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Organized Crime, Propaganda, Blackmails of Riinvest and OSI's Nepotism, not the Banking Sector, is a Severe Barrier

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This critical review is dedicated to the students of Riinvest College and all those who prefer the relative truth

Abstract

A report by Riinvest titled “Banking Sector: Facilitator or Barrier?”, funded by the Kosovo Foundation for an Open Society – KFOS (an affiliation of Open Society Institute – OSI), was prepared by Fadil Aliu (project manager), Alban Hashani (senior researcher), Lumir Abdixhiku (senior researcher), Diellza Gashi (researcher), Ilire Mehmeti (researcher), and Shkëlqim Cani (international consultant from the University of Tirana – former Governor of the Central Bank of Albania). The report was published in Fall 2014. The main findings of the report in question, are: i) foreign capital is dominant in 6 out of 8 commercial banks operating in Kosovo, or 89.2% of total assets in this sector are managed by foreign banks; ii) all banks have enhanced their activity, increased deposits, assets, and lending; iii) the coverage of the loans by collateral, as of 2011, was 236.1%, the highest in the region (Southeast Europe – SEE), thus the loans in Kosovo, in general, were paid back more than in any country in the region; iv) the banking sector in Kosovo is mainly concentrated in three banks that own 74% of assets, 74% of deposits, and 71.7% of loans. Riinvest identifies this as a very high concentration in the banking sector; v) highest interest rates in SEE (14.1% for individual loans, and 16.65% to business entities – SMEs); vi) the lowest SME to GDP ratio (28.3%), indicating a very low credit intermediation and weak access to bank loans by SMEs; vii) highest profit ratio: Return on Equity (ROE) 14.5% versus the average by 4% in SEE, and Return on Assets (ROA) 1.4% versus 0.3%.

Keywords: Kosovo, banking sector, interest rates, Riinvest, KFOS, organized crime, pseudo research

JEL: E43, G21, G28, R11.

Introduction

The findings of the Riinvest report suggest a kind of monopoly situation in Kosovo's banking sector. To be more straightforward, the capital is in the hands of foreigners, they are growing, getting bigger, and making more profits as they go on. We may agree in this point and no one may doubt about it. The problem of this monopoly faced by the borrowers (or oligopoly among the lenders – banks), is that businesses in general are not growing in line with the dynamics of profits in the banking sector, thus causing a decline in overall welfare of Kosovo. The capital or money is flowing from someone (population and SMEs) to elsewhere, and a part of it is being concentrated in the banks as profit. How to change or improve this trend in order the benefits to be more spread among the stakeholders, or turn it into a win-win situation? Riinvest addressed several recommendations, but the problem with them is that when you do not properly understand the phenomenon, the recommendations, if implemented, can worsen the situation which it thinks can be improved.

Misunderstanding and non understanding of competition by Riinvest

Kosovo's banking sector is identified as a monopoly since the second half of 1999 when the first bank became operational. Riinvest wants more banks with its view that a larger number will bring about greater competition. In theory and practice of economics, this often does not stand. The number of banks is sufficient. Even the three main ones having the largest share in the market, would be enough should there be a competition between them. We often come across cases with only two companies in the market, but competition between them is very strong, therefore, the customers have many choices. Let us shortly discuss few examples in this respect.

The car industry in Germany is dominated by three manufacturers, known as the "big three": Volkswagen (VW), Mercedes, and BMW. VW is the second largest car producer in the world after Toyota. However, in the international market, it is faced with a strong competition by its home rivals, Mercedes, and BMW. Although VW has expanded its network in many countries not only by building its own factories but also by taking over other car producers (Audi, Škoda, SEAT, Bughati/Lamborghini, Bentley Motors Ltd., Scania AB, Porsche SE), still continues to face competition by Mercedes

which enjoys the reputation for stable and qualitative cars, and BMW for its cars with strong engines. The competition element here does not rest on how large the corporation is, but on product differentiation. A similar experience features two Russian fighter jets design bureaus, Mikoyan and Sukhoi OKB. Both are strong rivals of each other.

After the 1999 war in Kosovo, a Swedish delegation was discussing with a Kosovatrans official about the demand for buses in Kosovo. The Albanian official told them of a need for 800 buses, and he was uncertain which country they should come from or be purchased. The Swede assured that Scania can supply them. I mentioned another Swedish bus producer – Volvo. The Swede watched me frowned. I did not know that he was affiliated with Scania, and why he was averse towards another bus producer from his own country. Later, I understood, and the explanation was: strong competition can occur even between only two entities in the market. But why monopoly is prevailing in 8 banks operating in Kosovo, excluding 17 microfinance institutions and several money lenders?

A sound differentiation of activities and products by the banks in Kosovo is virtually non-existent. Whenever you go to apply for the loan, annual interest rate will be two digits, and related terms (payback, grace period, installments, mortgage, and collateral for the loan) almost the same. It appears a monopoly condition. Until now, no one, except an article I have seen by Florin Aliu and Rron Gjinovci (2014a, 2014b), has not tried (or did not know) to explain the truth about this monopoly, or oligopoly. Riinvest has only misunderstood and made its meaning more confused. According to Aliu and Gjinovci, the banks in Kosovo, namely the three largest ones dictating the market for loans, should have a hidden agreement or are colluding to maintain this oligarchic situation which suits them. The agreement does not have to be formalized in paper or through the meetings by the banks' officials. This can be judged and witnessed by their behavior and the results. Competition forces one bank to introduce differentiation, then the chain effect of changes follows the rest of the banks. If a bank is large and profit making, following the firm's objective function, which is maximizing the profit or enhancing the shareholders' value, it can initiate the differentiation on its own to make more profit. For example, if the bank last year has lent €100 million at an annual rate of 10%, in future years will find it more profitable to lent €250 million. The

return on greater commitment of money as loans is higher profit, while more money available as loans to SMEs gives a push to growth and development of the real sector. Any bank would run after this profit, thus encouraging the rest to undertake similar paths, like VW with BMW and Mercedes, Scania with Volvo, and so on. This is not happening in the banking sector of Kosovo, and as already highlighted earlier, the public is not properly informed what is going on. The public further remains confused from pseudo-research and the propaganda of Riinvest.

Why other banks from SEE are not rushing into banking sector of Kosovo?

Current banks in Kosovo are growing by the volume of loans delivered, increased deposits, higher profits, but this growth rate does not follow businesses and overall welfare of the citizens. The latter are getting poorer as a result of wealth concentration in a tiny group of capitalists. The banks in neighboring countries have their difference in interest rates between the loans delivered and the deposits received lower than their counterparts in Kosovo. Smaller difference enables them to have their profit margin lower, as one of the main sources from which the profit is generated. In open market economy circumstances, nothing would stop foreign banks to enter for operation into Kosovo. Licensing or new entries, for which Riinvest thinks would increase competition, in fact has happened but did not bring notable changes. The same main banks in Kosovo (ProCredit, Raiffeisen, BKT, TEB) are also operating in the region. There they apply different but more favorable terms and conditions. This kind of double standard in a limited geographical area, raises the suspicion of a collusion between the banks and their affiliations at regional level, which appears to work at best only in Kosovo where profit rates are the highest, and that with a strong foreign currency such as Euro.

Market economy and competition continue to be the terms which Kosovo officials prefer to toss around frequently more than by any in advanced market economies. On the current status as well as of a decade ago in the banking sector which is featured by high and unchanged interest rates, the official attitude is that “we have let it to the market.” If they truly would let it to the market, then why banks from SEE are not making their way through to Kosovo for more profit? Kosovo has got the so-called “Kosovo Competition Authority” and the Central Bank (with deficient power from

standard central banks elsewhere), which Riinvest had interviewed. And look at the findings:

“Considering the fact that the banking sector performance indicators are among the highest in the region, the survey results [findings] conducted [you cannot conduct the results but the survey] with SMEs, Business Associations, the Kosovo Competition Authority, and other key stakeholders, substantiate their perception that credit conditions in the country are tight and not appropriate for business expansion; whereas the credit market is considered to be the main ingredient for Kosovo to catch up with sustainable economic growth and the cornerstone to address its socio-economic severe problems - unemployment and poverty. Despite the high profit indicators of the banking sector in Kosovo, the CBK hasn’t had any bank applications at all in the last three years to enter the Kosovan market which might be seen as [a] serious [a serious what? Good or bad?], and according to the CBK, this might be due to the evolution of global financial crisis since 2008, as well as the current public debt crisis in the Eurozone, which has affected a considerable number of banks in the European Union, and thus far has limited their further expansion of foreign financial institutions towards new markets” (p.7).

So, it is a fact that the banking sector performance indicators in Kosovo are among the highest in SEE. The institutions in charge of monitoring and regulation of banking activities in Kosovo such as the CBK and the Kosovo Competition Authority, appear as observers giving their opinions for the phenomenon in the form of perceptions. This behavior of perceptions about major problems that they should deal with, is also present in many other institutions of Kosovo. We are not interested in what the CBK and the Authority think about the interest rates, but what measures they undertook or should undertake to improve the situation against which they are complaining. These two are in charge of doing something, not to serve us their opinions and perceptions. In any case, this interesting interview finding as what their opinion is, is either an incompetence of these bodies, or a wrong approach by Riinvest, or both. We get the impression that the problem rests in an invisible hand. If it exists, then the CBK and the Authority do not need to tell us about it – these should do their own job, and since they agree that the interest rates are very high, then the opinions and perceptions given to us are useless. Actions are what matters after all. We have the right to provide

opinions, objections, critical reviews, and perceptions to the CBK and the Authority, and not the other way around, except in cases of our own research. But Riinvest has undertaken a research, which should have been called *policy research working paper*, with the aim to solely contribute to the way of introducing the changes in the banking sector. With current perceptions in place, the CBK and the Authority should register as NGOs to give opinions and perceptions as much as they can. Here is another citation from Riinvest's report as part of their research methodology to collect perceptions of relevant institutions in charge of monitoring and regulation:

"CBK and commercial banks in contrast to SMEs evaluations [what is the evaluation by SMEs?], do not consider loan interest rates as being high, in fact they declared [stated? maintained?] that interest rates are on a declining trend" (p. 7).

The earlier quote notes *"to catch up with sustainable economic growth and the cornerstone to address its socio-economic severe problems - unemployment and poverty."* We will discuss this issue later as the report by Riinvest addresses a recommendation about it. Furthermore, the CBK gives another opinion related to non application for licensing by the new banks (entries). Riinvest saw this as a serious issue despite that, as we repeatedly maintain, the number of entities in the market may not matter to competition which can exist between two banks. The next apology for no new bank licensing as a result of deepening of financial crisis since 2008 and increased public debt in the Eurozone, does not stand. The crisis in developed countries often pushes many companies to do business in less competitive markets in the developing countries. The consumers too, react similarly by buying cheaper products and services from less developed countries. This can be observed from the experience of recession in several Eurozone countries, and even depression that spread to Greece, Ireland, Portugal, and Italy, while Turkey was experiencing a record of economic growth by over 8%. The switch towards the goods and services of less developed countries during recession in advanced economies is an important cause to be investigated into more details. During financial crisis, we are biased to save our money or spent it more carefully. Instead of more qualitative and expensive German products, we chose similar cheaper products or substitutes from China and Turkey. If the basis of German products is quality, Turkish and Chinese products compete in the market through lower prices. The price in financial crisis may be the defining factor how much you will sell,

regardless the reputation of German products being more durable and reliable, because, under these circumstances, the consumers “patriotism” finds its way under the prism “lay your legs to the size of your quilt” (an Albanian proverb), which implies, you can buy how much your incomes can afford. The next claim by Riinvest, that deepening of public debts in some Eurozone countries that has affected many banks, is not a cause for non application of new bank licensing in Kosovo. We do not need to repeat that financial crisis in one country may push the banks to search less competitive but more promising markets. We are not saying the Bank of America, HSBC or Barclays should enter the small Kosovo market, but ideally it would be impossible for a foreign bank not to come and alone compete against all existing banks in Kosovo. Lateral impacts such as politics, corruption, crime, and so on, are not of interest to any bank while it can make profit – its main objective function. Public debt that Riinvest is referring is not of commercial banks but of the governments. Private commercial banks are not interested much if the government is too much indebted or has a surplus. Public debt in Germany cannot stop private banks if they want to do business in Kosovo.

Misunderstanding and misinterpretation of numbers

Some people, depending on their commitment and passion, are inspired to work with numbers. Some others prefer to describe the figures and extract the meaning. Neither the numbers nor the written text becomes boring if you try working with both. The students being averse of mathematics enroll in the law faculty. The aversion about the numbers withers away if you work with them, but not to the extent that you may become addicted to them and hesitating to write the text. The best approach to work with numbers is if you know their meaning and give a clear explanation to the reader. The report by Riinvest has many things in figures which any reader may understand, but the Riinvest “senior researchers” together with the “international consultant” from Albania, interpreted them wrongly. In some parts of the report, the justice system of Kosovo is blamed (somewhere by the banks) for being inefficient and very slow in resolving the cases. Riinvest takes this complaint as a serious issue and addresses a recommendation how to deal with it. However, the figures in Table 6, page 26, suggest something else about the bad loans as of 2011. Only 5.9% of total loans in Kosovo, resulted in “bad loans”, a share significantly lower than the average of regional

countries, and lower than in each country (Macedonia 8%, Bosnia 11%, Albania 18%, Serbia 19%, and Montenegro 25%). The source of these figures is noted by Riinvest as “EBRD Transition Reports, for Kosovo IMF estimation of GDP and CBK Annual Report.” The EBRD (European Bank for Reconstruction and Development) and the IMF (International Monetary Fund) figures, appear to have been reminded in Table 9, page 50, titled “The region’s NPL (Non-Performing Loans) indicator.” The source of the figures says “Central Banks Annual reports of respective countries” (no titles, no years of publication, no place of publication, no page, and the list of references in the end is incomplete and with an awful style) where, Kosovo in 2005 had only 2% of NPLs, while Albania 2.3%. In 2011 this share in Kosovo has risen to around 6%, or nearly three times lower in percentage terms than 17% in Albania.

Such a difference in the share of bad loans in itself suggests that Kosovo courts and the judiciary had much lesser work in the region. This can be proven by the figures that Riinvest is referring to. If the ratio of covering the loans by collateral in Kosovo stood at 236.1% versus 126.6% in regional countries, then it may be argued that the courts there have been twice as inefficient, or their level of commitment and work was much smaller than those of Kosovo. Why should we blame the courts and the justice system for inefficiency if you as a bank and business continue to have your loans guaranteed by the collateral at a significantly higher level than in SEE? To judge the justice system as inefficient in the sector where it had less work, is groundless. More unresolved problems are an indication of judicial inefficiency, not less or few. In the rest of society sectors, the justice system is not as inefficient as Riinvest may think, but it is blackmailed, deeply corrupt, and with large scale scandals in which EULEX is also involved. These are different stories not related to bad loans. Among others, Kosovo courts are manipulated by Riinvest We will discuss this problem later.

“Senior researchers” and the “international consultant”, instead of assumptions, have not deemed as necessary referring to foreclosure procedures on business transactions. They certainly did not know where to refer. We are recommending where they should have to. In their report, the last year of reference is 2011, though the report was prepared and published in Fall 2014. The report appears to be of a foregone period missing the data on recent years in which the readers would be mostly interested. In any case, we are explaining a little the problem of “lengthy procedures” in the courts to

resolve the disputes, at the time. According to the World Bank (2011), *Doing Business 2011: Making a Difference for Enterprenues*, Washington D.C.: World Bank, p. 174, Kosovo ranked 31st in “closing the business”, and 32nd in the component of “getting credit”. Where did Kosovo stand by these indicators with respect to SEE countries? Albania was ranked much better (15) in the ease of “getting credit”, but in “closing the business” was somewhere at the bottom of all countries (183). If you have (had in 2011) a problem with bad loans in Albania and were required to pursue the case in the courts to the end, the procedures were astronomically lengthy. Bosnia ranked 65th in “getting credit”, Macedonia 46, Montenegro 32 (where Kosovo stood), and Serbia 15. Access to credit in Kosovo did not appear more difficult as Riinvest reported. In Bosnia, and Macedonia it was more difficult. After Albania, each country in the region had more complicated and lengthy procedures in closing the business than Kosovo, with the following rankings: Macedonia 116, Serbia 86, Bosnia 73, and Montenegro 47. We may conclude that “lengthy court procedures” for businesses in Kosovo, is a speculation by Riinvest not backed by indicators.

Missing the point with recommendations

In order to overcome or alleviate the barriers “identified” (although much of them are misunderstood), Riinvest addressed a number of recommendations. The first or the main one, recommends the Government to strengthen economic growth by reforming the business environment. This recommendation should be explained in two parts; the one about economic growth, and the other referred to reforming the business environment. Economic growth is another reality from the concepts that Riinvest researchers have leered it from the textbooks of economics. All of them, including the Kosovo President, Atifete Jahjaga, think that only economic growth can lower unemployment rate and poverty. But how this growth should operate to affect employment and poverty reduction? In an environment of classical capitalism such the one operating in Kosovo, strong economic growth (e.g. 8-10% annually), if it happens, it does not imply that it can follow the rise in employment and decrease in poverty rate. This happens when the gap in income differences widens through accumulation of capital by few at the expense of the rest of population. Riinvest admits that the banks (the few) are growing at a faster rate than elsewhere in SEE, while complains that the

situation of SMEs (the rest) is becoming more difficult. The economy may grow at a rate of 10%, though this growth may be concentrated in few oligarchs who swallow the small fish. Economic growth, measured by the rise of GDP, is different from national incomes. By a simple definition, GDP measures the total value of goods and services produced within a year in a given country. A 10% GDP growth does not correspond to anyone's income. To get incomes from GDP, as Piketty (2014) maintains, one must deduct buildings, infrastructure, machinery, vehicles, computers produced in the same year. This is where many economists get misled when recommending the policy of economic growth versus incomes. A lot of public and private construction activities go on in Kosovo. They are counted as a contribution to GDP – economic growth. Investment choices as a component of GDP, affect differently incomes. If Kosovo gets more highways and other public infrastructure investment, that does increase GDP but not incomes which it can even lower. A similar pattern can be observed among private investment. Most Kosovo households spend their incomes and life earnings in buildings and houses, beyond their needs if incomes permit. Often this does not stop them leaving Kosovo as asylum seekers in the West, not for better and larger buildings but incomes. The incomes may get concentrated somewhere else. Three banks in Kosovo have the overwhelming majority of capital and incomes in the banking sector. What is their impact in increasing employment and poverty reduction for the rest of population? They do not run after increasing employment and alleviating poverty of others, but after their own profit.

Second, in terms of the first recommendation, is when Riinvest recommends reforming the business environment to serve higher economic growth at the time when Kosovo has already these reforms in place. The environment, as measured by the ease of doing business in 2015, indicates Kosovo in the rank 42 for “starting a business”, a sharp improvement from 2014 when it was in 100th place. In this component, Albania ranked close before Kosovo (41), but Croatia (88) and Bosnia (147) were apparently behind. In “registering property” Kosovo made a small improvement from 35 to 34, which is much ahead of Albania (118), Bosnia (88) and other SEE countries. The rank 23rd in “getting credit” is below the regional average, implying a better access to credit. Kosovo made a little regress (from 58 to 63) in “paying taxes”, though this indicator fares better in ranking than in the regional countries. One important component on the ease of doing business, in which Kosovo stands behind all SEE, is “closing the business” (164th). We

should not forget that this is an unrelated indicator to the period which Riinvest refers to (2011, a difference of four years) for the same component. In 2011, Kosovo was ranked the best, and in 2015 the worst in the region on “closing the business.” In this way, Riinvest says the other way around. In American popular jargon, this is a typical “putting the cart before the horse.” It is not a minor mistake; it is a special “research methodology” by Riinvest which it practices and insists to impose upon others for a long time. Normal scholars would consider it a dishonest approach at best. The source for the figures referred to in this paragraph, is: World Bank (2014), *Doing Business 2015: Going Beyond Efficiency – Economy Profile 2015 – Kosovo*, 12th ed., Washington D.C.: World Bank.

The second and the third recommendation is first addressed as a critique against the current state of judicial system which it calls as “highly unsatisfactory”, then highlights that “the absence of an effective and efficient mechanism in quickly solving bank court cases hinders the incentives for lowering current interest rates.” This part of the recommendation has only linguist connection between the formulated words, but not any meaning to the phenomenon. Riinvest sees lowering the interest rates through the courts, which in the situation as they were in 2011, had less work in SEE as only around 6% of total loans delivered by the banks amounted to as “bad loans”. What kind of recommendation would Riinvest address to the courts in Montenegro with not less than a quarter of total loans delivered ending up as “bad loans?” Riinvest goes further to recommend Kosovo the establishment of special economic courts to deal with and resolve business disputes (in this case, the claims of the banks over bad loans) separately from general cases that “would contribute to reducing significantly the current workload. This would eliminate one of the primary barriers of court inefficiency, which banks and businesses declare all the time.” Special economic courts, to do, what? Where does Riinvest see all that “current workload” with only 6%? Please note that there are no data available in the report after 2011 about the “current workload.” Why it does consider this as “one of the primary barriers of court inefficiency?” If the banks and the SMEs surveyed have referred to this as inefficiency, then both parties were not right. If the banks are highly unsatisfied with the business rule of law, they can freely go to Montenegro, Serbia, and other countries of the Western Balkans to enjoy much higher workloads and less efficient court procedures. These banks will probably find themselves better off there if they are convinced of better business environment, where profit rates

are smaller, and up to 25% of the loans being bad loans. OK then, let us establish and put into action special economic courts to deal with that 6%. What else! Can we bring to zero the share of bad loans from the total? Absolutely not. In no country this can happen for a long time. Competition between businesses does not allow all of them to thrive – some for various reasons and circumstances fail, new ones emerge). What impact 0% bad loans would have on interest rates if we were to implement this recommendation with full effects and desired outcome? Such a special court in principle can have adverse effects leading to higher interest rates, and not the other way around. Why? Even under current high interest rates, bad loans are proportionally much lower and less than in the rest of SEE. A further tightening by a special economic court, inevitably would encourage the banks to make loan terms and conditions harsher. The banks in their current conditions are already doing well, and prefer to go on that way undisturbed. Certainly, they support the recommendation by Riinvest for a special economic court to make themselves better off at the expense of SMEs and many others.

The third recommendation is related to increasing competition in the banking sector, as a solution to the problem (which problem? Interest rates, the volume of loans, or business development?). Riinvest assumes this can work by attracting foreign direct investment in the banking sector. For what purpose? To increase competition, or to make the share of foreign capital of 89.2% go up to 100%? What meaning Kosovo as a country would have if 100% of assets in the banking sector end up in foreign hands? It is possible to make the assets in the banking sector 100% foreign owned, the banks competitive between each other, but then Riinvest should name the next report “The Banking Sector in Kosovo, but not of Kosovo.” CBK and Kosovo Competition Authority would be unnecessary, as they are partially even now.

Another recommendation says that the Government and the CBK should undertake “a campaign to encourage the banks to move from their *status quo* position with regard to interest rates” in a sense of lowering them. It further states that this does not imply intervention into the banks’ internal affairs, but through a “mutual understanding”, in other words, that is to require mercy from the banks. If this recommendation is applicable, which practically it is not, it is Riinvest with an earlier recommendation for the establishment of the special economic court that runs counter to the requirement of “mutual understanding.” We discussed earlier how the

recommendation on special economic court, if implemented, encourages the banks to further increase already high interest rates, and now Riinvest requires their lowering through “mutual understanding.” This is a “research methodology and expertise” of Riinvest only. In addition, Riinvest recommended the CBK and the commercial banks to lower the level of collateral required for the loan below the average of SEE, and considered it as an improvement of supply for credit to SMEs in the longer run. This recommendation is contradicted by the figures which Riinvest has used. Why should the banks lower the collateral for the loan when in current level is the main guarantee and working well? Lowering it from over 236% of the loan value, may encourage the banks to become more restrictive in lending. The banks, if it is possible, would like the collateral to be as high as 400% of the loan. The higher the value of collateral, the banks will be ready to lend more. If someone wants a loan of €100 000 from you, and you offer the collateral worth €236 000, would you lent him/her the money? Of course you would. The banks have no reason to consider lowering the requirement level of collateral. It is (was in 2011) working well, covering the loans at much higher level than elsewhere in SEE, with higher interest rates, and eventually, producing the least risk level as the lowest share of bad loans suggest.

The last recommendation is addressed to the Government, advising it to “improve financial literacy of entrepreneurs and individuals through the creation of business advice centers.” It proposes the organization of trainings free of charge to prepare business plans. The trainings would be organized and funded by donors, NGOs, Government, business associations and the bankers’ association. So many entities in training for business plans! The only entity that mostly needs training, but not for money in a dishonest way, is Riinvest which does not want to improve its research literacy. Riinvest operates on the basis of lies, slanders, and organized crime. This reality must be seen separately from true honest research to which Riinvest has no connection. Its president Muhamet Mustafa is a product of former Yugoslav UDB (Uprava Državne Bezbednosti – State Security Directorate). His father Mullah Sylja as a religious cleric was a public agent of UDB, dealing with similar activities against others like his son. Muhamet’s closest collaborator and co-founder of Riinvest is Isa Mustafa, present Prime Minister of Kosovo, who made a political coalition with the PDK (Democratic Party of Kosovo) of Hashim Thaçi, despite numerous official statements with the content “never with PDK and Hashim Thaçi”, whom he publicly accused of assassinating a number of

LDK (Democratic League of Kosovo) officials. Dempsey and Fontaine (2001), based on investigative reports by KFOR and UN police, report of a total 24 assassinations since the war ended (mid June 1999) to 2001 only. The bulk of these assassinations was directly blamed on Hashim Thaçi's clan. A group of LDK MPs splitting with Isa Mustafa because of his joining with Thaçi, want an accountability for LDK officials assassinated. There are rumors that Mr. Mustafa after his repeated "never and never", joined Mr. Thaçi's to form a governmental coalition after the fear that he may end up in jail from Mr. Thaçi's clan. Not less than 70 caseloads with serious charges against Mr. Mustafa rest on Kosovo courts. When he was able to save himself through Mr. Thaçi, why should he bother of dozens of LDK officials assassinated by Thaçi's clan? It was not only Thaçi's clan assassinating LDK officials. In October 2011, a teacher of biology went to the municipal building of Pristina, and shot Isa Mustafa's (then the mayor) director of education Remzi Salihu, with five bullets while the remaining not fired bullets were turned to the Kosovo as a "change" by the assassin. The main reason of this assassination was LDK's misuse and disregard of Kosovo courts. Mr. Salihu's caseload was one among 70 against Isa Mustafa's clan, not yet legally resolved. There are still 69 awaiting against him and his company.

Hashim Thaçi, a frequent clandestine visitor of brothels in Skopje, no longer chose these routes once he recruited as his advisor Mrika Kotorri, a former researcher of Riinvest. This may be good news as he is now becoming a "patriot" by "consuming" local "products." Another researcher of Riinvest, Besa Zogaj – Gashi, has been sent somewhere in the Kosovo Budget Commission. These are not researchers, senior, junior, or whatever, but researchers available for opportunism. They do not care if you are a "snake" (*nom de guerre* of Hashim Thaçi), lizard, salamander, dog, illiterate, or criminal. The other co-founder and co-owner of Riinvest, Ymer Havolli (the relative of Muhamet Mustafa) has been sent to usurp the president of the board position in Kosovo Pension and Savings Trust. I do not want to talk now about how their master and PhD thesis were prepared are obtained. Once the Kosovo courts are liberated from the misuse of U.S. Embassy, I have what to offer about the true research and the degrees that many people have obtained, in which I was the main player and engine. Someone is called professor, the other lecturer, another deputy minister, their biographies full of rosy pictures, but the only thing you will cast a serious doubt about, is what they are capable of doing

right now after all those achievements? You will come to a conclusion that they must be returned to undergraduate studies.

The primary weapon of Riinvest is propaganda, blackmails, opportunism, and slanders. What its report we are talking about has to do with analysis, senior researchers, and international consultants?. Riinvest operates through this strategy, though the damage to the public through its pseudo-research is evident. Still worse, Riinvest efforts focus on suppressing the truth to justify the funding from KFOS, from Luan Shllaku (the executive director) respectively, a known person of intrigues. This network of anti-science and of money laundering is working well in Kosovo amongst the people who prefer to hear what you have to say about them rather than assessing their products, i.e. reading their works. Reading in the 21st century outside compulsory requirement (i.e. in schools and universities) has become a hated activity and appropriate for ridiculing. A typical Albanian will never know what this critical analysis is saying, unless you do not tell them. Even if you inform them, again they will rely on what you are telling about this article, and would not prefer to read it on their own. Albanians are distracted from the comprehensive reading by casting a glimpse to the headlines only. If you want your work disregarded, ask Albanians who make their “assessment” without reading it. We have read the report by Riinvest, and we have no reason to believe in your claims about them as persons. Few Albanians refused to read a book by Joseph Stiglitz (Globalization and Its Discontents) I recommended, under their prejudice that Stiglitz was a Jew and ugly in appearance. Also, it would be naïve for us to arbitrarily believe in KFOS as an open society when its work shows underground activities, conspiracies, and nepotism. How much open the KFOS can be when its executive director Luan Shllaku funds the KCSF where the director of projects is Suzana Arni – Shllaku, his wife? During the night, they share the same bed, while during the working days the funds of OSI and working against others. This fact was reported to the OSI Ombudsman headquarters. The fact that no measures have ever been undertaken, indicates that this undeclared mission goes on. The only impossible mission of OSI is open society, which can be proven by the results and conspiracies on site, and not by its nonsense claim.

Riinvest has its hands blooded in many other scandals, among others, in the so-called National Strategy for the Development of Kosovo, a project in which around €2.5 million were appropriated. What really happened to that strategy? What were its results?

Where did Kosovo come by that “famous expertise” of Riinvest and conspiracy of Luan Shllaku? The strategy withered into the air because it was not a strategy of the purpose in which it claimed. The aim of Riinvest was only to launder money, just like the recent survey funded by the KCSF. In the “national strategy” Riinvest could not launder the money as it wished because of Ramush Haradinaj (politician) who hampered it. With the money it was receiving in the name of the strategy, Riinvest was not paying a task force working in the project. This became the cause of an unpaid group to publicly denounce Riinvest, in particular its executive director Muhamet Sadiku. The message was also directed to Luan Shllaku as one of the players in the strategy. The “national strategy” became a national scandal. But Riinvest does not care at all if someone tells the world that $2 \times 3 = 6$, and not 20! “We are getting the money, let the dogs bark behind against us”, is the most preferred approach and claim by Riinvest, which I have experienced with them for years. This type of “research expertise” should be made available and explained to the public, in the name of which Riinvest prepares the corrupted or pseudo research. We should be correct to assess the Riinvest’s expertise in this sector. It is easy to make a way through criminal activities, then pretend to become honest. Historical experience tells us that the greatest evils never wanted to pursue their activities to infinity, but to a certain degree until they deemed them as “necessary” to bring their planned “everlasting peace” and build a “paradise” on earth. Hitler prosecuted the Jews, and wanted a “lebensraum” (living space) in Soviet Union for German people. Stalin wanted (and fought about) the triumph of communism at a high cost among the Soviets and Eastern Europeans. Milosevic wanted ethnic cleansing of Albanians from Kosovo. Had their plans come into full-scale fulfillment, there was no reason for them to remain brutal dictators forever.

According to the data we have at our disposal, all companies in Kosovo organized on shareholding bases, including Riinvest, and especially the profit making banks, do not pay taxes on dividends, which is the tax on profit, alternatively better known as Corporate Income Tax. The release from this tax is provided by Article 7, Point 1.3 of the Law No. 03/L-162 on Corporate Income Tax (CIT), approved by the Assembly of the Republic of Kosovo on 29 December 2009. The Law in the article referred to, in Section II “Income exempt from tax”, says: “1.3. Dividends received by resident and non-resident taxpayers.” It implies that, if you are a kind of taxpayer, e.g. of personal incomes and/or of Value Added Tax (VAT), you do not need to pay a single penny for profit tax that you

generate as dividends from the shares. In many countries, especially in those with social market economy, profit tax is very high (40% or more). The main political battle in the politics of the United States mostly gravitates around what policy the Treasury Department should follow. The republicans as the Party of Right traditionally tend to favor lower tax rates with the aim of giving businesses, namely large corporations, greater maneuvering space and freedom for growth. The rival democratic camp or the Left Party in principle promotes higher differentiated tax rates, i.e. proportionally taxing more the rich, and less the poorer as a kind of social justice. In both cases, the impact and result ideally may be the same in aggregate terms, e.g. in the state budget, economy, businesses in general, and the population. The Republicans would justify their core policy with the belief: "Let us give the corporations more freedom to act, growth, innovation and development, thus we can be in a better position to give the hand to the population with more goods and services, the chance of employment and increasing the demand through consumption." The Democrats from their camp, in opposing this policy, may come out with their alternative: "Taxing less the rich, indeed does enable the growth of corporations to extent of even creating monopolies by undermining the prospects for growth of small businesses, the state budget may have less funds to implement more efficiently the reforms in education and healthcare as vital sectors of long term healthier economy. Instead of empowering the current corporations, we strive for greater opportunities for new businesses and growing of small ones." We see great alternatives within only two large political parties. Each of the two competitive alternatives can produce positive results. This validates once again our attitude that competition can exist between two entities, and the customers have good choices. But apart from the banks, why there is no competition between dozens political parties in Kosovo? Former U.S. President, the republican Ronald Reagan, is credited for the following quote: "If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it. After all, what is always needed, is to keep things working, in perspective, going ahead, through only two or more alternatives, and with whatever ideology.

The CIT rate in Kosovo is fairly low, only 10% of the value, but this does not apply to those who receive the dividends as profit. The primary objective of halving the CIT rate from 20% to 10% was to enrich the few richer, and increasing the VAT from 15% to 16% to further impoverish a very large number of the poor (Mulaj, 2009). And

what is the (not yet) end result? As of 2014, dozens of buses full of Albanian asylum seekers leaving Kosovo within a week. This outflow intensified sharply during the time when Riinvest was using the report on banking sector as propaganda in USAID and OSI funded TV “KTV” and the daily newspaper “Koha Ditore”. Following the breakthrough of political stalemate in mid December 2014, in which Isa Mustafa was elected Prime Minister, the number of buses full of asylum seekers leaving Kosovo, reached 5 per day. There has been no such a record of escape from Kosovo even during the Serbian repressive rule, excluding the period of armed conflict and NATO intervention. In the 1990s, the Milosevic regime was responsible of ethnic cleansing of Albanians. Your inevitable question is: but who is now? I can assure any of you that no person is leaving Kosovo to end up in a “better” place such as prison camps in Hungary and underground parking places in France because of me, but because of Isa Mustafa, Luan Shllaku, USAID policy with its aid, and the entirely criminalized politics and institutions of Kosovo. In my opinion, those people leaving Kosovo to find a place abroad, even in prison, deserve such an imposed deportation until they judge the work by its nature and content, not by the person or country as they are always used to. For instance, if ethnic cleansing and crimes are committed by the Serbs, in their belief it is wrong, and if the same happens under Isa Mustafa and U.S. Embassy policy, it is fine. The important thing for them is just to know who is behind or causes it, not what the harm is. This is a typical (wrong) perception by majority of the population. Riinvest can be praised for its approach based on perceptions to fit into the mentality of the population. Although the direction of this causality is not clear, the evidence points more from Riinvest to the public. When you want to judge on perceptions, and if many will say that you are a psychopath, they truly believe that you actually are. When I published “Tax Reform in Emerging Transition: Is Kosovo’s NGOs and Government Mathematical Economics Rational?”, there were perceptions inside the Ministry of Economy and Finance calling it “a work by the psychopath!” That was an easy approach to persuade those people who later would run away abroad at any cost. The “psychopath” was not so dangerous to force them leaving and is urging them to stand and fight, and if necessary to die for their country in the battle against their leaders who are causing the ethnic cleansing. They must never make a distinction between Milosevic and any Albanian speaker as far as the same phenomenon is concerned – ethnic cleansing.

If the reader wants to read more about the recent report by Riinvest, see also:

Aliu, Florin and Gjinovci, Rron (2014a), “Kosovo Banking Oligarchy: An Illusion for Competition”, in Albanian, available at: <http://www.zeri.info/ekonomia/4646/oligarkia-bankare-e-kosoves-iluzioni-per-konkurrencen/>, Part I, retrieved from December 15, 2015.

Aliu, Florin and Gjinovci, Rron (2014b), “Kosovo Banking Oligarchy: An Illusion for Competition”, in Albanian, available at: <http://zeri.info/ekonomia/5605/oligarkia-bankare-e-kosoves-iluzioni-per-konkurrencen/> Part II, retrieved from December 15, 2015.

On the “unique” methodology of Riinvest, see:

<http://www.albaniapress.com/lajme/12217/Shovinizmi-statistikor-antikombetar-i-UDB-sheve-shqip-dhe-anglishtfoles.html>;

<http://www.albaniapress.com/lajme/14636/Krimet-kunder-njerezimit-dhe-ekonomise-me-statistika.html>.

When An Entire Nation does not want to Understand Elementary School Mathematics in Practice, available at:

Etc.

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