its capability and check on its capacity and suitability. Brochures and pamphlets do not provide all the answers. In some cases, foreign suppliers had a local representative or had been dealing with Kosovo's clients before the conflict and both parties trusted each other. However, in certain cases the client needed to travel to supplier factories overseas. For this, he needed

a visa which has been a major stumbling block as no foreign embassies are located in Kosovo. The nearest embassies are in Skopje, Former Yugoslav Republic of Macedonia. Travel to Skopje has been restricted and at times the border has been closed. Deliveries of equipment, machinery and raw materials mainly come by road through Macedonia and convoys of trucks have been held up for weeks at a time at the border. This has resulted in delays in getting the new equipment installed or raw materials delivered resulting in loss of production and lower sales. Despite these setbacks, most clients have been able to increase production, Kosovo has benefited as products are now being produced locally which has reduced imports and lowered prices. Private enterprises can go to the ICU office on the 3rd Floor at 35 Tirana Street, Pristina to have an initial meeting with the Credit Officer on detailed terms and conditions of the ICU facility. The ICU office is open from Monday to Friday from 10:00 to 11:30 hrs and from 14:30 to 16:00 hrs. **Tim Hooper/ICU**

## Understanding Europe The EU Commission *Kosovo Must Seek Cooperation*

Within the European Union, the European Commission operates at the very heart of the decision making process. Its role as the source of policy initiatives is unique; yet this role is not always clearly understood.

What is already difficult to understand for citizens of the EU, is certainly all the more complicated for Kosovo. Nevertheless, with the introduction of the Euro in Kosovo, the province will need to cooperate even more closely with the European Union. Therefore, it is necessary to understand the functioning of European institutions.

To be members of the EU has proven to benefit all its citizens and its companies. The advantages are considerable: more freedom of movement and in most cases much greater prosperity.

The European Commission works in close partnership with the other European institutions and with the governments of the Member States. Although the Commission makes the proposals, all the major decisions on important legislation are taken by the ministers of the Member States in the Council of the European Union, in co-decision (or, in some cases, consultation) with the democratically elected European Parliament. One of the principal tasks is to secure the free movement of goods, services, capital and persons throughout the territory of the Union. The Commission must also ensure that the benefits of integration are balanced between countries and regions, between business and consumers and between all the citizens. The Commission fulfils three main functions.



Tax Collection Point in Merdare - Income Generation for Kosovo

Because of its right of initiative, the Commission is charged with making proposals for all new legislation. It does so on the basis of what it considers best for the Union and its citizens in general rather than on behalf of sectoral interests or individual countries. The Commission has, for instance, put enormous effort into liberalising telecommunications in Europe so that EU firms and consumers benefit from the advantages of the information society and the development of the media. It has had to reconcile the interests of free market competition with the need to guarantee access to a universal telephone service at affordable prices for all its citizens wherever they live. This is just an example. There are many more. If you need a specific regulation on EU norms, just contact the EICC Kosovo. We will give you the answer.

## OPPORTUNITIES EU Trade & Cooperation Proposals

The EICC Kosovo will publish in each edition of this newsletter a list of trade and cooperation proposals. Interested Kosovo companies may contact the EICC at the Kosovo Chamber of Commerce in Pristina for business details. Kosovo's entrepreneurs may ask for assistance to establish first direct contacts with their potential EU counterparts. Kosovo's companies may also contact the EICC if they vice versa would like their trade and cooperation proposals be distributed to EU companies. The EICC Kosovo can deliver lists with profiles of European companies.

-Ref 2001/9/1 AUSTRIAN wholesaler of original computer, printer, copy and fax consumables is seeking an importer/distributor in Kosovo. The company distributes ribbons, ink and toner cartridges, magnetic media and stationary of over 150 brands such as Olivetti, Minolta, Ricoh, Canon, Epson.

-Ref 2001/9/2 ITALIAN producer of cosmetics is looking for importers/distributors.

-Ref 2001/9/3 AUSTRIAN company, specialised in equipment for the production of electric power (e.g. generators for emergency power) is looking for importers/distributors.

**The European Agency for Reconstruction is responsible** for the management of the main EU assistance programmes in Kosovo, Serbia, and Montenegro. It was established in February 2000 and has its headquarters in Thessaloniki and operational centres in Pristina, Belgrade and Podgorica. It is an independent agency of the European Union, accountable to the European Council and the European Parliament. It is overseen by a Governing Board composed of representatives from EU Member States, and chaired by the European Commission. The European Agency for Reconstruction's main objectives are: to carry out immediate physical and economic reconstruction; to lay the foundation for the development of a market economy; and to support the establishment of democracy, human rights and the rule of law.

For further information and contact details: [www.ear.eu.int](http://www.ear.eu.int)

# Business Story on Italian-Kosovo Joint Venture

*Hotel construction and Furniture Production - Is the initiative of two bold business partners an example for you?*

**K**osovo has a wide diaspora throughout the world, among them many entrepreneurs. They all contribute considerably to the development of the Kosovo's economy.

Additionally, a large number of Kosovars working abroad have adopted valuable skills and gained entrepreneurial experience. This is reflected in the fact that many foreign investors interested in Kosovo seek close cooperation with Kosovars who have already gained professional

experience abroad.

One of the success stories of joint cooperation is the Italian-Kosovo's joint venture QMI (Centre of Italian Furniture). This joint venture was established in February 1999.

Mr. Aziz Tafaj, the Kosovo partner who had been working for ten years in Italy, established his company Tafaj 3HA in Prizren in October 1999. In February 2001 in cooperation with the Italian Doimo Group/FD Company the partners created

their joint venture on a number of projects. One of them is a hotel complex.

The Kosovo-Italian partners established their joint venture in Suhadoll/Lipjan near the Pristina-Prizren road and it is anticipated that investments will reach 9.970.192 EUR (19.500.000 DM) by 2003. The construction site encompasses 18.000 m<sup>2</sup> and the company wants to employ 275 people. Plans are ready for a five star Hotel with 70 bedrooms, 15 apartments.

Moreover, representation offices for 33 companies will be available on the premises. Interested companies will have the possibility to cooperate with QMI or establish an independent business seeking trade relations with Kosovo partners.

The Italian partner has confidence that there is sufficient political stability under the UN mission, secured by KFOR, the international and local police, in order to safeguard investments made.

Further positive incentives for setting up the joint venture in Kosovo were for both the Kosovo and the Italian company that there is a qualified labour force which is less expensive than in Europe, convenient fiscal conditions and last not least Kosovo location in the Balkans and its access to natural resources. **E.Q.**



## Upcoming EICC Events & Seminars

The EICC Kosovo will organise regular meetings, seminars, conferences and training session for the business community, directly or in cooperation with other organisations. Kosovo SMEs will receive information on schedules, dates and the location where the events will take place through advertisement in the local newspapers and through direct mailings to those business people registered with the EICC. Please also refer to our EICC website [www.kosovo-eicc.org](http://www.kosovo-eicc.org). We will invite companies and organisations interested to receive more concrete information on upcoming events organised by the EICC. Please contact our office by fax, e-mail or visit our centre personally. Currently planned events are **October 2001**: Survey on the main problems of Kosovo women entrepreneurs, including those belonging to minorities. **November 2001**: Conference on the results of the survey on Kosovo women entrepreneurs. International workshop/country presentation with presence of an Italian delegation of company representatives coming to Kosovo. The EICC will organise match making meetings with Kosovo counterparts. This is your business opportunity! You are invited to actively participate in all our activities. Important: A Guide to the Euro changeover in Kosovo can be immediately provided. For further information contact our office at 038-224 596. Our Information Officer, Erdelina Dula, will be happy to answer your questions.

## Services of EICC Kosovo

The EICC Kosovo is a modern European institution established within the Kosovo Chamber of Commerce. During the start-up phase until April 2003, the local team, the EICC Director, Mr. Ejup Qerimi, the Information Officer, Ms. Erdelina Dula and the Assistant, Ms. Adriana Merovci, will receive comprehensive training by an international group of experts.

This will ensure that the Kosovo business community will be advised by a professional team on all European regulations that affect Kosovo's entrepreneurs.

Before joining the EICC, Mr. Qerimi managed a state owned company. The Director represents the EICC and is responsible for all EICC services, activities, the budget and administration. He also advises the companies and implements services and activities. He will function as an interface between Kosovo and European institutions. One of his main objectives will be to assist Kosovo small and medium size enterprises (SMEs) in establishing business contacts with European partners.

The EICC Information Officer informs SMEs about EU standards and regulations, market situations and EU programmes. She offers assistance to SMEs on how to find business partners within the European Union. Both the EICC Director and the Information Officer will work in close cooperation with the EIC network of around 300 Euro Info Centres across Europe and the Mediterranean region. The EICC Kosovo therefore has access to comprehensive modern databases.

In Kosovo, the EICC Director and the Information Officer will visit companies in order to tailor their advice to the needs of SMEs active in all fields of economic activity.



The EICC Team (from left) Ms. Carola Reissland (Communication Adviser), Erdelina Dula (Information Officer), Ejup Qerimi (EICC Director), Adriana Merovci (EICC Assistant) and Laura Trevisan (Project Team Leader)

The EICC is open for all clients who may require information or assistance on EU matters. Do not hesitate to visit the new EICC centre in the heart of Pristina on Mother Teresa Street. The Office is located in the Kosovo Chamber of Commerce building, on the first floor.

The main objectives of the EICC Kosovo are to inform the business community in Kosovo about the regulatory framework of business operations in Europe, to inform European companies about Kosovo businesses and the administrative regulatory framework in Kosovo, to offer access to EU information and thereby facilitate business cooperation between Kosovo and European SMEs.

Services which can be provided by the EICC

include information about European standards (packaging, labelling, for example), assistance for SMEs in finding markets, EU partners and creating joint ventures with European counterparts. Information can also be provided through contacts that this centre has established with governmental and non-governmental institutions in Kosovo.

In order to expand the information activities, one of the EICC tasks is to organise training sessions, seminars and conferences. This newsletter will regularly inform you what kind of information is available. At the EICC centre you will find a series of publications, documents, books and leaflets.

The EICC Kosovo is funded by the European Agency for Reconstruction. **E.D.**

# HOW TO? Register a business in Kosovo

All businesses in Kosovo, based on UNMIK Regulation 2000/8, must file an UNMIK registration. Entrepreneurs have to register at the Municipality in which they are operating their business. Instructions on specific procedures are available at Pristina City Hall. The regulation applies to any business currently established in Kosovo or seeking to be established. UNMIK civil administration officials estimate that so far approximately 70.000 entities have registered all over Kosovo.

All businesses must apply for provisional registration on application forms available in all municipality buildings and pay a non-refundable administrative fee. Fees vary from 100 DM for businesses with fewer than 10 employees and 300 DM with more than 10 employees. The registration with UNMIK remains provisional until the Special Representative of the Secretary General of the United Nations in Kosovo (SRSG) transfers the authority to conduct business registration to the appropriate administrative department. This date is to be announced after the elections in November.

Business registration with UNMIK is compulsory in order to run businesses on a legal basis. Registration of businesses provides crucial information to the civil administration. The database is important to supplement the Kosovo tax base. A business registration certificate is



KCC: Mr. Ismail Kastrati, KCC President (fifth left), Mr. Basri Jupolli, General Sekretary (first right) and Mr. Besim Beqaj, Head of External Relations (fourth left)

needed for opening bank accounts and conducting business with foreign companies.

In the Pristina Municipality, the director of the department of Economy and Finance, Mr. Rrahim Krasniqi, coordinates the business registration process, assisted by UNMIK international municipal officers. The Municipality of Pristina is able to process an application for business registration within one day. Currently, six officers are working full time in order to provide information, receive applications, review them and to process the applications the very same day.

**Municipality of Pristina/Oriano Micaletti**

## Kosovo Institutions & EICC Cooperation

With the elections a lot of things will change in Kosovo. The international organisations present will decrease their staff, the administrations once more will be reorganised and local personnel will take over crucial decision making positions.

During the past two years since the Nato intervention, it has never been easy to know exactly who is in charge of what, which department of which administration takes care of which problem. At least for the business community things should soon become more transparent. The EICC will try to contribute to more transparency.

We can help you in addressing the appropriate organisation, whether it is the municipality, the local administration or the new government institutions. One of our main counterparts in cooperation is the pillar-IV Department of Trade and Industry (DTI) which soon will be turned into a government ministry. The DTI has like the EICC a great interest in promoting businesses in Kosovo in order to foster the local economy. Likewise, the European Agency for Reconstruction is moreover funding another SME project to boost activities of small and medium size enterprises. This project is designed to set up three Regional Enterprise Agencies (REAs) in Prishtina, Peja and Gnilane. Moreover, the EICC is cooperating with all relevant institutions from the various UNMIK departments and stays in close contact with all EU programmes. Another important counterpart is the Central Bank of Kosovo (BPK) that is responsible for the Kosovo campaign on the Euro changeover.

## The newly established KCC

The Kosovo Chamber of Commerce (KCC) was first established in 1962 in Pristina and has conducted its activities continuously until 1989. KCC was able to re-establish the chamber only after the war, which it immediately did after June 24, 1999.

KCC matches the European system as a common chamber of all economical entities in Kosovo. KCC is an independent, nonpolitical and professional organisation which:

- represents the business community in all fields of economic activity. It participates in social dialogue

- offers to its member business advice and services in order to increase the economic output
- issues public announcements according to the law and the KCC statute

KCC supports and protects entrepreneurs' legal economic interests, and encourages economic development. KCC cooperates with governmental bodies on drafting and approving the strategy of overall economic development, regional development and improving the economic infrastructure. According to the Law on KCC (Official Journal of Kosovo No. 41/79) and according to UNMIK Regulation, article 1, No. 24/99, membership in KCC is obligatory for: all economic enterprises which have the status of a legal person, banks, other financial organizations and insurance companies. Hand crafters and individual agriculture producers are members of KCC through the associations of their cooperatives.

Within KCC there are 10 associations, 4 councils and 7 regional units: Governing entities of KCC are: KCC Assembly with 83 representative places Managing Board with 19 members, KCC President, Supervisory Council with 7 members. KCC offers to its members all services included in the statute. Some are particularly important with

respect to international relations:

- KCC organises business missions/Kosovo's businesses abroad and vice versa.

- KCC assist the members to participate in trade fairs, exhibitions and presentations inside and outside the country.

- KCC organises trade fairs in Kosovo.

- KCC organizes participation of its members in conferences, meetings, seminars about the legislation, economic situation, trade practices.

- KCC offers consulting services, and other services to facilitate movement abroad.

- KCC cooperates with other chambers and economic organizations in other countries for the best interest of the Kosovo economy.

- KCC provides information to foreign enterprises regarding legislation in Kosovo and for possible investments.

The KCC will soon start to publish the KCC Official Journal and would like to invite you for a personal visit to its offices.

**The Chamber of Commerce/Prishtina**



## News From A Trade Fair in Italy

Expanding international contacts of Kosovo enterprises is a common goal that is shared by the Kosovo Chamber of Commerce, KCC. Within the chamber, the Department for External Relations is following up on this issue. A recent initiative of the Italian Institute for Foreign Trade (ICE), represented by its office in Pristina was highly welcomed when they suggested a visit to an international trade fair in Italy in September. In cooperation with KCC, EICC and the Department of Trade and Investment (DTI) a delegation of six Kosovo's importers had the opportunity to participate in this important event in Fiera Del Levante/Bari, Italy. The Kosovo's entrepreneurs are active in the fields of agro business and construction materials. The delegation included: Halim Haxhijaha 'Haxhijaha'- Rahovec, Ekrem Hyseni 'Bibaj AE'-Ferizaj, Gani Krasniqi 'Zgjimi'-Peja, Hamdi Gashi 'Poljopskrba'-Prishtina, Mustafe Shala 'Kompakt'-Gjilan, Avni Krasniqi 'Molitoria'-Vushtri and Ejup Qerimi/EICC Kosovo. During this visit the first contacts have been established with Chamber of Trade, Industry, Hand crafts and Agriculture in Bari respectively with its president Mr. Vincenzo Divella who promised the same cooperation they already established with Montenegro and Albania.