

PROJECT NAME: The assessment of actual export procedures

ACTIVITY TYPE: Impact Assessment

ACTIVITY TITLE: Analysis of actual export procedures to export goods from Kosovo and providing policy options to address the obstacles/barriers.

Author: This report was prepared by Naim Huruglica, at the request of the Association of Fruit and Vegetable Processors of Kosovo

Table of Contents

I. Executive summary.....	3
General Objective	3
Specific objective	3
I.i. Background.....	3
Current situation in the agricultural sector	3
I.ii. Actual procedures on export and import of goods.....	4
II. Methodology.....	6
III. The results from the research.....	7
III.i. Obstacles and internal procedures in Kosovo affecting exports of PePeKo member companies....	9
IV. Findings.....	11
V. Recommendations.....	13
Annex I: Questionnaire used for interview.....	16

I. Executive summary

General Objective

Contribute to addressing obstacles to freer export development by members of the Kosovo Fruit and Vegetable Processors Association.

Specific objective

The specific objective of this research is to examine current export procedures and to identify those affecting Kosovo exporters members of the PePeKo Association, and to provide recommendations on ways and methods to mitigate their negative impact on exports.

I.i. Background

Current situation in the agricultural sector

Agriculture continues to be one of the fastest growing sectors in Kosovo, where the fruit and vegetable sub-sectors have seen tremendous growth over the past 5 years.

According to data published by the Ministry of Agriculture, Forestry and Rural Development, areas with these crops for a period from 2014 to 2017 increased by 23.90% and 72.63% respectively.

Year	2014	2015	2016	2017
Area with vegetables (ha)	15,854	14,656	17,395	19,643
Production (t)	221,330	246,096	335,467	358,394
Area with fruits (ha)	3,720	4,930	5,668	6,422
Production (t)	25,903	44,674	54,836	34,207

Table no.1. The sown area as well as vegetable and fruit production during 2014-2017

Kosovo, thanks to growing vegetable areas but also to increased economic activity in general in agriculture, has managed to not only meet part of the local market needs, but also to export to foreign markets.

According to data published by Kosovo Customs, during 2018 Kosovo exported agricultural and food products in total value of 59,431,833.60 euros.

CEFTA market represents the largest market for Kosovo exporters. According to the Kosovo Customs data for 2018, Kosovo exports to CEFTA countries reached the value of 166.57 million

euro out of total export of 329.21 million euro, what represented 50.60 % of total domestic exports.¹ The same applies to agricultural and food products as a whole (Customs Tariff Chapters 01 to 24), where the value of exports to CEFTA countries is 36.65 million euros or 61.67% of total exports of agricultural and food products, whose total value in 2018 was € 59.43 million euro.

Some of the most exported products you can find in the table below:

No.	Description of goods	Net weight	Value
1	0210209000 - Beef, boneless, salted, in shell, dried or smoked	23,394.00	126,532.18
2	0301919000 - Others	27,910.00	109,940.00
3	0401209900 - Milk, non-concentrated, without sweetening supplements, over 3 to 6% fat, in packs with a net content of over 2 liters	96,954.00	55,123.20
4	0403905900 - Butter, no spices, fruits, nuts, cocoa, no additional sweeteners, in the form of juice, with fat over 6%	165,087.00	378,628.66
5	0701909000 - potato	11,751,561.28	1,666,418.16
6	0702000000 - Fresh tomatoes	165,557.80	73,393.46
7	0707009000 - Small cucumbers	198,257.98	101,588.51
8	0709599000 - Other, cool, truffle truffles	62,436.30	492,023.29
9	0709609900 - Other fresh peppers	581,851.98	493,054.49
10	0711590000 - Other mushrooms (other than Agaricus), preserved, not suitable for immediate consumption	49,373.63	607,617.48
11	0712390000 - Other, dried mushrooms	773,508.10	1,904,851.22
12	0806203000 - Raisins, relish	397,862.35	106,651.19
13	0810100000 - Strawberry	106,985.00	204,639.18
14	0810201000 - Raspberries	2,750,398.00	3,549,659.86
15	0810409000 - Other blueberries	218,373.00	614,058.45
16	0811203100 - Soft berries (Raspberries) processed without sweetening additives	742,816.00	1,043,663.60
17	0811209000 - - Raspberries, blackberries, mulberries, loganberries, black-, white- or red- currants and gooseberries:	696,715.00	1,061,548.46
18	0811907000 - Vaccinium myrtilloides and Vaccinium angustifolium fruits, processed without sweetening additives	370,354.00	839,640.15
19	0813409500 - Other dried fruits	209,324.12	673,651.71
20	1211500000 - Ephedra	256,998.00	2,058,605.74
21	2001907000 - Peppers, canned	399,442.49	732,244.47
22	2001909700 - Vegetables and other fruits, canned	70,929.83	172,818.82
23	2005202000 - Potatoes, sliced, fried or baked, with or without salt or spices, in hermetically sealed packages, suitable for immediate consumption	2,750,398.00	3,549,659.86
24	2005995000 - Mix of greens	169,997.58	304,926.59
25	2007109100 - Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, being cooked preparations, whether or not containing added sugar or other sweetening matter:	223,527.60	278,493.92
26	2007999300 - Puree and paste of tropical fruits and tropical nuts, with sugar content up to 13%	651,604.96	765,673.08
27	2103200000 - Ketchup of tomatoes and other tomato sauces	77,887.19	59,479.23
28	2202100000 - Refreshments (water with sweetening and flavoring additives)	19,385,326.78	8,835,313.99
29	2203000100 - Bottled Malt Beer (less than 10 liters)	19,625,982.32	9,029,906.82
30	2204299800 - Red wine, produced outside the EU, not of any particular grape variety	8,456,271.20	4,695,115.42
31	2208907700 - Drinks other than fruit distillation, in containers over 2 liters	66,484.06	300,451.97
32	2302309000 - - - Others	8,189,640.00	976,442.40
	TOTAL	79,713,209.55	45,861,815.56

¹ Kosovo Customs data for 2018

Table no.2.The most exported agricultural and food products in 2018

I.ii. Actual procedures on export and import of goods

There are 3 Border Agencies in Kosovo: Kosovo Customs, Kosovo Border Police and Kosovo Food and Veterinary Agency, which carry out control and supervision of import, export and transit of goods. Compared to many countries around the world this number is considered moderate, as in many other countries there are more state border agencies, which with their work often present an obstacle to cheaper and faster development of cross-border trade. Despite this "symbolic" border presence in Kosovo, there are a larger number of Governmental Institutions involved in the import, export and transit procedures of goods, issuing licenses and permits for the import and export of certain goods and by applying certain fees and charges to these international transactions.

In the fruit and vegetable sector, the current export procedures do not differ from those of other goods. The shipment prepared for export must first be provided with a Certificate for laboratory analysis of the products being exported. Such a Certificate is issued by 2 different institutions in Kosovo: The Institute of Agriculture from Peja and the Institute of Public Health from Prishtina. In order to obtain such a Certificate, the exporting company must send to one of the above two Institutions samples of the product (s) planned to be exported. Upon completion of the sample analysis, the Institute issues such a Certificate which the exporting company must then present to the regional office of the Food and Veterinary Agency in order to obtain the Phytosanitary Certificate of Export issued by the Agency. Upon receipt of this Certificate, the exporting company or its representative (the forwarding agency) may file a unique export customs declaration with the Kosovo Customs. Upon receipt by the Kosovo Customs of a single Customs Declaration and approval of an export request, the shipment may depart for overseas or must go to the nearest Customs Terminal for physical examination of the goods loaded on the truck. The decision on whether the shipment can go straight to the border or to the Customs Terminal for physical examination depends on the risk assessment carried out by the Kosovo Customs.

Illustrated, the procedure for exporting goods is as follows:

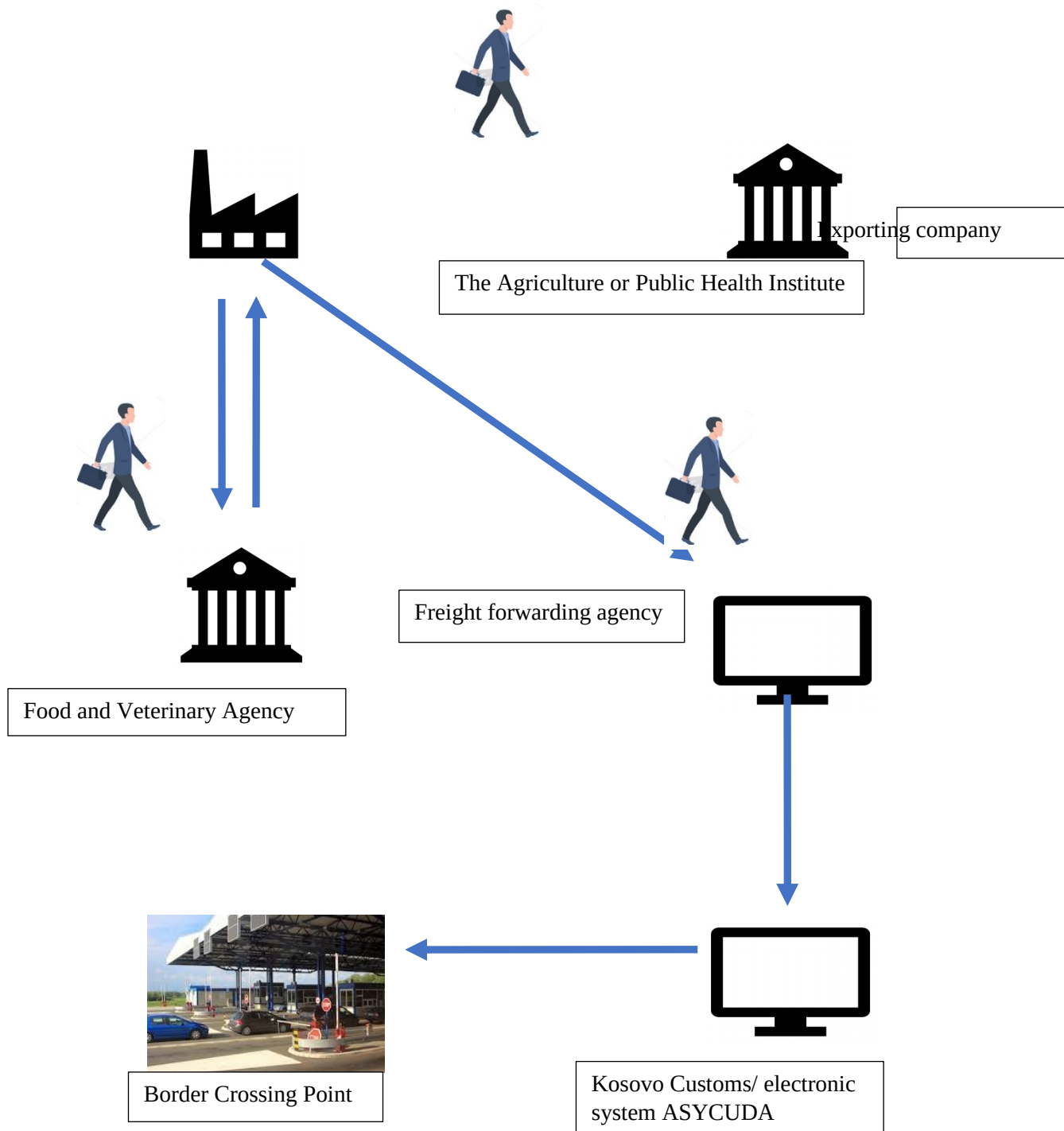


Figure no.1. The export procedure of products from fruit and vegetables processing sector

II. Methodology

The research was done through primary data collected through meetings and interviews with the representatives of 10 of businesses' members in PePeKo Association. Interviews were conducted based on a questionnaire which was prepared specifically for this research. For more details see Annex 1.

Interviews were conducted with the chief executive of Food and Veterinary Agency, representative of Kosovo Customs and Head of Trade Department within Ministry of Trade and Industry. Additional research was done based on export data published by Kosovo Customs for year 2018. During the meetings and interviews the external expert was assisted by PePeKo staff.

- **The interviewed companies:**

1. ASK FOODS from Gjilan
2. ABI ELIF PROGRES from Prizren
3. FRUTOMANIA-MOEA from Prishtina/Gjilan
4. ANANAS IMPEX from Podujeve
5. JEJE from Prizren
6. RUDI from Gjakove
7. KRUSHA from Krusha e Madhe
8. EUROFOOD from Prizren
9. EXTRA FRUITS FILLINGS from Prizren
10. DARDANIA from Podujeve

- **Size of company**

Interviewed companies are of different size:

- 5 of them are small, with the annual turnover of less than 0.5 mil euro;
- 1 of them was at medium size, with the annual turnover between 0.5- 1 mil euro
- 4 of them are large, with the annual turnover over between 1- 5 mil euro

III. The results from the research

The collected data show that the situation regarding the countries where the export took place is different in the cases of companies' members to PePeKo. According to the data gathered from the conducted interviews but also the analysis of export data for this sector, it turns out that the main external market for the fruit and vegetable processing sector is the European Union market with 59% of exports, followed by exports to the CEFTA market with 29% of exports and 12% of exports to third countries.

Regarding the importance of export for their business, one of the interviewed companies stated that they did not export at all in 2018, 4 companies stated that their export accounts for between 15-30% of their total turnover, whereas 4 other companies have stated that exports account for between 50 and 70% of their total turnover. 1 of the interviewed companies stated that they export 100% of their products that they produce.

The data collected show that for 4 of the interviewed companies with exports accounting for less than 30% of their total annual turnover, their export to the EU market represents 47.5% of their total exports. Whereas for the other 4 companies where the export of their products accounts for 50-70% of their total annual turnover, their export to the EU market represents 60% of their total exports. The company that exports 100% of the products they produce has stated that all of their exports go to EU countries, more specifically to Germany.

CEFTA is the second market where PePeKo members are mostly exporting. The collected data show that for four of the interviewed companies to which export participates with less than 30% of their total annual turnover, their exports to the CEFTA market represents 52.5% of their total exports while for the other 4 companies where exports of their products account for 50-70% of their total annual turnover, their export to the CEFTA market represents only 12.5% of their total exports.

Share of	Distribution of	Distribution of	Distribution of	Distribution of
----------	-----------------	-----------------	-----------------	-----------------

exports in total turnover groups (%)	companies by share of exports in total turnover (%)	companies by share of exports to EU in total exports (%)	companies by share of exports to CEFTA in total exports (%)	companies by share of exports to other countries in total exports (%)
0	1	0	0	0
15-30	4	47.5	52.5	0
50-70	4	60	12.5	27.5
90-100	1	100	0	0

Table no.3. Portions of exports from their total turnover and of exports to EU, CEFTA and other countries from the total exports

On the question regarding their experiences with Kosovo authorities when exporting their products, all respondents responded that they did not have any bad experiences with Kosovo authorities.

Also, on the other question whether they experienced any difficulty or obstacles in carrying out their exports, which they think is not part of a normal standard procedure, all respondents responded that they did not encounter any such difficulty or obstacle.

When asked how much they are aware of the different requirements and different procedures/regulations applied by Kosovo authorities when exporting their goods and the changes that occur in these requirements and regulations, most respondents answered that they receive this information only when they have to cope with those changes and that they receive information about the changes mainly through their providers.

In addition to export procedures, companies have also been asked about their experiences in importing raw materials, equipment and raw materials. Most of the respondents responded that they had no difficulty in importing, except for 2 companies that reported experiencing difficulties, as the customs authorities do not accept import invoices when they are copy and do not accept the tariff numbers stated by the exporting country suppliers.

III.i. Obstacles and internal procedures in Kosovo affecting exports of PePeKo member companies

When asked what Kosovo authorities should do to facilitate exports for PePeKo member companies, most of them have presented a number of issues and procedures applied by national authorities, which they see as obstacles to further development of freely export.

- **Lack of standardization of the working procedures of the Food and Veterinary Agency in all their regional offices.**

Interviews with association's member companies from different regions of the country, have identified differences in working procedures between the regional offices of the Kosovo Food and Veterinary Agency. While in Gjilan and Prishtina regional offices, FVA officials accept as valid Certificate of Physical-chemical analysis Certificates issued by the Institute of Public Health or the Institute of Agriculture in Peja in a period of up to 6 months, FVA officials in the Prizren region require companies to have these tests not older than 15 days from the date of application for a Phytosanitary Certificate for export. This approach by FVA officials not only costs companies but also takes them valuable time to conduct these analyses.

- **Small number of phytosanitary and Veterinary Officials**

Most exporters have complained about the lack of phytosanitary and veterinary staff at the FVA regional offices. This is mostly evident in the Prizren region, where only 2 FVA officials cover a large territory of the country and a large number of production companies, as this region is a well-known agricultural region with a large presence of food production and processing enterprises. It is worth mentioning that out of the 10 interviewed members of PePeKo, 5 are from this region.

- **Change the sampling procedure and reduce the number of samples they need to send to FVA offices**

This is another issue raised by exporters. In order to obtain the export certificate, they must first submit samples of their products to the Institute of Public Health or the Agricultural Institute in Peja and after receiving the Certificate of Physico-Chemical Analysis issued by one of these two Institutes, they must apply for an export certificate to the regional offices of the Food and

Veterinary Agency in the region where the business is registered. In order to obtain the export certificate, they must send additional samples to the office of the Food and Veterinary Agency. In their view, the authorities should not require samples for each individual export. The rules implemented by Kosovo Institutions require companies to send at least 2 samples to specific agencies for each product they export. This means that enterprises producing agricultural products, processed foods and beverages must send 2 samples for each product exported to the Institute of Public Health and 2 more samples to the Food and Veterinary Agency.

- **Not recognition of the Phytosanitary and Veterinary Certificates issued by the Kosovo Food and Veterinary Agency by the authorities of the countries where the products of PePeKo members are exported**

The Kosovo legislation in force requires the company to extract a valid phytosanitary or veterinary certificate from FVA for each export. On the other hand, no CEFTA member country (excluding Albania) allows Kosovo goods to be exported to those countries without additional analysis by the local authorities of that country.

- **High prices of Customs Terminal services**

If the Kosovo Customs risk management system selects the consignment as a high-risk consignment, the shipment must go to the internal customs terminal for inspection before leaving the country. A fee they have to pay for the use of the facilities is 40 euros and businesses feel they have to pay less. The 40 Euro charge applies to any freight entering the terminal and this amount is applicable for up to 24 hours. Even when the truck stays for only 30 minutes, they are still charged the full amount. If the procedures last more than 24 hours, companies will have to pay an additional 40 Euros for the second day of using terminal facilities.

IV. Findings

Important findings were identified during the implementation of the activities, which are presented as follows:

- Foreign markets / exports in these markets are crucial for the further development of the fruit and vegetable processing sector. Most PePeKo members in foreign markets sell more than 50% of their output and this sale are expected to increase in the coming years.
- Statistics on exported goods in 2018 show that agricultural products and processed food are still not in the group of most exported products, as during this year export of these products participated with only 18.06% in total export. However, statistics show a steady year-on-year increase in exports of agricultural and food products.

	2016	2017	2018	Increase in% 2016/2018
Value of exports of agricultural and food products (EUR million)	31.99	45.50	59.43	85.78 %
Total exports (EUR million)	218.24	313.00	329.21	50.85 %
Net exported quantity (tonnes)	81,107	97,976	104,046	28.28 %

Table no.4. Exports of agriculture products for period 2016-2018

- Kosovo exporters, members of the Kosovo Fruit and Vegetable Processors Association, face internal obstacles as they prepare for the export of their goods. The lack of staff within the Food and Veterinary Agency in some regions, especially in the regional office in Prizren, is creating many delays and costs for local producers and exporters to obtain the export permit issued by this Agency. The Prizren region is known for its agricultural production and a considerable number of food and beverage producers and processors are concentrated in this region.
- Kosovo exporters who export to CEFTA member countries and to the markets of EU member states or other markets, face less difficulties when exporting to EU countries markets than when exporting to the region, to markets of CEFTA member countries.

- Not recognition of Kosovo's independence by Serbia and Bosnia and Herzegovina creates serious problems for PePeKo members to export to these two countries, due to the lack of recognition of documents issued by the Kosovo Authorities.
- Notwithstanding the provisions of the CEFTA Agreement on Trade Facilitation, there is a lack of co-operation between the responsible authorities of the Member States, including the non-mutual recognition of Phytosanitary and Veterinary Certificates.
- PePeKo members should always extract a Phytosanitary or Veterinary Certificate for export before exporting. To obtain such an export permit at the office where they apply, they must send samples of the products they export. The requirement to send samples for each export causes time loss, is costly and is not based on good practice.
- Members of the association can't receive timely information on changes occurring in regulations or procedures amending export or import.
- Members of the association were unaware of the existence of the electronic system used by FVA and could apply online to the system. Applying online would significantly save their time and reduce expenses when applying for a Certificate / Export Permit issued by this agency.

V. Recommendations

- The Food and Veterinary Agency should increase the number of staff in its regional offices, thereby facilitating Kosovo exporters to obtain the required licenses and certificates. The findings of the research show that FVA is the Agency which, due to lack of staff, causes the most delays and difficulties for Kosovo exporters members of PePeKo association.
- The Food and Veterinary Agency should, as soon as possible, enable members of the association to have online access to the electronic system used by the FVA.
- The Food and Veterinary Agency should apply unique standards regarding the timeframe for the validity of the Certificates of Physical-chemical Analysis issued by the Institute of Agriculture in Peja and the Public Health Institute in Prishtina. The decision on the validity of the Certificate should not be allowed to be arbitrary and to vary from region to region.
- Kosovo institutions, and in particular the Food and Veterinary Agency, should increase their bilateral contacts with the countries where members of the Association export, with a view to resolving the difficulties they encounter during export and reaching agreements on mutual recognition of issued documents by the Agency itself and the same Agencies of the respective countries.
- The Food and Veterinary Agency should improve its procedures and reduce current export requirements. The Food and Veterinary Agency should start implementing the risk management system in their procedures and move from applying a uniform procedure for all companies to the modern procedure based on risk analysis.
- The Government of Kosovo needs to increase cooperation with businesses in Kosovo in order to better understand their difficulties in doing business in Kosovo and for export.
- Although most of the difficulties and obstacles to export to Serbia and Bosnia and Herzegovina are politically linked, the Government of Kosovo must do its utmost to find a solution to overcome these issues.
- Kosovo institutions should increase their commitment to provide information to Kosovar businesses on different requirements and export and import regulations to / from different countries.

- To change the way of sampling. The current way of sampling is not good practice, as the sample is taken by the company itself and not the Institution that conducts the inspection. Likewise, the practice of sampling should not be continued for a specific shipment only, but sampling should be carried out by Institute officials conducting analyzes directly at the plant or warehouse.
- To coordinate with operators of inland customs terminals so that PePeKo member companies pay a lower fee for using these terminals services.

Annex I: Questionnaire used for interview

Topic: Internal barriers to export / import from / to Kosovo

1. Name and the address of the Company

_____.

2. Your position in the Company?

_____.

3. Your annual turnover?

- Between 50,000-100,000 euro
- Between 100,000-500,000 euro
- Over 1,000,000 euro

4. What is the share of export in your total turnover?

_____.

5. What is the share of exports in the following countries, of your total exports?

- 5.1. CEFTA countries (_____ %);
- 5.2. EU countries (_____ %);
- 5.3. Other countries (_____ %);

6. What is your experience with Kosovo authorities when exporting your products to one of the countries / countries mentioned in the question above?

	Kosovo Customs	FVA	MAFRD	MTI	Other
Not good					
Satisfactor y					
Good					
Very Good					
Excellent					

7. Did you experience any difficulties or obstacles in realizing your exports that you felt were not part of a normal procedure, or did you think that

there were unjustified or disproportionate requirements? If yes, can you explain this? Please describe in detail the specific difficulties encountered by specific local authorities. Please be as detailed as possible in your answer.

8. What do you think is the reason for such action?
- Lack of legal procedure, or discretionary enforcement of regulations
 - Lack of human and technical capacity within the relevant authority
 - Corrupt behaviour
 - Lack of mutual agreements between the Kosovo authorities and the authorities of the country of destination
 - Other reasons. Please explain in detail.

9. How well you are aware of the various requirements and procedures / different regulations applied by Kosovo authorities when exporting your goods from Kosovo and the changes that occur in these requirements and regulations? Do you think there are difficulty getting the needed information on time?

10. What was your reaction to the situations presented in Questions 7 and 8?
- You have complained to the authorities
 - You have stopped exporting
 - You have attempted to solve the case yourself

11. What do you think the Kosovo authorities can do to assist you? Could you please give us your opinion?

12. What is your experience with Kosovo authorities when importing raw materials or equipment for your business needs?

	Kosovo Customs	FVA	MAFRD	MTI	Other
Not Good					
Satisfactor y					
Good					
Very Good					
Excellent					

13. When realizing your imports, did you experience any difficulties or obstacles that you felt were not part of a normal procedure, or did you think that there were unjustified or disproportionate requirements. If yes, can you explain this? Please describe in detail the specific difficulties encountered by specific local authorities. Please be as detailed as possible in your answer.

14. What do you think is the reason for such action?
- Lack of legal procedure, or discretionary enforcement of regulations
 - Lack of human and technical capacity within the relevant authority
 - Corrupt behaviour
 - Lack of mutual agreements between the Kosovo authorities and the authorities of the country of destination
 - Other reasons. Please explain in detail.

15. What was your reaction to the situations presented in Questions 13 and 14?
- You have complained to the authorities
 - You have stopped exporting
 - You have attempted to solve the case yourself

16. What do you think the Kosovo authorities can do to assist you? Could you please give us your opinion?
