

ACTION PAPER

The influence of complicated procedures on corruption stimulation in Kosovo Customs



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October, 2016



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Executive Summary

Numerous studies conducted in Kosovo¹ reveal a high prevalence of corruption among public institutions (UNDP Public Pulse Report, April 2016; UNODC, 2013; Fol Movement, 2010), Corruption Risk Assessment in the Health Sector in Kosovo (2014). Recent Public Pulse data show that 32.3% of the Kosovars believe that corruption is present in Kosovo Customs, too (UNDP, April 2016). While previous research focused, almost exclusively, on soliciting the opinions and perceptions of the general population, in this study, primary source of information were businesses who are the main recipients of Kosovo Customs services.

The aim of the study is to identify the prevalence of corruption and to find out the possible effects of complex procedures that are considered to be the cause corruption in Kosovo Customs. In total, 200 respondents were interviewed of whom 100 came from import, 50 from export and 50 from brokerage companies, using a multi-staged random probability sampling method.

Results show that customs offices and officers are the primary source of information for most respondents (44.3%) who have questions about their rights and obligation, custom procedures and taxes. Results also show that 86% of the respondents are satisfied with the information they received from Kosovo Customs regarding custom procedures. However, around one third of the respondents still believe that Kosovo's Customs offices need to improve their information regarding tax-related questions.

Almost half of the respondents report that they have to wait from one to two hours for the import and export procedures. Consequently, 68% of the respondents consider that the current custom procedures can be simplified. The most difficult procedure to follow in Kosovo Customs is filing complaints and customs warehousing. However, around 47.5% of the respondents have filled at least one formal complaint in the past two years.

Most of the respondents state that import channels (red, green and yellow), call centers, CTV cameras, risk based assessments and one-stop business registration procedures made it easy or very easy to comply with tax obligations. On the other hand, there are almost 1/3 of the respondents who complained about the way they are treated by the Kosovo Customs and the form of punishment for tax offenders. Almost the same percentage of the respondents (31% - 32.5%) consider that custom officers abuse their authority for personal gain.

Only 5% of the survey respondent reported that services to them were conditioned by the custom officers in return for bribes, gifts or other favors. On the other hand, 35 % of respondents consider that bribes are offered to customs officers in order to receive a timely service. Further, 45% of the respondents do not consider giving bribes as a choice, but prefer to solve issues through legal means.

The current action paper suggests that there are important links between complex procedures and the prevalence of corruption. Thus, there is a need to simplify customs procedures and shorten the waiting time in order to reduce the prevalence of corruption and enhance the overall satisfaction of bussinessed with the performance of Kosovo's customs.

¹ For UNDP, references to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999)

The views expressed in this document are those of the opinion poll respondents and do not necessarily represent the views of either UNDP or USAID.

Introduction

Kosovo Customs

Kosovo Customs is a public institution, which was first established in 1999 under UNMIK, and became known as Kosovo Customs in December 2008, after Kosovo Assembly adopted the customs code that enabled transition (code: 2008/03-L-109). Its development aligns with EU standards (European Commission, 2015). It currently employs 600 employees (Kosovo International Trade Guide, 2016) who are responsible for collecting customs taxes, such as customs duty, value added taxes, and excise tax. Kosovo Customs serves as a gatekeeper and plays a major role in expediting the flow of commercial goods both in and out of Kosovo (Kosovo Customs, 2016). The Customs Service also monitors the import and export in order to ensure the protection of the economy accurate record-keeping of statistics about external trade (Portal of Kosovo, 2016).

The main objective of Kosovo Customs is to offer expedited clearance and control of legitimate trade and for the passengers, protect and secure the customs territory, by effective and efficient on collection of revenues in accordance to regulations, in contribution to Kosovo's economic development. The tax collection by Kosovo Customs represents the main source of Budgetary Revenues. Kosovo Customs collected 950 million euro during 2015; this number represents the highest amount collected in the 15 years of Kosovo Customs existence. In 2015, revenue collections increased by 9.6% (82 million) compared to 2014 (Kosovo Customs, 2016). The European Commission (EU) acknowledged this progress but suggests at the same time that in the coming year, 'Kosovo should in particular strengthen its internal performance controls and the fight against corruption' (European Commission, 2015, p. 40).

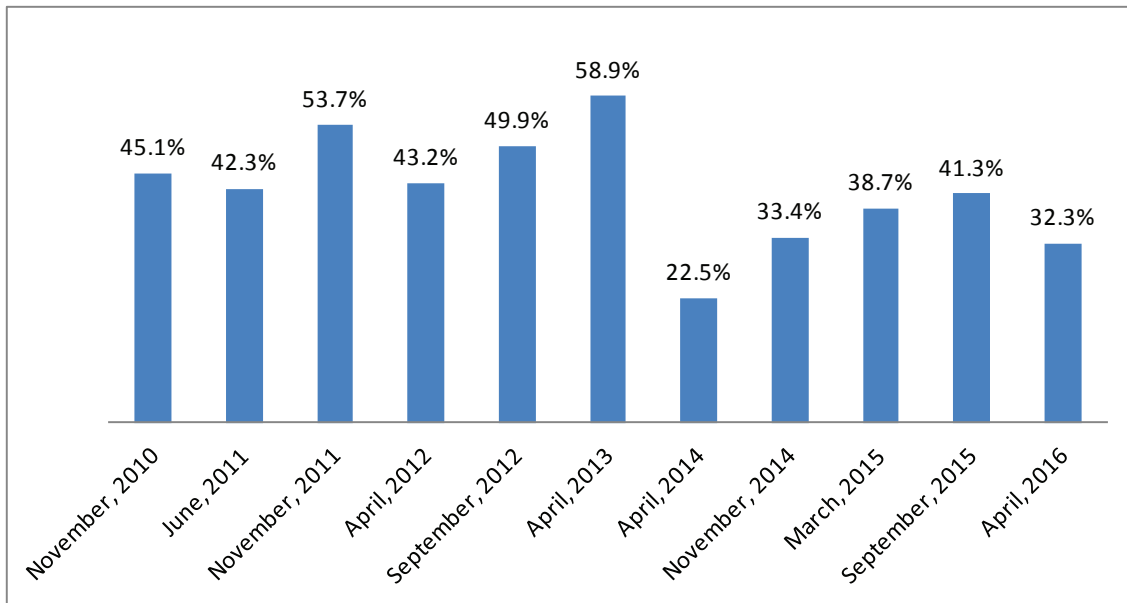
Corruption in Kosovo

While questions persist on the impact of anti-corruption initiatives and whether or not corruption is on the decline, there has been significant movement on the anti-corruption dialogue over the last two decades. There is increasing evidence that anti-corruption efforts are contributing to promote transparency, accountability, and integrity in decision-making processes. Due to its complexity corruption is difficult to measure; nonetheless there is clear evidence on the correlations between corruption and economic & human development indicators.

In Kosovo, corruption has been identified as one of the main impediments on the path to European integration and it remains one of the top-three most pressing problems for Kosovars. The general population is skeptical of merit-based employment in the public sector. That is, the majority of Kosovans (81%) believe that family connection, bribes, party alliances, and other non-merit factors are most helpful in securing employment in the public sector (UNDP Public Pulse Report, April 2016). A large number of respondents who participated in the latest Public Pulse survey think that large-scale corruption is prevalent in many institutions, including: Kosovo's Courts (42%), Privatization Agency of Kosovo (39%), Healthcare Providers (38%), Central Administration/Institutions (37%), Customs (32%), and the Kosovo Electric Corporation (31%). According to the UNODC (2013) the public officials with the highest risk of bribery in interactions with businesses are customs officers, officials in the tax/revenue administration, and municipal or provincial officers (UNODC, 2013). This is reflected in another report, in which 94.5% of Kosovans stated that bribing customs officials has happened (rarely, often or very often to them), while only 5.5% said it never happened (Fol Movement, 2010).

Recent Public Pulse data suggest that 1/3 of Kosovans believe that corruption is present in Kosovo Customs. The highest percentage of corruption in Kosovo Customs was registered in April, 2013 (58.9%), while the lowest was registered in April, 2014 (22.5%).

Figure 1. Perceptions of the prevalence of large-scale corruption in Kosovo Customs throughout the years



The aim of the action paper

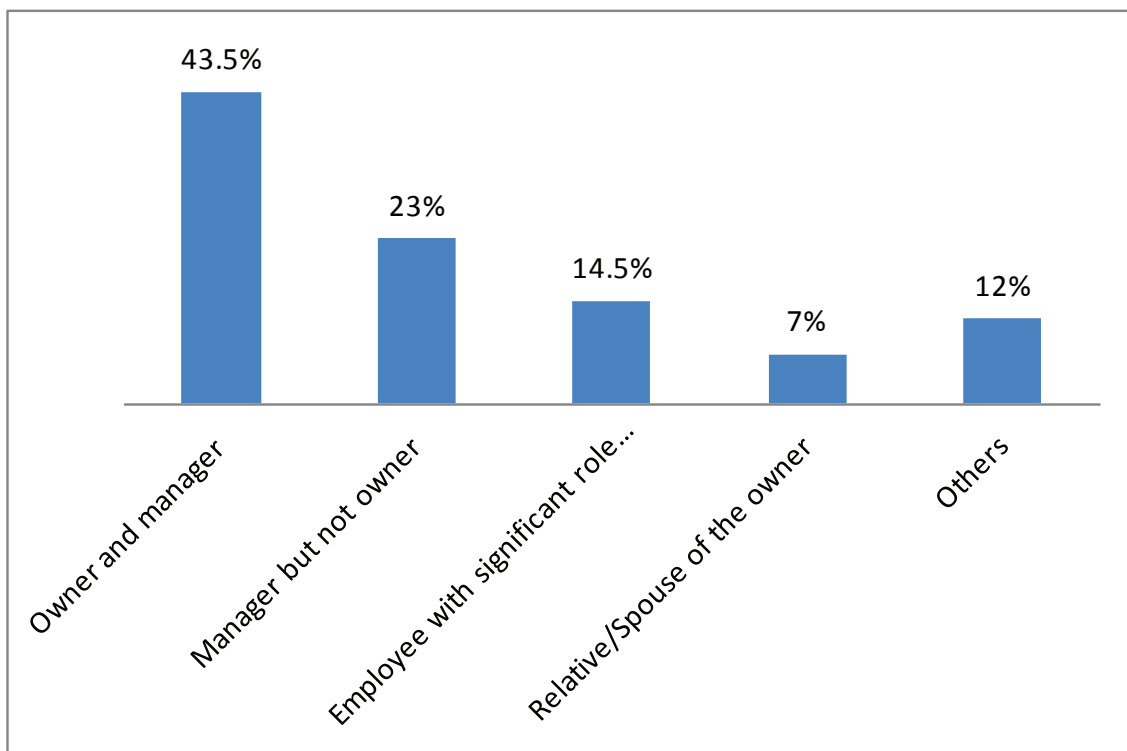
The existing data on the percentage of corruption in customs are mainly based on the perceptions of the general population. To date, there is no study which has explored the experiences of companies that receive services from Kosovo Customs. To address this gap, this action paper aimed to assess the current customs procedures, and to find-out whether these procedures contribute to the stimulation of corruption within customs in Kosovo.

Methodology

Sample

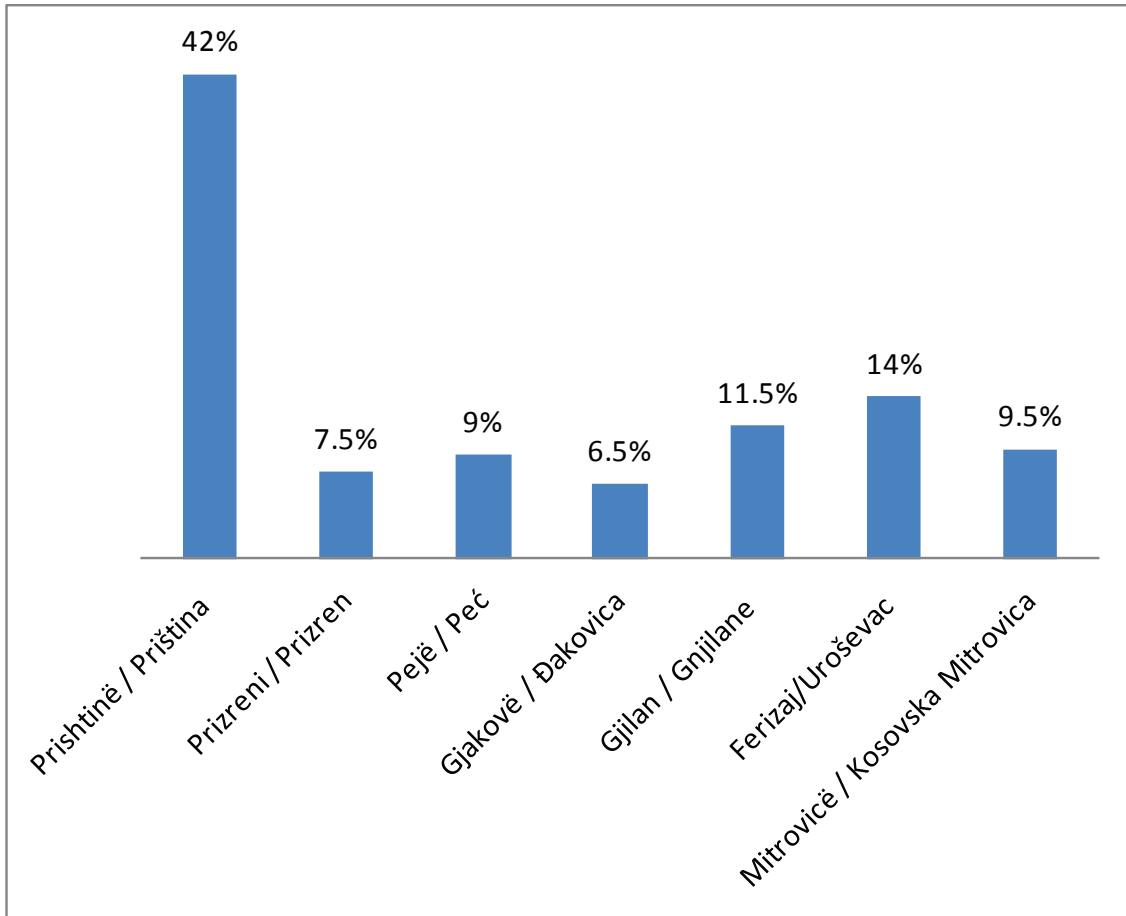
The data presented in this paper are based on a sample of 200 respondents, selected through multi-staged random probability sampling. Specifically, surveyors approached around 292 businesses, but not all of them participated in the survey. Approximately 40 percent of selected businesses from the list provided by Kosovo Customs did not take part in the survey because they were unavailable, inaccessible, or non-existent. The majority of businesses, which refused to take part in the study, were importing businesses. Of those who participated in the study, 100 were import companies, 50 were export companies and 50 were brokers. The majority of individuals who represented the companies were owners and/or managers (Fig. 1).

Figure 2. Interviewee's position in the company



In total, 91% of the respondents were male. The mean age of respondents was 40.5 years old (SD = 11.9). Only 4.5% of the respondents are students, while most of the respondents have a bachelor degree (55.5%) and 7% have a master's degree. In total, 99% of the respondents were Albanian. Most of them are from Prishtinë/Priština (42%), followed by Ferizaj/Uroševac (14%) and Gjiilan/Gnjilane (11.5%).

Figure 3. Interviewee's city of residence



Instruments and Procedure

The UBO Consulting team was contracted by UNDP to collect the data. The UBO Consulting team in close collaboration with experts engaged by the UNDP office in Prishtina/Pristina, designed the instrument for data collection. In total, the questionnaire contained 40 closed-ended and open-ended questions. The questions revolved around the respondents' perceptions of custom procedures and the presence of corruption in customs institutions. UBO Consulting conducted a pilot test of the questionnaire to validate it in terms of content and logic. Following the pilot test, necessary modifications were made to the questionnaire and the final version was used for data collection (Annex 1). The quantitative part of the research of the survey was implemented over a face-to-face interviewing technique with the designated sample of businesses

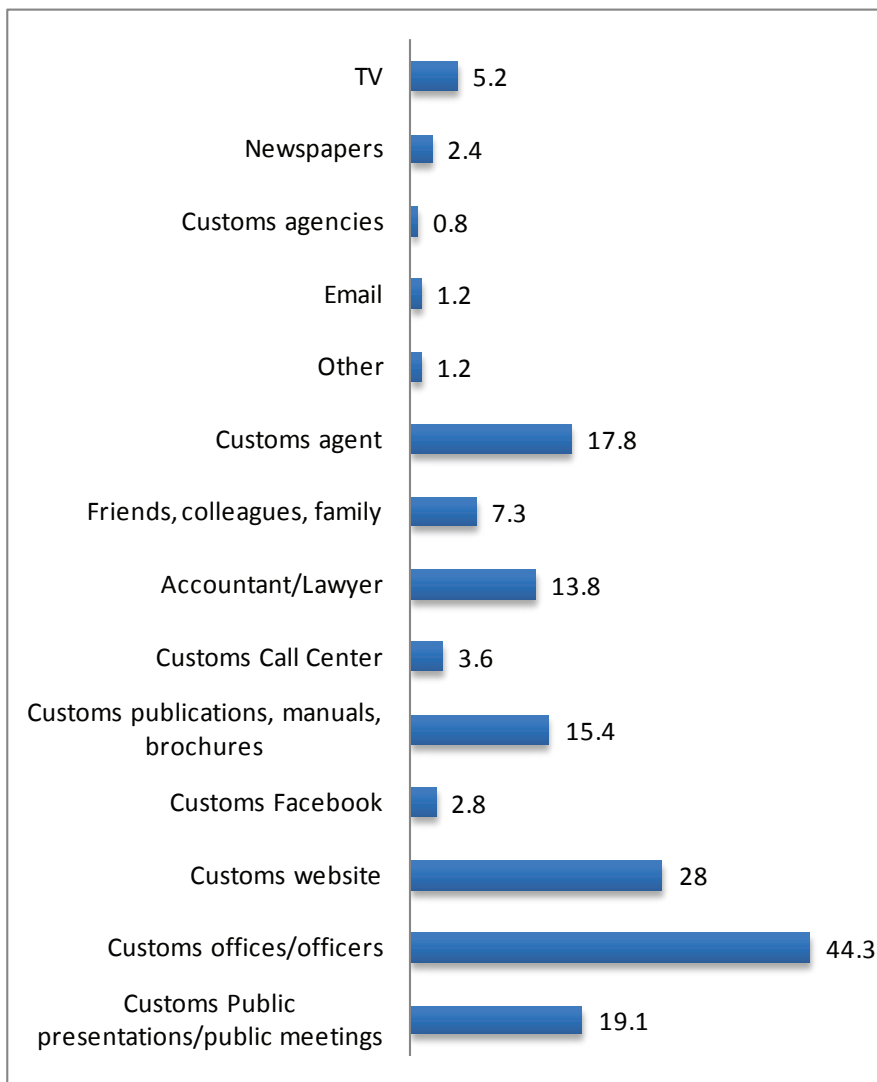
Data were analyzed using the Statistical Package for Social Sciences software (ver. 22). Different analytic strategies were employed in order to determine the differences between groups and interactions between variables (Annex 2).

Results

Access to information regarding custom procedures

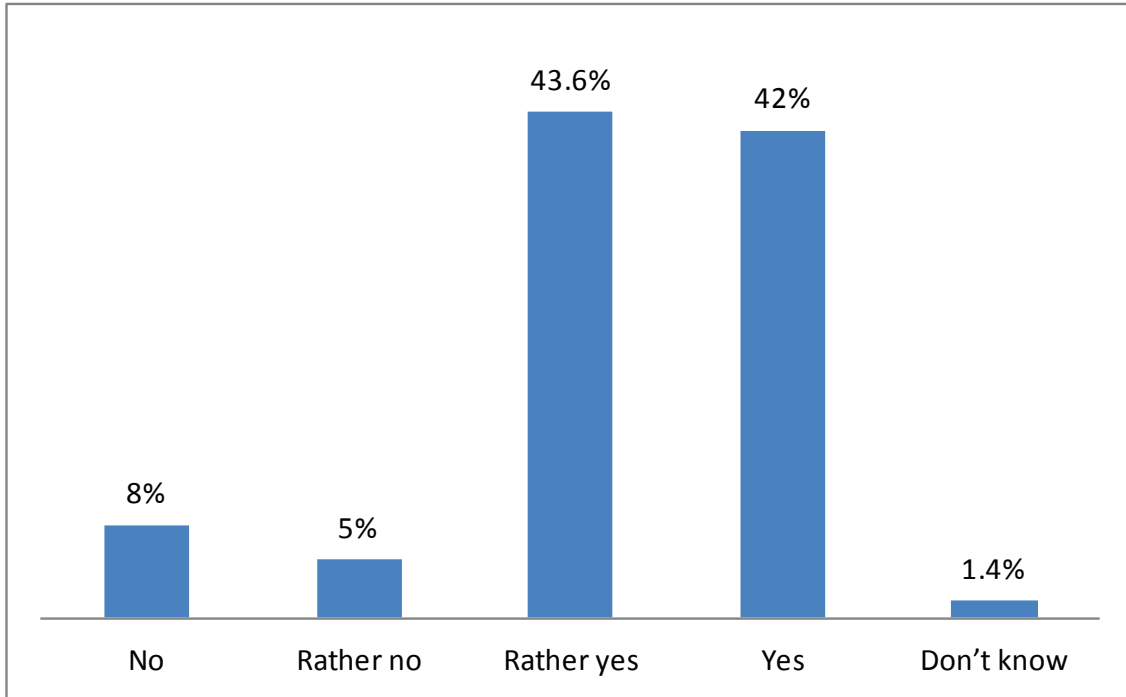
According to the results of this survey, the respondents' perception of custom procedures and the ease of respecting them may be depended on access to information regarding these very procedures. Results of the current action paper reveal that 70% of the respondents requested information related to customs procedures. Findings indicate that the primary source of information regarding the rights and obligation as an importer/exporter/customs broker were customs offices or customs officers (44%). Another 28% of the respondents use the customs website as the main source of information. Further, more than 30% of the respondents relied on public presentations or public meetings (19%) held by the customs office to be informed regarding customs procedures.

Figure 4. The primary sources of information regarding their rights and obligations



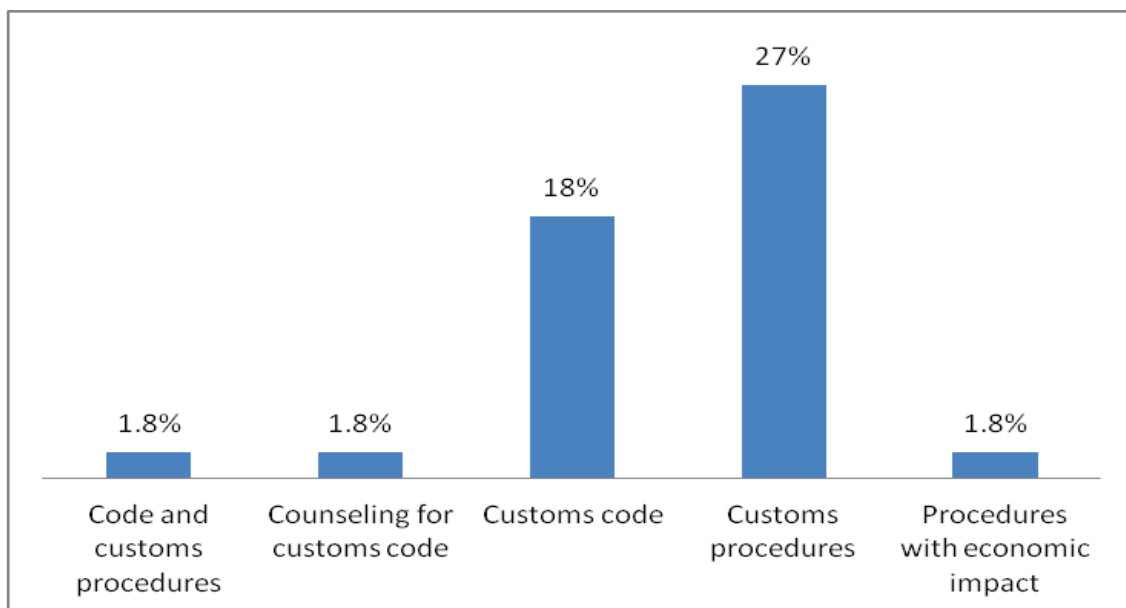
In total, 86% of the respondents who requested tax-related information from customs offices, declared to be satisfied with the information they received. These respondents tend to show higher satisfaction with customs administration and their efforts to reach out to the taxpayers and inform them about changes in customs legislation and procedures.

Figure 5. Respondent's satisfaction with the tax related information from Customs administration



Despite the fact that most of the respondents were satisfied with the information they received regarding taxes 1/3 of them still believe that more information on the custom procedures are urgently needed. Also, 18% of the respondents highlight the need for more information regarding the customs code. Based on the respondents' answers, less information is needed with respect to the procedures with economic impact (1.8%).

Figure 6. Areas where better information is most urgently needed according to respondents



Kosovo Customs duties and responsibilities

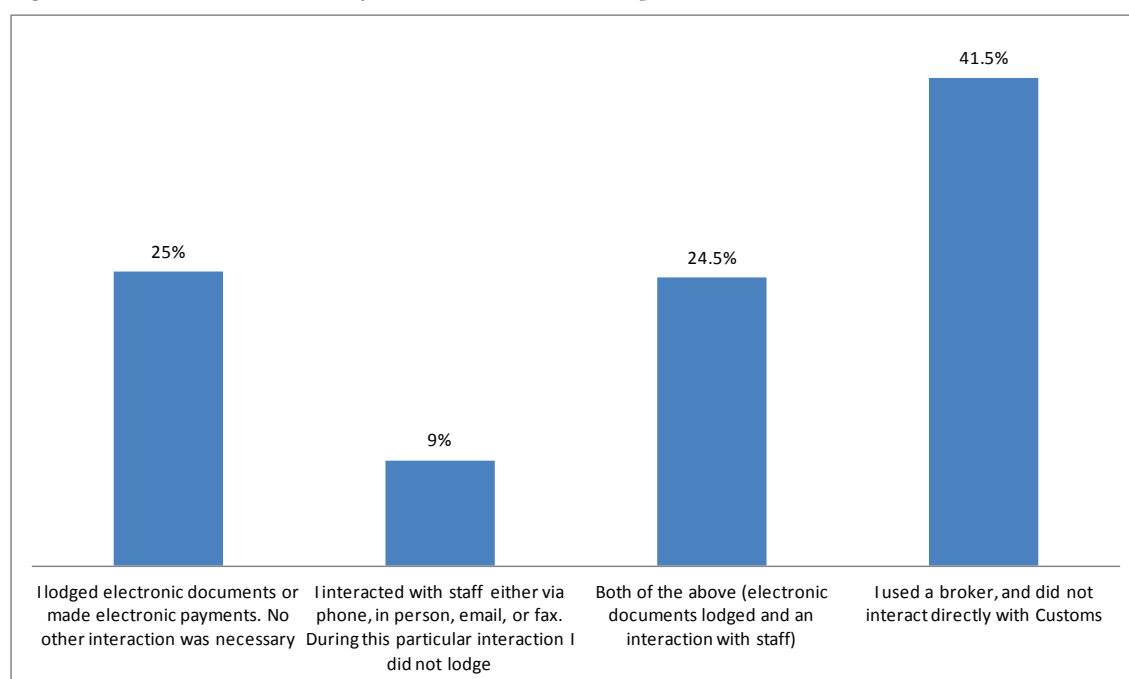
Another important motivation behind this study was to have a comprehensive view of the business perceptions and awareness on Kosovo Customs primary duties and responsibilities. For 82.5% of the respondents, assuring that businesses pay duties and taxes and fighting tax evasion is one of the important tasks that need to be performed by the Custom Administration. In addition, a large number of respondents consider that Custom Administration is in charge of collecting customs duties/VAT/excise (78%) and preventing smuggling of goods (92.5%). Almost half of the sample (48.5%) considers that customs offices are responsible for regulating (decreasing/increasing) tax rates. However, only 13% think that Kosovo Customs are responsible for collecting pension contribution, while there are 24% of respondents don't know if collecting pension contributions is the responsibility of Kosovo Customs (Table 1). Some misleading answer options, were left purposely

Table 1. The responsibilities of Kosovo Customs according to respondents

	Yes	No	DK
6.1 Force businesses to pay duties and taxes, fight tax evasion	82.50%	6%	11.50%
6.2 Collect customs duties/VAT/excise	78%	8.50%	13.50%
6.3 Collect pension contributions	13%	63%	24%
6.4 Set (decrease/increase) tax rates, e.g. for customs duties, exise, VAT	48.50%	33%	18.50%
6.5 Prevent Smuggling of goods	92.50%	1%	6.50%

When asked about the nature of their most recent interaction with customs, 41.5% said that they used a broker and did not directly interact with customs' officers. Additionally, 25% declared that they did not interact with customs officers because they submitted electronic documents or made electronic payments. However, 24.5% of the respondents used both electronic documents and had interaction with staff, while only 9% interacted with staff only, either via phone, in person, e-mail or fax.

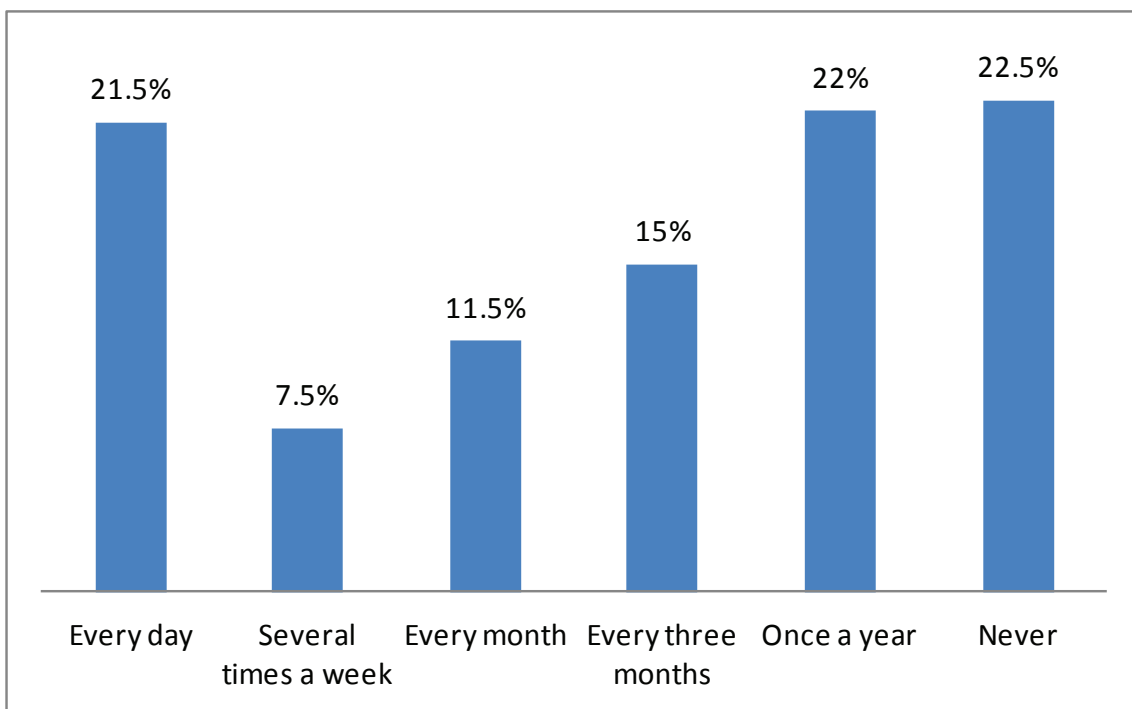
Figure 7. The common nature of interaction between respondents and customs



The results show that there are significant differences between the different types of interaction and the respondents' perceptions of customs procedures. There are marginally significant differences between the groups that did not interact with customs compared to the groups that had direct interaction with customs. Namely, those who used electronic documents or broker services see the current customs procedures as less complicated, as compared to those who had direct interaction with custom officers.

On one hand, a number of respondents (22.5%) reported that they never meet/interacted with customs officers. On the other hand, there were respondents (21.5%) who stated that they meet/interacted with customs officers every day, or several times a week (8%). Almost half of the respondents (49%) have less intensive interactions with custom administrators, meaning that they meet every month or once a year.

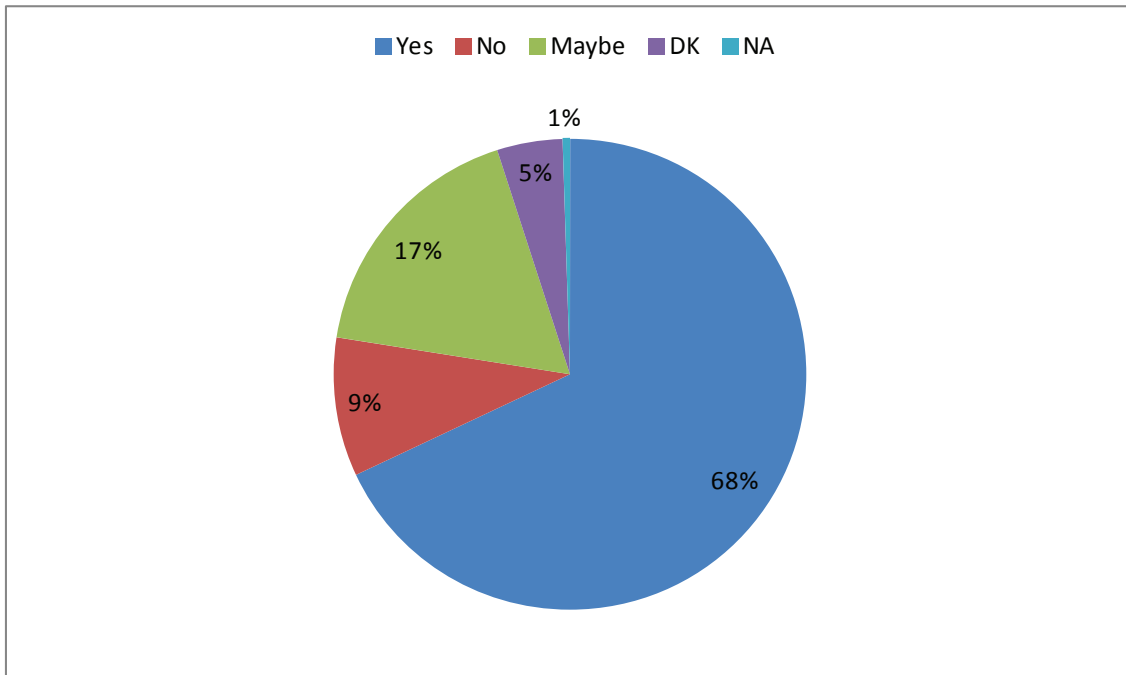
Figure 8. The frequency of interaction between respondents and customs



Burden – compliance with custom procedures

Respondents were asked if they believe that the procedures, which they follow in Kosovo Customs, could be simplified. Usually, complex procedures may lead to corruptive practice. Around two out of three respondents consider that custom procedures can be simplified and 18% are undecided, and chose “maybe” as their answer. Further, Only 10% think that custom procedures cannot be simplified and should stay as they are now.

Figure 9. Percentage of the respondents, who consider that current custom procedures are complicated



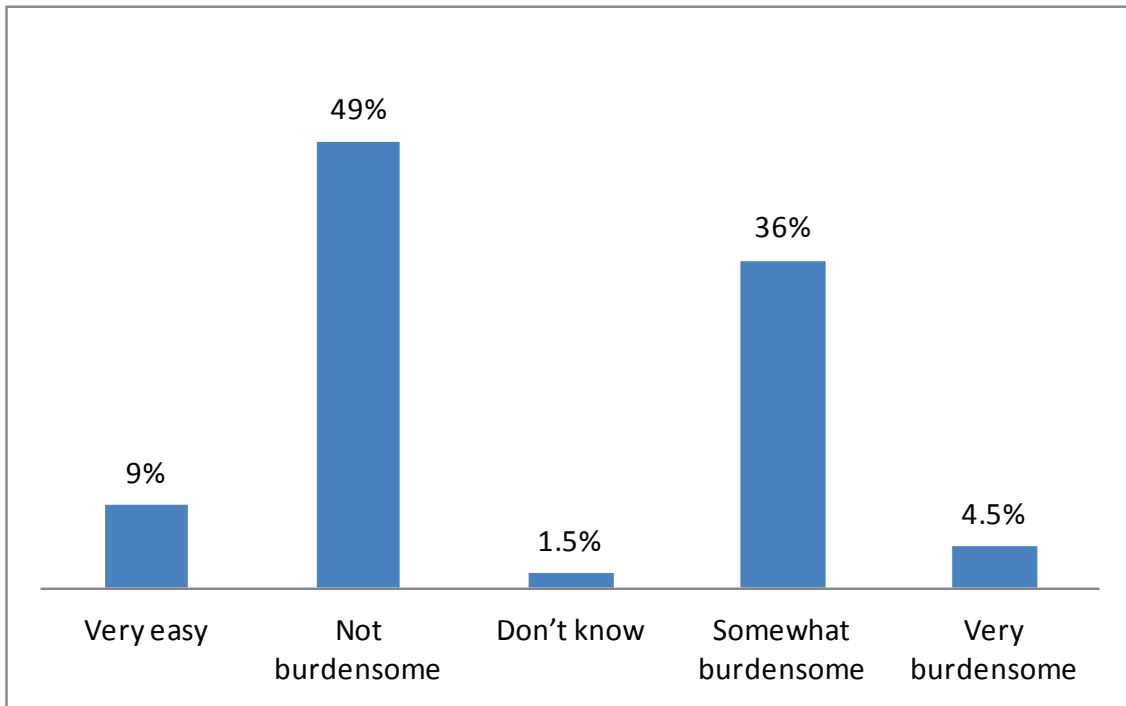
The time that it takes respondents to complete custom procedures varies greatly. Almost half of the respondents report that they have to wait up to one hour (23%) or up to two hours (20%) for import procedures. Similarly, 42% report that they have to wait “up to one hour” or “up to two hours” to finish export custom procedures. While 64% of the respondents do not know how long it takes to finish transit custom procedures, there are 27% who report that it takes less than 1 hour.

Table 2. The average time needed to complete Kosovo Customs procedures

	Up to 1 hour	Up to 2 hour	Up to 3 hour	Up to 4 hour	Up to 5 hour	More than 5 hour	DN/NA
Import	23%	20%	16%	6%	10%	15%	10%
Export	33.50%	7.50%	7.50%	5%	2%	5%	39.50%
Transit	27%	1%	4.50%	1%	1.50%	1%	64%

Respondents were asked to rate customs-related procedures, such as documentation, declaration, and payments. On a scale of 1 (very burdensome) to 4 (very easy), the majority of respondents (49%) rated custom procedures as not burdensome. However, there are 41% of the respondents who report that the current custom procedures are very burdensome (5%) or somehow burdensome (36%).

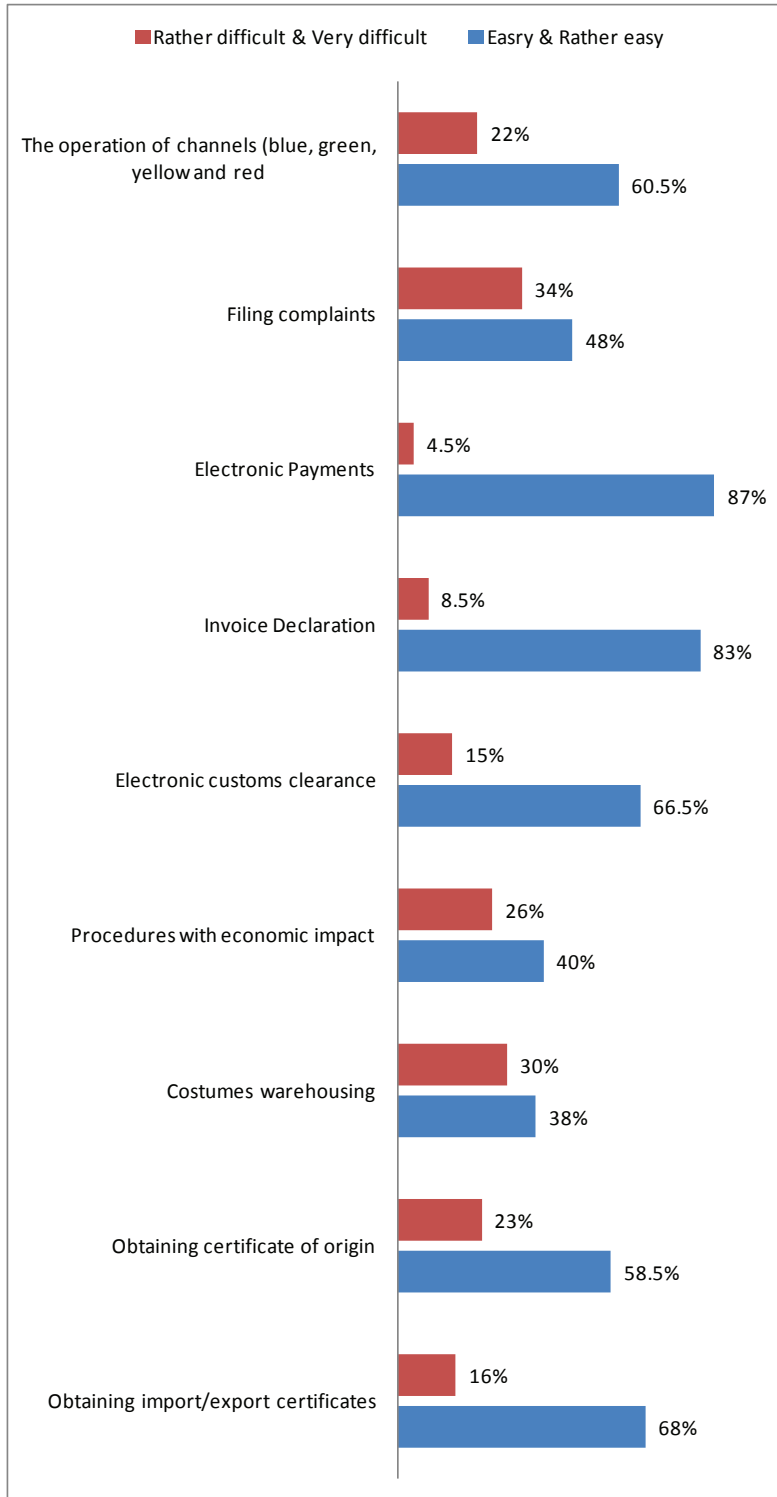
Figure 10. Respondents' perception of custom-related procedures



Results shows that time spent on export procedures are a significant predictor of the respondents' ratings of custom-related-procedures. Also, it is shown that respondents who spend more time on export procedures tend to consider as more complicated procedures with economic impact that should be followed on the Kosovo Customs.

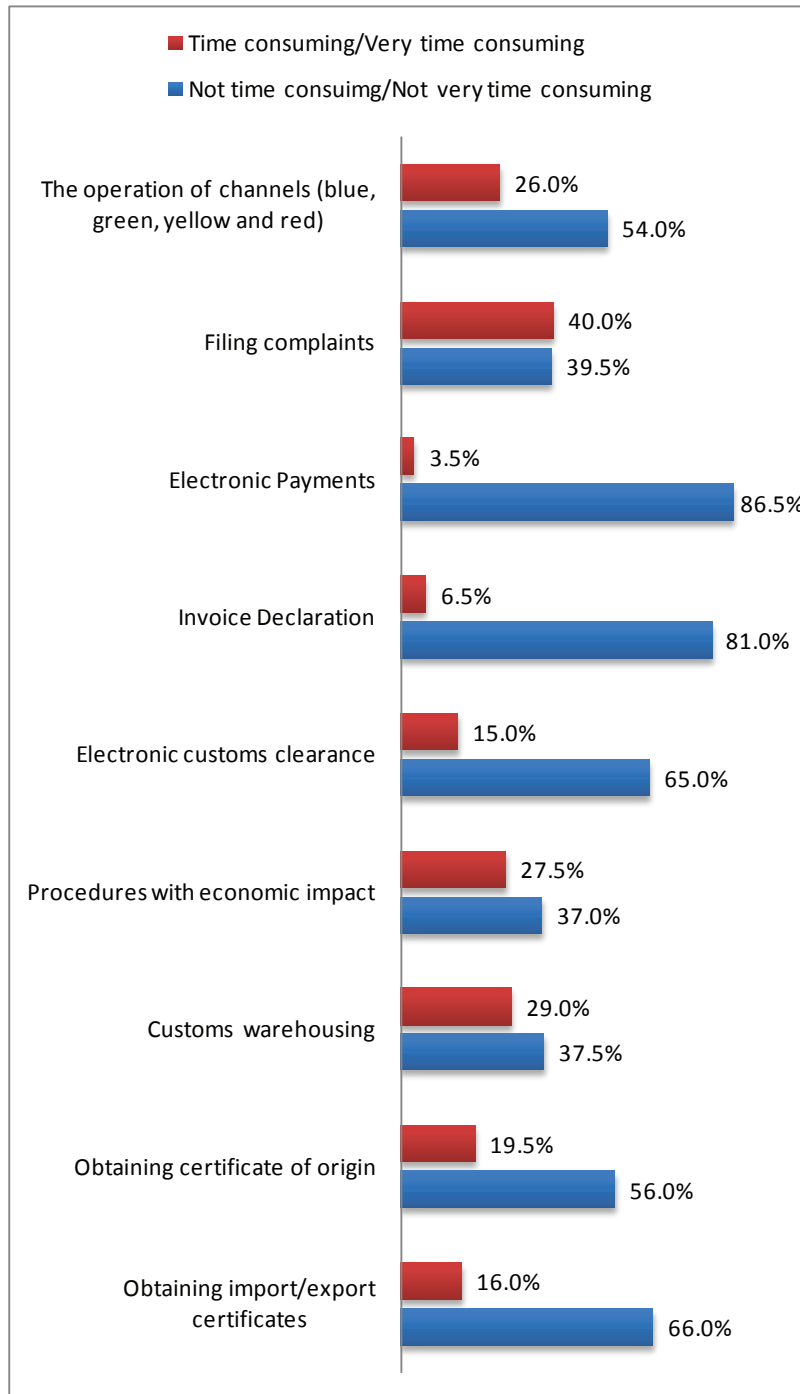
Respondents were also asked to identify the most complicated procedures, in Kosovo Customs. Results suggest that the easiest procedures are: electronic payments, obtaining certificate of origin and obtaining import/export certificates. The most difficult procedure is filing complaints and customs warehousing (Table 3). These two categories are considered as rather difficult or very difficult procedures to follow by 1/3 of the respondents. Further analysis shows a significant negative relationship between education and the ratings on the following question. This means that respondents with lower education tend to classify customs procedures as more difficult.

Figure 11. Respondents' opinion regarding the ease of Kosovo custom procedures



Despite the fact that the time needed to file a complaint is long and respondents consider it to be a difficult procedure, 47.5% of the respondents have filled at least one formal complaint in the past two years. After comparing these two groups (complaints/non complaints) show that those who filled formal complaint were the ones who had longer competing times for custom procedures, and also tend to suggest that these procedures should be simplified.

Figure 12. Respondents' opinion regarding the time needed to spend for Kosovo custom procedures



The impact of the changes on the Kosovo Customs performance

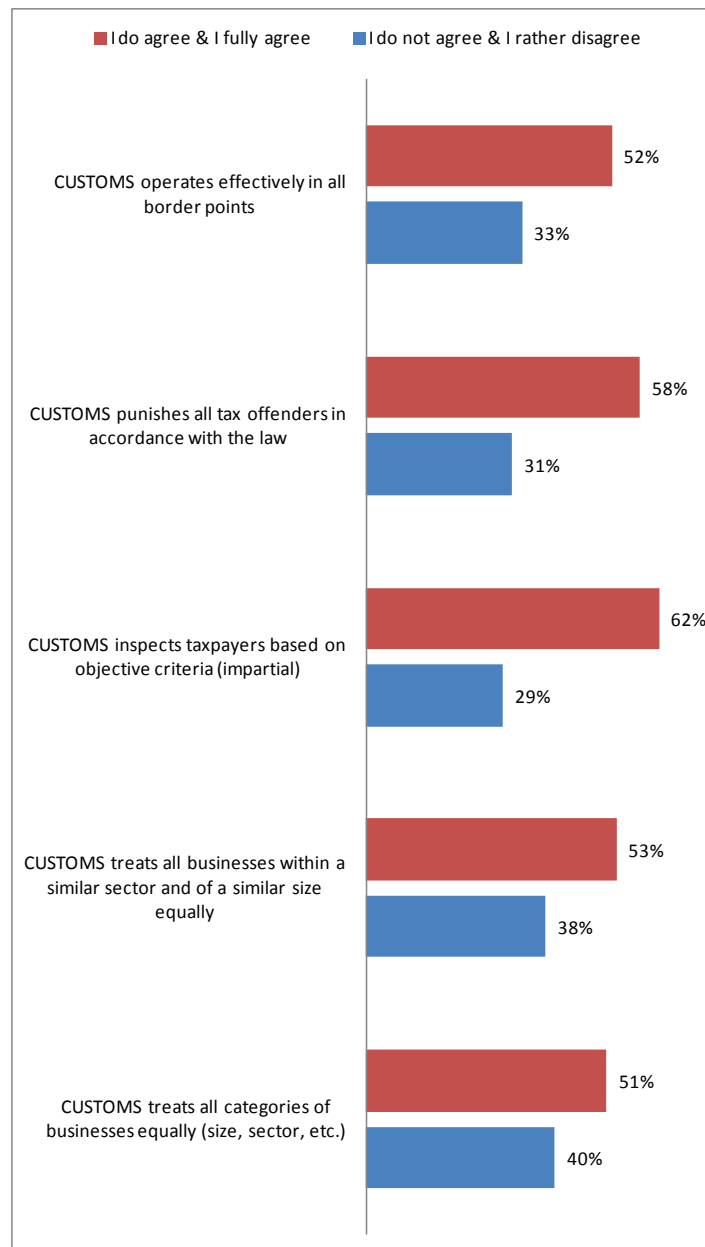
Respondents also reported on the impact of the changes that have been made in Kosovo custom's procedures. Most of them consider that import channels (red, green and yellow) (72,5%), call centers (41%), CTV cameras (46%), risk based assessments (47%) and one-stop business registration (41%) made it easier to comply with tax obligations. However, there are 16% of the respondents who consider that changes to import channels made it more burdensome to comply with the tax obligations.

Table 5. Respondents' opinion regarding the impact of the changes made to custom procedures

	Very burdensome	More burdensome	Easier	Very easy	Don't know/ don't apply
Import channels (red, green, yellow)	3%	13%	48%	24.5%	11.5%
Call center	1%	3%	27%	14%	55%
CTV Camera	1.50%	3%	29.50%	16.5%	49.5%
Risk- based assessment	4%	11%	35.50%	11.5%	38%
One-stop business registration	1%	1.50%	23.50%	17.5%	56.5%

When asked about their beliefs regarding customs' approach to businesses, respondents have several complaints. Respondents do not believe that customs treat all businesses equally (39.5%), inspect taxpayers based on objective criteria (28%), punishes all tax offenders (30%) or operates effectively in all boarder points (32.5%).

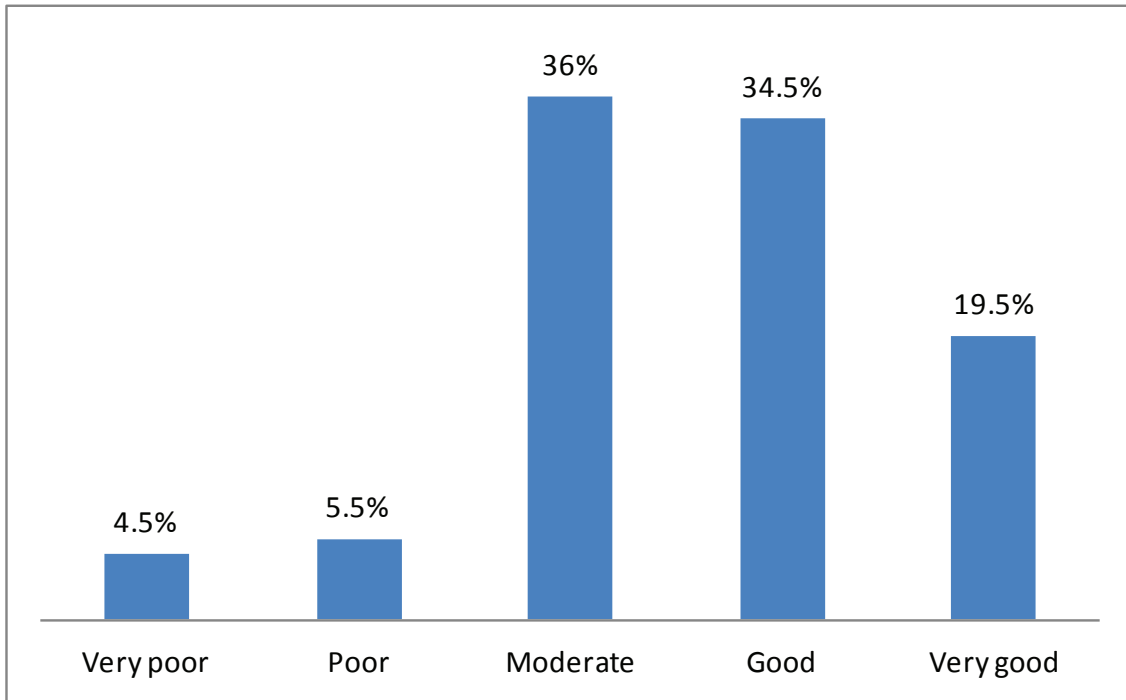
Table 6. Respondents' beliefs regarding how Customs approaches businesses



Satisfaction with Kosovo Customs' performance

Using a scale of 1 (very poor services) to 5 (very good services) respondents rated the quality of services they obtained from Kosovo Customs. The mean score was 3.59, indicating a relatively high satisfaction rate with the performance of Kosovo Customs. However, 10% of the respondents consider the customs' performance as very poor or poor (Fig. 11).

Figure 13. Respondents' satisfaction with Kosovo Customs administration performance



Furthermore, results showed that higher satisfaction is associated with positive responses received by custom officers. Further, there is a negative correlation between respondents' satisfaction and the time they need to spend on custom procedures. As such, lower levels of satisfaction are associated with longer wait times.

Using a scale of 1 (not satisfied) to 4 (very satisfied), respondents also rated customs' activities. Respondents were most satisfied with the efficacy and efficiency of custom processes for cargo and goods. On the contrary, respondents are most dissatisfied with the tariff classification of goods system, with 26.5% of the respondents being not satisfied or somewhat not satisfied with this process.

Table 7. Respondents' satisfaction with custom activities

	Not satisfied	Somewhat not satisfied	Somewhat satisfied	Very satisfied	No answer
Customs processes cargo and goods quickly & efficiently when they enter or leave	6%	16%	54.5%	21%	2.5%
Tariff Classification of goods	8%	18.5%	38.5%	21%	14%
Rules of origin of goods	6.5%	13%	36%	27%	17.5%
Favorable tariff treatment	5.5%	14.5%	35.5%	22.5%	22%
Customs efficiently collects the duty and taxes on goods coming into Kosovo	3.5%	13.5%	38%	31.5%	13.5%

The table below shows the percentage of respondents who are satisfied with the performance of custom officers. Around 32.5% of the respondents consider that customs officers abuse their authority for personal gain. To this end, 31% of the respondents consider that customs officers are open to extort bribes. However, 74.5% of the respondents think that customs officers respond positively to cooperative behavior by taxpayers and 73.5% consider that customs officers are qualified and competent to detect false tax declarations. In general, around 25% of the respondents are not satisfied with the performance of custom officers in Kosovo.

Table 8. Respondents' satisfaction with the custom officers performance

	I do not agree	I rather disagree	I rather agree	I fully agree	Don't know
22.1 Customs officers appear qualified and competent to detect false tax declarations	7.50%	10%	53%	20.50%	9%
22.2 Customs officers show effort to detect false declaration	4.50%	9%	42.50%	34%	10%
22.3 Customs officers explain their findings verbally (i.e. legal basis)	8%	10%	33%	34.50%	14.50%
22.4 Customs officers document their findings to taxpayers in written (i.e. legal basis)	8%	9%	33.50%	33.50%	16%
22.5 Customs officers take questions and objections seriously and respond to them	10.50%	16%	37.50%	23.50%	12.50%
22.6 Customs officers abuse their authority for personal gain	32%	14%	22.50%	10%	21.50%
22.7 Customs officers are open to/extort bribes	36.50%	12.50%	21.50%	9.50%	20%
22.8 Customs officers set fines and penalties in accordance with the law	7.50%	16%	32%	34%	10.50%
22.9 Customs officers respond positively to cooperative behavior by taxpayers	6%	11.50%	41.50%	33%	8%

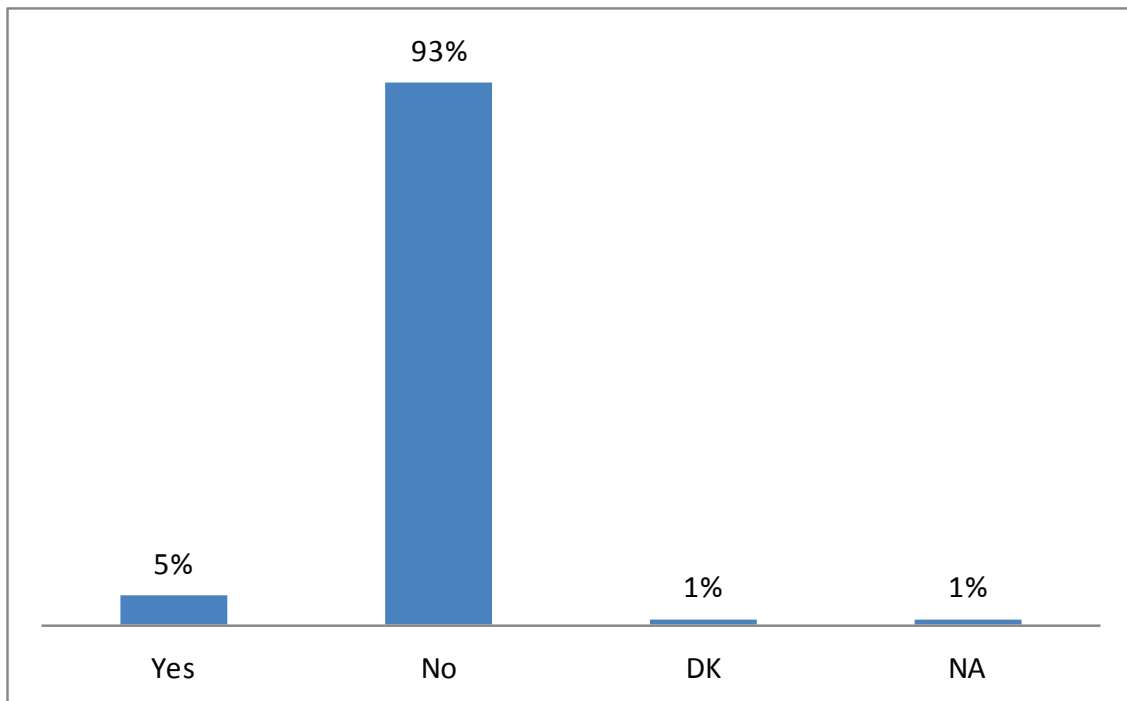
Analysis shows that there are statistically significant relations between respondents' satisfaction with the performance of customs officers and custom activities in general. Our analysis reveals that there is a moderate relationship between aspects of the custom officer's performance and the aspects of general satisfaction with Kosovo Customs.

Corruption in Kosovo Customs

Another objective of this action paper is to identify the prevalence of corruption in Kosovo Customs. Only 5% of the survey respondent reported that services to them were conditioned by the custom officers in return for bribes, gifts or other favors and there are 93% who did not experience any type of corruption in the last 12 months in Kosovo Customs. Analyzing only the group who were conditioned, it was found that most of them (70%) said that Kosovo Custom's officers were the ones asking for bribes.

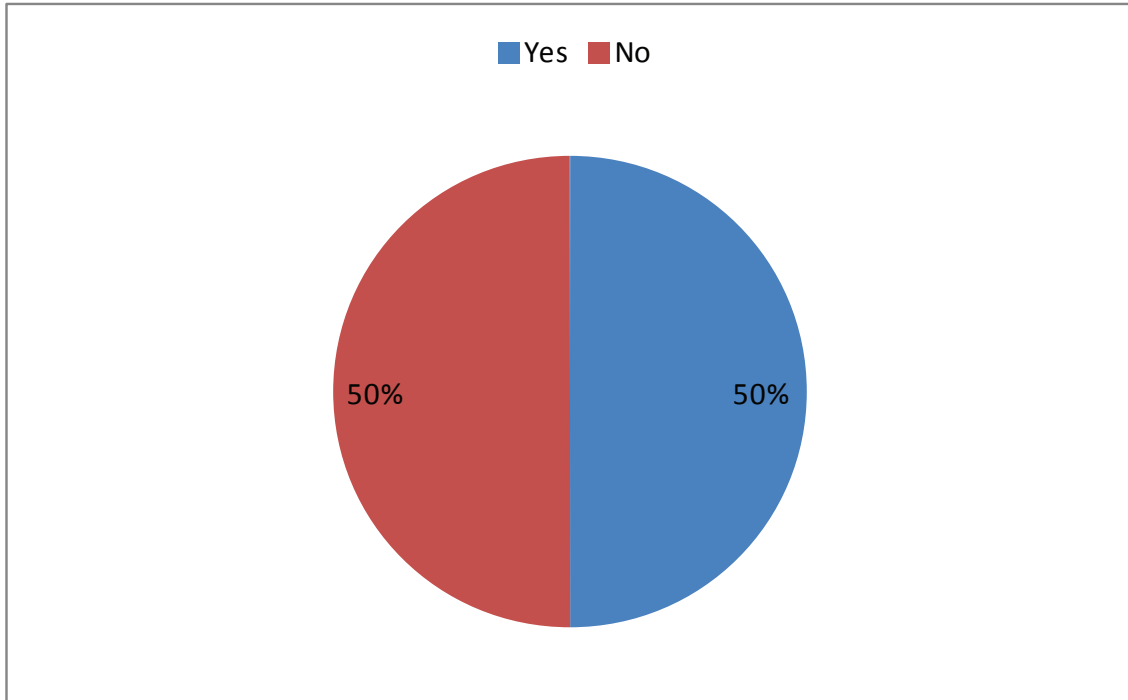
The results show that there are differences between groups regarding their perceptions of the burden of custom procedures. Moreover, it was shown that the prevalence of corruption is higher among the group who thinks that the procedures, which should be followed in Kosovo Customs, can be simplified.

Figure 14. The prevalence of corruption in Kosovo Customs



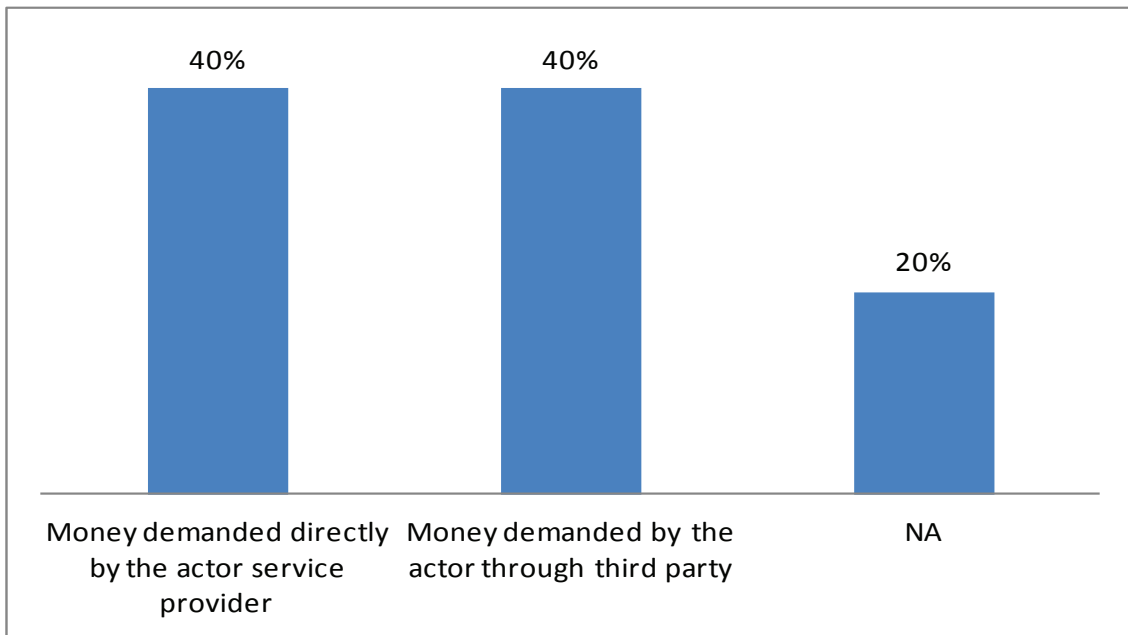
Even though there are 5% of the respondents who experienced corruption, only 1% has reported a corruptive case. Surprisingly, there are 23% of all respondents who admit that they don't know where to report corruptive cases.

Figure 15. The percentage of respondents who gave bribes to Kosovo Customs officer



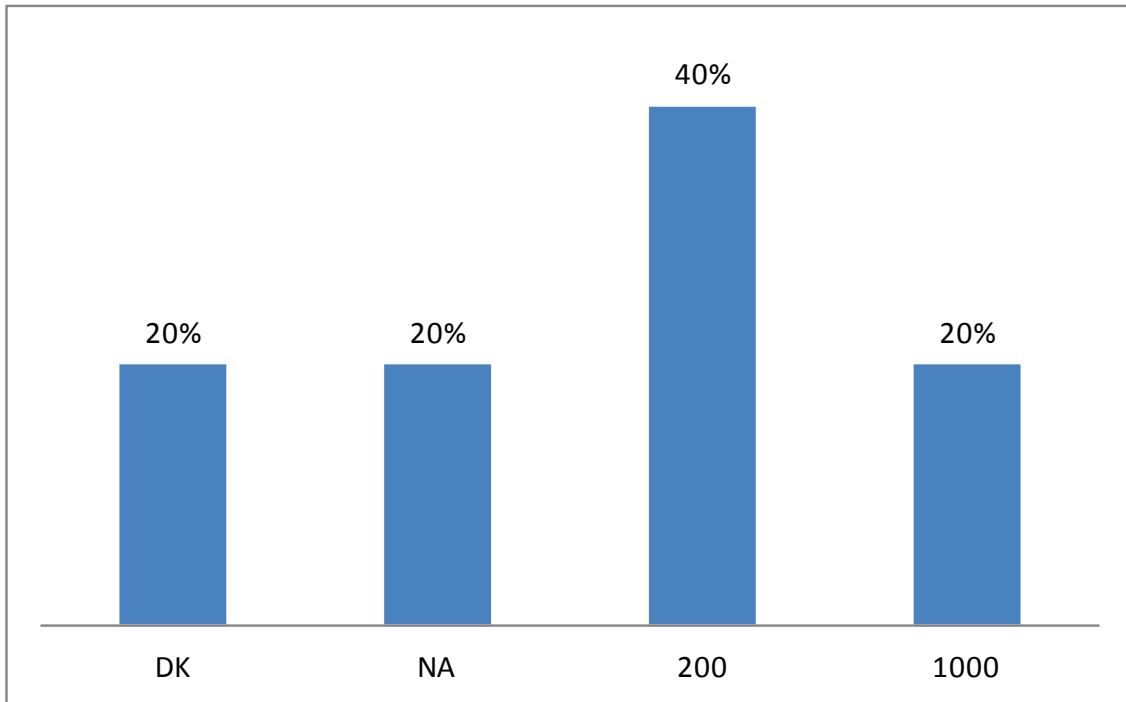
Respondents who reported that they gave bribes were asked to describe the nature of their interaction with customs officers. Around 40% of the conditioned respondents stated that customs officers asked for money directly and another 40% of the respondents declared that customs officers asked for money through a third party.

Figure 16. The nature of interaction between the respondents and Kosovo Customs officer



After the respondents reported on the nature of interactions for paying bribes, they were asked to indicate the amount they paid. The majority of respondents (40%) reported that they paid €200 and 20% reported that they paid €1000.

Figure 17. The amount of the bribe paid by respondents



Another corruption practice, which is initiated by clients, has higher prevalence in Kosovo Customs. In total, 8.5% of the respondents admitted that they have offered presents to customs officers without being asked for bribes.

Figure 18. The prevalence of the corruption initiated by clients

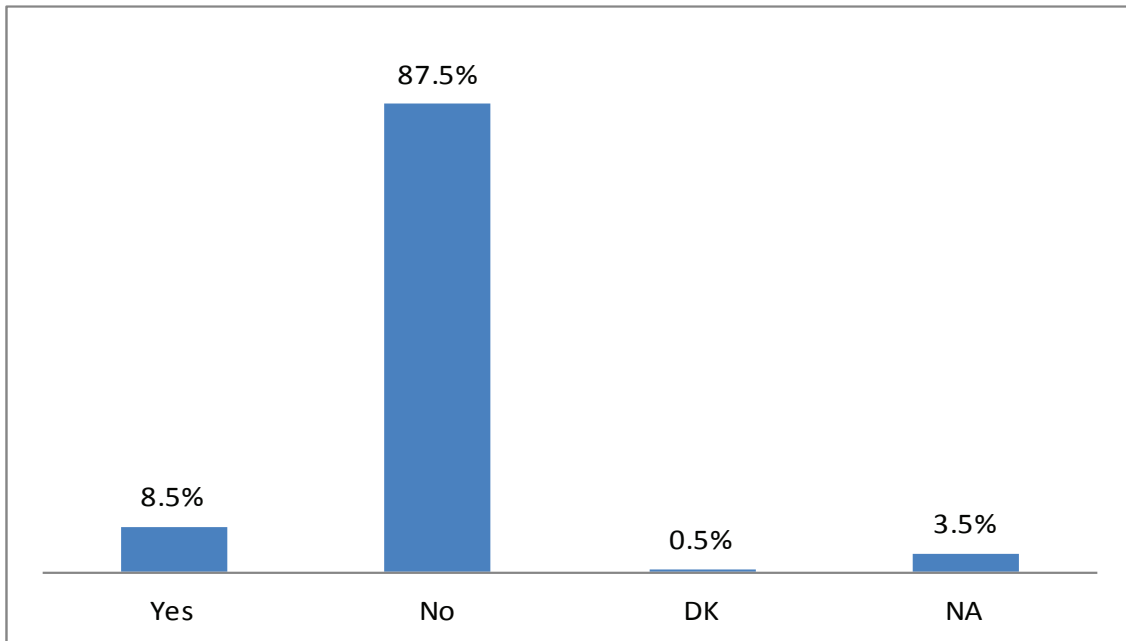
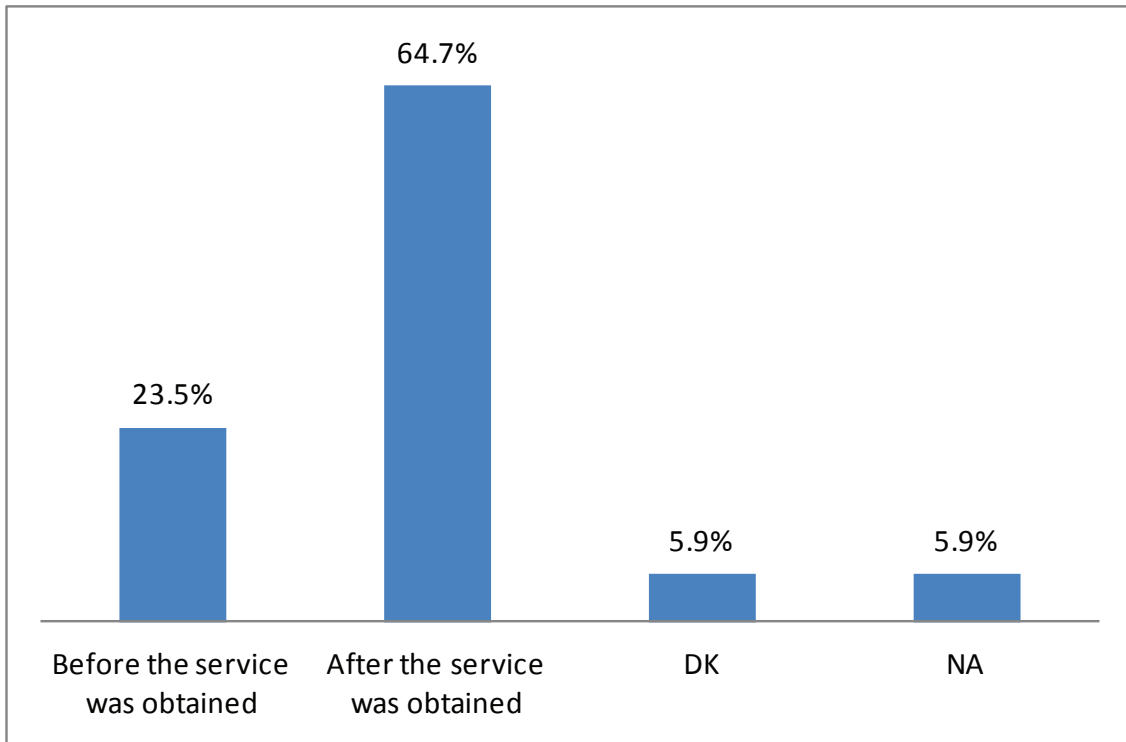


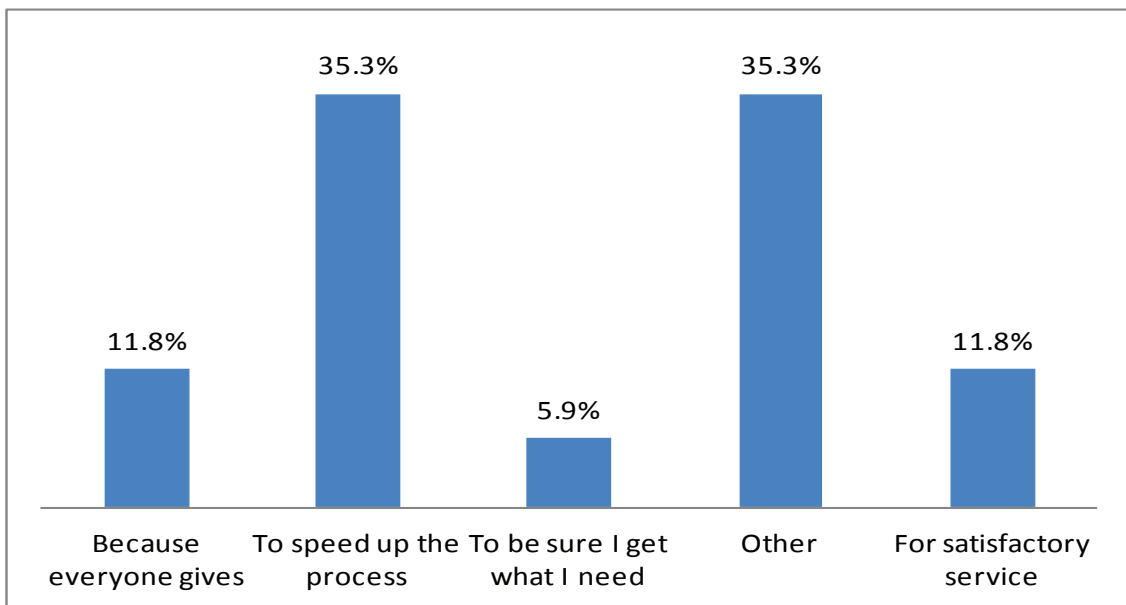
Figure 13 contains responses of 8.5% of the total sample, which admitted that they have offered presents to custom officers without being asked. As shown in figure 14, the majority of them (64.7) reported that they offered presents only after the customs officer had performed his/her offered their services. Another 23.5% gave presents before a service was obtained.

Figure 19. Offeral of presents to Customs officers



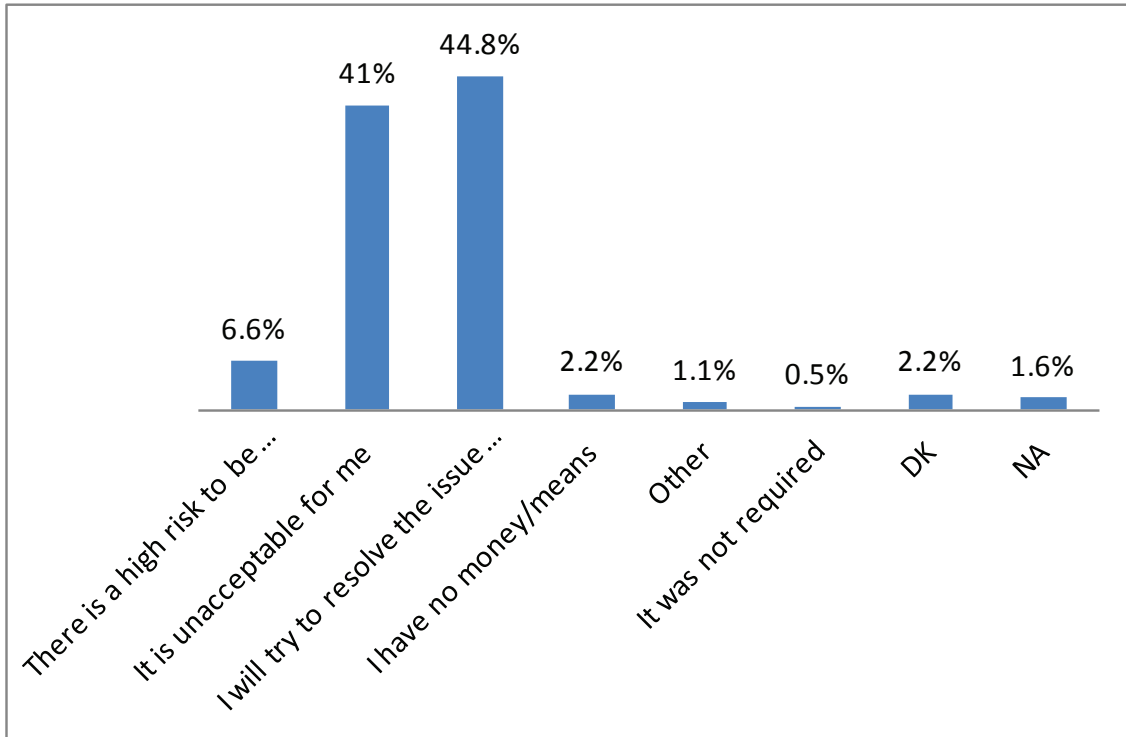
The main reason for giving presents to custom officers is to speed up the process (35%). Only 6% gave present to be sure that they will get what they need. Additionally, there are 12% of the respondents who act in this way because they believe that “everyone gives”.

Figure 20. Reasons for bribing Kosovo Customs officers



Different reasons were mentioned by those who refused to give bribes. For 45% of the respondents giving bribes was not a choice, since they wanted to solve the issue through legal means. Also, 41% of the respondents consider that bribes are an unacceptable practice and 7% did not do bribe in order to avoid being punished.

Figure 21. The reasons why respondents would not give bribes to Kosovo Customs officers



Discussion

The customs administration performs many functions, including collection of custom taxes and expediting the flow of commercial goods both in and out of Kosovo. The revenues from the Kosovo Customs constitute the majority of the Kosovo budget. However, the general public (around 30% of Kosovars) perceive customs as highly corrupt (UNDP Public Pulse Report, April 2016). Unfortunately, this is not characteristic to Kosovo only - worldwide customs-related corruption costs World Customs Organization (WCO) members at least \$2 billion in customs revenue each year (Michael, Ferguson & Karimov, 2013). To date there are no data about the negative effects of the customs-related corruption in Kosovo. Moreover, there are no studies, which show the prevalence of corruption, based on the experiences of businesses managers that have direct interaction with Kosovo Customs.

Results of the present study point to a discrepancy between experiencing to be conditioned and the perception for corruption in custom services. While only 5% of the respondents have experienced corruption, 32.5% of the respondents, believe that customs officers abuse their authority for personal gain and 31% believe that customs officers are open to bribery. Therefore, the data on the prevalence of corruption among Kosovo Customs, which are based on the opinion of general population, should be carefully interpreted.

The fact that the main reason for giving presents to custom officers is to speed up the process (35%), shows that complex and time consuming procedures may lead to corruption in Kosovo Customs. Findings suggest that those who consider the current procedures to be burdensome and time consuming are more predisposed to respond positively to bribe requests from Kosovo Customs' officers. Moreover, it was shown that the complicated and time-consuming procedures negatively affect the respondents' satisfaction with the overall performance of Kosovo Customs. Apart from the perception existing about the corruption scale, most of the respondents are satisfied with the overall performance of Kosovo Customs. According to businesses, the reforms of Kosovo Customs made it easier to comply with tax obligations. However, Kosovo Customs needs to address around 30% of the respondents who doubt the objectivity of customs and have various critiques related to the fairness of treatment of businesses, qualification of customs officers and complicated procedures.

Key findings

Access to information regarding Custom procedures

- 70% of the respondents requested information related to customs procedures.
- For 44.3% of the respondent's customs offices or custom officers are the primary source of information regarding the rights and obligation as an importer/exporter/customs brokerage.
- In total, 86% of the respondents were satisfied with the information they received from Kosovo Customs.
- Around 30% of the respondents consider that more information on the custom procedures is most urgently needed.

Kosovo Customs duties and responsibilities

- For 82.5% of the respondents, forcing businesses to pay duties and taxes as well as fighting tax evasion is one of the most important tasks of the Custom Administration.
- Around 92.5% of the respondents consider that Custom Administration is responsible for preventing the smuggling of goods.

Burden – compliance with custom procedures

- Almost half of the respondents report that they have to wait up to one hour (23%) or up to two hours (20%) for the import.
- Around 40% report that they have to wait “up to one hour” or “up to two hours” to finish export custom procedures
- Around 30% report having to wait less than 1 hour for transit custom procedures
- There are 41% of the respondents who report that current custom procedures are very burdensome (5%) or somewhat burdensome (36%).
- The easiest procedures, according to respondents, are electronic payments, obtaining certificate of origin and obtaining import/export certificates.
- The most difficult procedure is filing complaints and customs warehousing.

The impact of changes made by Kosovo Customs on their performance ratings

- Most of the respondents consider that import channels (red, green and yellow) (72,5%), call centers (41%), CTV cameras (46%), risk based assessments (47%) and one-stop business registration (41%) made it easier to comply with tax obligations.

Complaints regarding Kosovo Custom’s performance

- Around 39.5% of the respondents do not agree that customs treat all businesses equally.
- Another 28% of the respondents doubt that customs inspect taxpayers based on objective criteria.
- Around 32.5% of the respondents believe that customs is not operating effectively in all boarder points.

Respondents’ satisfaction with the Kosovo Customs performance

- The highest satisfaction was shown with the efficacy and efficiency of custom processes for cargo and goods.
- The most dissatisfaction (26.5%) arose from the tariff classification of goods process.
- There are 32.5% respondents who believe that customs officers abuse their authority for personal gain.
- In total, 31% of respondents consider that customs officers are open to extort bribes.
- Most of the respondents (73.5%) consider that customs officers are qualified and competent to detect false tax declarations and 74.5% of the respondents consider that customs officers respond positively to cooperative behavior by taxpayers.

Corruption in Kosovo Customs

- In total, only 5% of the survey respondent reported that services to them were conditioned by the custom officers in return for bribes, gifts or other favors.
- Around 50% of the respondents who were conditioned (5%), responded positively to bribing requests.
- The amount paid in response to the request for bribery vary from 200 to 1000 euro.
- In total, 8.5% of the respondents admitted that they have offered presents to the customs officers without them asking for it.
- Only 1% of the respondents have reported a corruptive case.
- The main reason for giving presents to custom officers is to speed up the process (35%).
- For 45% of the respondents giving bribes was not a choice, since they wanted to solve the issue through legal means.

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Annex 1. Questionnaire used to collect the data

Category of the interview respondent [copy the information from the sample sheet lists]

- | |
|---|
| <ol style="list-style-type: none">1. Importer2. Exporter3. Brokerage |
|---|

A. GENERAL QUESTIONS

Respondent position....

1. Owner and manager
2. Manager but not owner
3. Relative/Spouse of the owner
4. Employee with significant role in the company
- Other _____

1. How long have you been working in the import and/or export /customs brokerage industry?

1. 0-3 years
2. 4-6 years
3. 7-10 years
4. Over 10 years

2. What are your primary sources of information regarding your rights and obligations as an importer /exporter /customs brokerage (up to three answers)?

1. Customs Public presentations/public meetings
2. Customs offices/officers
3. Customs website
4. Customs Facebook
5. Customs publications, manuals, brochures
6. Customs Call Center
7. Newspapers
8. TV
9. Accountant/Lawyer
10. Friends, colleagues, family
11. Other (_____)
88. Don't know

3. Have you ever requested customs related information directly from Customs Administration?

1. Yes
2. No (skip to question 5)

4. (Only for those who have received information from Customs) If you ever requested more tax related information from Customs, was the response satisfactory (timely, clear, precise, etc.)?

1. No
2. Rather no
3. Rather yes
4. Yes
88. Don't know

5. Please state in which area – if any–better information is most urgently needed (i.e. on customs code, on customs procedures, etc.)

6. Finally, before we start, which of the following tasks form an important part of the mandate of Customs Administration in your view?

1	Force businesses to pay duties and taxes, fight tax evasion	YES	NO
2	Collect customs duties/VAT/ excise	YES	NO
3	Collect pension contributions	YES	NO
4	Set (decrease/increase) tax rates, e.g. for customs duties, excise, VAT	YES	NO
5	Prevent smuggling of goods	YES	NO
88	Don't know	YES	NO

7. Thinking about customs clearance services in the last 12 months, what was the nature of your most recent interaction with Customs?

1. I lodged electronic documents or made electronic payments. No other interaction was necessary
2. I interacted with staff either via phone, in person, email, or fax. During this particular interaction I did not lodge any electronic documents
3. Both of the above (electronic documents lodged and an interaction with staff)
4. I used a broker, and did not interact directly with Customs

8. How frequently do you meet/exchange with Customs officials on average?

1. Never
2. Once a year
3. Every quarter
4. Every month
5. Other (_____)

9. Do you think that the current procedures that should be followed in Kosovo Customs are complicated?

- 1. Yes
- 2. No
- 88. DK
- 99. NA

10. How would you evaluate the quality of service you got from the Kosovo's Customs Administration compare to what you expected?

- Very poor service 1 2 3 4 5
- Very good service

11. Do you think that the procedures that you follow in Kosovo Customs can be simplified?

- 1. Yes
- 2. No
- 3. Maybe
- 88. DK
- 99. NA

12. Which procedure you think is unnecessary to be part of the process?

13. What is the average time that you need to wait until finishing the Kosovo Customs procedures?

- 1. Up to 1 hour
- 2. Up to 2 hours
- 3. Up to 3 hours
- 4. Up to 4 hours
- 5. Up to 5 hours
- 6. more than 5 hours
- 88. DK

B. BURDEN – COMPLIANCE WITH PROCEDURES

14. In general, how would you rate the burden of following customs-related procedures – documentation, declaration, payment etc. –in terms of time spent and attention paid?

1. Very burdensome
 2. Somewhat burdensome
 3. Not burdensome
 4. Very easy
88. Don't know

15. Do you think that the following Customs procedures are difficult to follow (complex, unclear)?

PROCEDURES	Easy	Rather easy	Rather difficult	Very Difficult	Don't know
1. Obtaining import/export certificates	1	2	3	4	88
2. Obtaining certificate of origin	1	2	3	4	88
3. Customs warehousing	1	2	3	4	88
4. Documentation	1	2	3	4	88
5. Goods valuation	1	2	3	4	88
6. Invoice Declaration	1	2	3	4	88
7. Payment	1	2	3	4	88
8. Filing complaints	1	2	3	4	88

16. In your opinion, do you think that the following Customs procedures are time-consuming to follow?

INT: This relates to whether the taxpayer finds it difficult to meet requirements

PROCEDURES	Not time consuming	Not very consuming	Time consuming	Very time consuming	Don't know
1. Obtaining import/export certificates	1	2	3	4	88
2. Obtaining certificate of origin	1	2	3	4	88
3. Customs warehousing	1	2	3	4	88
4. Documentation	1	2	3	4	88
5. Goods valuation	1	2	3	4	88
6. Invoice Declaration	1	2	3	4	88
7. Payment	1	2	3	4	88
8. Filing complaints	1	2	3	4	88

17. Have you filed a formal complaint in any matter relating to Customs in the past two years?

1. Yes
2. No
88. Don't know

18. Please rate, whether the following changes in Customs procedures made it easier/more burdensome for you to comply with your tax obligations?

Categories	Very burdensome	More burdensome	Easier	Very easy	Don't know / don't apply
1. Import channels (red, green, yellow)	1	2	3	4	88
2. Call center	1	2	3	4	88
3. CTV Camera	1	2	3	4	88
4. Risk based assessment	1	2	3	4	88
5. One-stop business registration	1	2	3	4	88

19. Please state – if any area – where improvement is most urgently needed (options: registration, documentation, etc.)? (up to three answers)

1. Obtaining import/export certificates
2. Obtaining certificate of origin
3. Costumes warehousing
4. Documentation
5. Goods valuation
6. Invoice Declaration
7. Payment
8. Filing complaints
9. Other (state) _____
10. None

C. PROFESSIONALISM AND FAIR TREATMENT OF BUSINESSES

20. Thinking about your most recent dealings with Customs in the last 12 months, how much do you agree or disagree with the following statements??

Customs approach overall	I do not agree	I rather disagree	I rather agree	I fully agree	Don't know
1. Staff were competent	1	2	3	4	88
2. Staff did what they said they would do	1	2	3	4	88
3. I was treated fairly	1	2	3	4	88
4. Staff responded within an acceptable amount of time	1	2	3	4	88
5. I received accurate information	1	2	3	4	88
6. It was easy to comply with the requirements	1	2	3	4	88

21. According to your opinion, which statement below reflects most closely your beliefs regarding how Customs approaches businesses?

Customs approach overall	I do not agree	I rather disagree	I rather agree	I fully agree	Don't know
1. CUSTOMS treats all the different categories of businesses equally (size, sector, etc.)	1	2	3	4	88
3. CUSTOMS treats all businesses within a similar sector and of a similar size equally	1	2	3	4	88
4. CUSTOMS inspects taxpayers based on objective criteria (impartial)	1	2	3	4	88
6. CUSTOMS punishes all tax offenders in accordance with the law	1	2	3	4	88
7. CUSTOMS operates effectively in all border points	1	2	3	4	88

22. How satisfied are you with following customs activities ...?

	1 Very dissatisfied	2	3	4 Very satisfied	Not applicable
1. Customs processes cargo and goods quickly & efficiently when they enter or leave	1	2	3	4	99
2. Tariff Classification of goods	1	2	3	4	99
3. Rules of origin of goods	1	2	3	4	99
4. Favorable tariff treatment	1	2	3	4	99
5. Customs efficiently collects the duty and taxes on goods coming into Kosovo	1	2	3	4	99

23. Referring to **your experience**, please consider the following statements and rate them on a 1-4 scale, where 1=I do not agree, 4= I fully agree.

	I do not agree	I rather disagree	I rather agree	I fully agree	Don't know
1. Customs officers appear qualified and competent to detect false tax declarations	1	2	3	4	88
2. Customs officers show effort to detect false declaration	1	2	3	4	88
3. Customs officers explain their findings verbally (i.e. legal basis)	1	2	3	4	88
4. Customs officers document their findings to taxpayers in written (i.e. legal basis)	1	2	3	4	88
5. Customs officers take questions and objections seriously and respond to them	1	2	3	4	88
6. Customs officers abuse their authority for personal gain	1	2	3	4	88
7. Customs officers are open to/extort bribes	1	2	3	4	88
8. Customs officers set fines and penalties in accordance with the law	1	2	3	4	88
9. Customs officers respond positively to cooperative behavior by taxpayers	1	2	3	4	88

24. Do you think that Customs Administration reaches out to taxpayers to inform about changes in customs legislation and procedures (i.e. seminars, public hearings, public announcements)?

1. No
2. Rather no
3. Rather yes
4. Yes
88. Don't know

25. How would you rate work of Customs administration in the following activities?

	1 Very dissatisfied	2	3	4 Very satisfied	Don't know
1. Prevention of smuggling in general	1	2	3	4	88
2. Prevention of tobacco smuggling	1	2	3	4	88
3. Prevention of oil smuggling	1	2	3	4	88
4. Protection of Intellectual property	1	2	3	4	88
5. Sequestration of games of fortune	1	2	3	4	88
6. Control of green border	1	2	3	4	88

D. CORRUPTION

26. In the last 12 months, did you come across the situation that Kosovo Customs conditioned performing their services by asking for bribes, gifts or other favours?

1. Yes
2. No [Go to 33]
88. DK
99. NA

27. Who asked for bribes?

1. Kosovo Customs service provider
2. Manager
3. Other _____
88. DK
99. NA

28. If yes, did you give bribes, gifts or other favours?

1. Yes
2. No [Go to 33]
88. DK
99. NA

29. Please, specify the type of service the payment was made for?

_____.

30. If you paid bribes, what was the nature of interaction?

1. Money demanded directly by the actor service provider
2. Money demanded by the actor through third party
3. Money offered directly by the service provider
4. Money offered by the service recipient through third party
88. DK
99. NA

31. If you paid bribe, what was the amount of the bribe paid?

_____ (state the approximate amount)

88. DK
99. NA

32. If yes, how many times have you paid bribes in the last 12 months?

1. Once
2. Twice
3. Three times
4. Four times
5. Five times
6. Six to ten times
7. Eleven or more times
88. DK
99. NA

33. Have you ever reported a corruptive case?

1. Yes
2. No [Go to 35]
88. DK
99. NA

34. If you have reported, please specify where (which institution)?

_____ (please specify).

88. DK
99. NA

35. Do you know what institutions to contact in order to report a corruption act by customs officer's providers?

1. Yes
2. No
88. DK
99. NA

36. Have you offered presents to the Kosovo custom service providers without them asking?

1. Yes
2. No [Go to 39]
88. DK
99. NA

37. When have you offered presents to the Customs officers without them asking for it?

1. Before the service was obtained
2. After the service was obtained
88. DK
99. NA

38. Why would you give it?

1. Because everyone gives
2. Because there's no other way I can obtain the service
3. I would be able to negotiate a lower price
4. To speed up the process
5. To be sure I get what I need
6. Other, specify: _____
88. DK
99. NA

39. Why would you not give it?

1. Because there is a high risk to be punished
2. Because it is unacceptable for me
3. Because I will try to resolve the issue through legal means
4. Because I have no money/means
5. Other, specify.....
88. DK
99. NA

DEMOGRAPHICS

D1. (GENDER)

1. Male
2. Female

D2. (AGE) (years) |__|__|

D3. (EDUCATION) How many years of school did you graduate?

1. Some primary school education [completed years to be recorded by numbers 0 to 12] |__|__|
2. High school [code 13] |__|__|
3. Student [code 14] |__|__|
4. Faculty (graduated) [code 15] |__|__|
5. Master (post-graduate) [code 16] |__|__|
6. Doctorate [code 17] |__|__|

99.NA

D4. (ETHNICITY) Which is your ethnicity/what group do you belong to?

1. Albanian
2. Serb
3. Bosnian
4. Goran
5. Turk
6. Roma
7. Ashkali
8. Egyptian
9. Other. Which? _____

99.DK/NA

D5. REGION:

1. Pristina
2. Prizren
3. Peja
4. Gjakova
5. Gjilan
6. Ferizaj
7. Mitrovica

D6. MUNICIPALITY _____
NAME OF POLLSTER _____

DATE OF INTERVIEW _____

INTERVIEW DURATION |__|__| min.

Additional notes

LOGIC CONTROL Controller _____

1. Yes
2. No

FIELD CONTROL Controller _____

1. Yes
2. No

Data entry: _____

Annex 2. Analytic strategy

In general, this study is descriptive and was aimed to present the prevalence of corruption in Kosovo customs. However, to gain more detailed information on the nature of phenomenon, several inferential statistics were used.

- a) T-test was used to determine the differences between two independent groups.
- b) One-way ANOVA was performed to analyze differences between three or more independent groups.
- b) Correlation analysis was performed to find out the nature of interaction between two factors.
- d) Regression analysis was used to find out the influence of one factor on the other one.



