

DEPARTMENT OF THE TREASURY, OFFICE OF TECHNICAL ASSISTANCE

**Program Evaluation Report,
Kosovo:
Banking and Financial
Services
Government Debt and
Infrastructure Finance
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Acronyms

BFS	Banking and Financial Services
CAMELS	Capital adequacy, Assets, Management Capability, Earnings, Liquidity, Sensitivity
CBK	Central Bank of Kosovo
DMU	Debt Management Unit
ELA	Emergency Liquidity Assistance
EQ	Evaluation Question
FATAA	Foreign Aid Transparency and Accountability Act
GDIF	Government Debt and Infrastructure Finance
IMF	International Monetary Fund
KBA	Kosovo Banking Association
KEGA	Kosovo Economic Governance Activity
KII	key informant interview
M&E	monitoring and evaluation
MOF	Ministry of Finance
OECD	Organization for Economic Cooperation and Development
OTA	Office of Technical Assistance
SME	subject-matter expert
TA	technical assistance
USAID	United States Agency for International Development

I. Executive Summary

A. Background

In February 2022, the Department of the Treasury's Office of Technical Assistance (OTA) submitted a request to Bixal to design and conduct a summative evaluation of OTA's Government Debt and Infrastructure Finance (GDIF) and Banking and Financial Services (BFS) programs in Kosovo. OTA has provided technical assistance (TA) in Kosovo's debt and financial services sectors since 2007 and 2012, respectively, using resident and intermittent advisors who have worked closely with counterparts in the Central Bank of Kosovo (CBK) and Ministry of Finance (MOF). OTA's program activities supported supervision and development of the banking and insurance sector, working closely with the CBK. OTA's GDIF advisors focused on building Kosovo's sovereign debt capacity and providing expert guidance in developing a Debt Management Unit (DMU) and supporting Kosovo's government securities market. Both programs provided support to the mortgage market as well.

B. Evaluation Purpose

The evaluation serves two purposes. First, the evaluation was conducted to meet the requirements of the Foreign Aid Transparency and Accountability Act (FATAA) of 2016, which requires agencies implementing foreign assistance funds to evaluate the outcomes and impacts of their programs. Second, the evaluation also provides OTA with an understanding of its contributions to Kosovo's public debt management and financial sector strengthening, as well as the sustainability of OTA's program outcomes. The main evaluation audience is OTA's monitoring and evaluation, GDIF, and BFS teams, although the report may be shared in full or part with the United States Department of State, OTA advisors, advisor counterparts in Kosovo, program stakeholders, and others at OTA's discretion.

From February through June 2022, an evaluation team of French, Kosovar and U.S. subject-matter experts (SMEs) and monitoring and evaluation (M&E) specialists analyzed three key evaluation questions, selected in a collaborative process with the OTA BFS, GDIF, and M&E teams:

C. Evaluation Questions and Methods

The evaluation team collaborated with OTA to determine the evaluation's focus and scope. OTA selected the following high-level evaluation questions:

- 1. In which ways did OTA's TA contribute to financial sector-strengthening in Kosovo?*
- 2. In which ways did OTA's TA contribute to improved public debt management in Kosovo?*
- 3. Which identified outcomes of OTA's TA in Kosovo have been sustained over time?*

The evaluation team gathered data and information from a desk review of project documents provided by OTA, external documents with context and background information from several sources, such as the CBK and MOF. The evaluation team conducted a total of 36 key informant interviews (KIIs) with OTA advisors working in Kosovo, advisor counterpart officials in the MOF and CBK. The evaluation team also interviewed and surveyed members of the Kosovo

Banking Association (KBA).

D. Key Findings and Conclusions

The BFS program's technical assistance contributed to financial sector-strengthening across the banking, insurance, and real estate sectors through providing technical assistance with the following activities and interventions:

- Establishment and organizational effectiveness of the CBK. OTA trained CBK counterparts in banking supervision and built capacity through on-the-job mentoring in developing regulations and operations;
- Kosovo's 2012 Banking Law that established the CBK and set improved policies practices and banking sector corporate governance in accordance with Europe's Basel 1 core principles;
- Establishment of the CBK's emergency liquidity account that can provide emergency funds to banks at risk of insolvency;
- Creation of short-term, intraday, and overnight liquidity transactions that enhance market stability;
- Development of the Law on Insurance that provides the legal framework for Kosovo's insurance sector;
- Adoption of the Kosovo insurance sector's solvency and risk oversight policies to comply with the EU's Solvency I standards;
- Implementation of risk-based insurance supervision by writing an insurance supervision manual for CBK and training insurance supervisors;
- Development of real estate appraisal regulations that are a critical component to Kosovo's market and trained CBK's appraisers; and
- Development of mortgage lending regulations that reduce banks' lending risk, and consumer protection for the residential housing sector.

The GDIF program's technical assistance contributed to improved debt management through regulatory framework for sovereign debt, establishment, and development of Kosovo's debt market in the following ways:

- Drafting and implementation of the Law on Public Debt that provides the regulatory framework to enable the government to borrow funds;
- Establishment of a Debt Management Unit (DMU) within the MOF to manage debt, and issue maturities;
- Developing the primary debt market through the issuance of maturities with lengthened debt, a key market indicator, that began with an average of less than two months in 2012 to more than 35 months in 2020; and
- Coordination among the MOF and the CBK and market participants, establishing regular meetings and communications through a Liquidity Committee to manage cash balances and investments.

OTA's contributions toward the establishment and growth of Kosovo's debt market included knowledge and skills transfer through training and mentoring MOF counterparts in legal and

regulatory development and capacity-building in the MOF's institutional operations. OTA also helped to establish the primary dealer system, execute liability management operations including debt buybacks; supported the DMU with the sovereign ratings process; and drafted a fiscal agency agreement between the MOF and CBK.

The sustainability of OTA's BFS and GDIF program outcomes can be considered within four descriptive categories:

- 1) Outcomes that continue in the present such as the following:
 - Law on Public Debt is still current;
 - Primary debt market and debt trading system has grown and matured since inception;
 - DMU within the MOF has matured since its inception;
 - Coordination between the MOF and CBK on sovereign debt has been sustained;
 - Emergency Liquidity Account, although never used yet, is an international requirement; and
 - Establishment of short-term, intraday, and overnight liquidity borrowing mechanisms.
- 2) Tangible TA products that are still in use, such as:
 - Banking risk supervision manual;
 - Insurance supervision training manual; and
 - Real estate appraisal training manual.
- 3) Milestone achievements that require revisions to meet current needs, such as:
 - The Banking Law needs to be revised to comply with Basel II European standards;
 - Risk-based bank supervision is not fully implemented; and
 - Insurance regulations need updating to comply with more recent Solvency II European industry standards.
- 4) Outcomes that have only limited relevance or impact because of current, external, political and/or market constraints, such as:
 - Regulation on mortgage lending has limited current impact on real estate market because establishing clear ownership over property is difficult under current law; and
 - Regulation on real estate appraisal and training appraisers has limited impact with current market conditions such as property rights constraints, and an incomplete property cadaster.

E. Recommendations

This is a summative evaluation of OTA's BFS and GDIF program outcomes and their sustainability in Kosovo. Inherent evaluation limitations, including a lack of performance indicators, confirmation bias of advisors and counterparts in Kosovo's pro-American political context, limited program documentation, and memory recall limitations constrain the evaluation team to making high, program-level recommendations rather than recommendations targeted to OTA's specific activities and interventions.

Based on outcome-level findings and limitations encountered by the evaluation team, OTA

should consider the following:

- 1) Systematize and document communications, knowledge exchange, and coordination between and among advisors and OTA program staff.
- 2) Improve program-level documentation including periodic, annual, and final reports to capture lessons learned and institutional knowledge.
- 3) Track progress toward anticipated/expected results through monitoring activities.
- 4) Incorporate counterpart feedback in programmatic decision-making.
- 5) Implement best practices in monitoring, evaluation, and learning to improve results while not sacrificing the flexibility of OTA's demand-driven TA model.

II. Program Overview

Kosovo declared its independence as a new nation, no longer a province of Serbia, on February 17, 2008. At the outset of the Office of Technical Assistance's (OTA's) engagement, Kosovo was a newly independent, post-conflict country with significant challenges—diplomatic, economic financial, security, social, and political. It was dependent on the international community to move from independence toward stability. The first OTA advisor began work the same year with Kosovo's Ministry of Finance (MOF) through OTA's Government Debt and Infrastructure Finance (GDIF) program, beginning with the development of a legal and regulatory framework to manage public debt and the initiation of a primary debt securities market. Later, in 2012, OTA added Banking and Financial Services (BFS) program activities that focused on technical assistance (TA) to the Central Bank of Kosovo (CBK). The addition contributed to the development of the Banking Law that enabled early milestone achievements for both programs, according to a universal consensus from interviews of OTA advisors and their counterparts in both programs, set the stage for OTA's continued contributions to the rapid capacity development of the MOF and CBK, improved public debt management, and strengthened financial sector.

Implemented by seven different advisors since program inception, OTA's GDIF program activities include developing a regulatory framework on public debt that enabled the MOF to borrow funds through the issuance of Treasury Bills in a debt-market trading system. The framework also allowed the MOF to manage sovereign debt through the establishment of its Debt Management Unit (DMU). Subsequently, GDIF advisors contributed to the further development and sustainability of the primary securities market and the MOF's debt management capacity. GDIF TA is still ongoing, although advisors' TA roles have transitioned from active mentoring to serving as consultative resources.

Eight BFS advisors provided TA to the CBK and contributed to the development of a regulatory framework for the insurance sector. Specifically, they helped establish supervisory policies and trained the CBK's first insurance supervisors. OTA also advised several governors and Deputy Governors of the CBK and the board of directors in central bank operation practices, corporate governance, and oversight for banks. OTA additionally advised the CBK on risk management guidelines to bring the CBK into compliance with international standard principles on banking supervision. OTA's BFS program also contributed TA to Kosovo's still-nascent real estate sector through the development of regulations and training appraisers.

III. Evaluation Purpose

This summative evaluation was conceived in collaboration with OTA's monitoring and evaluation (M&E) team. It focuses on OTA's contributions to achievements — or outcomes — and the sustainability of those outcomes unique to Kosovo's circumstances, rather than on performance of activities that have either ended or are winding down. Performance-related, qualitative data for activities that have long ended would be unreliable and difficult to collect. In addition, current advisors are playing a less direct, more consultative role with their counterparts than they have in past years.

The outcomes and sustainability-focused evaluation of OTA/Kosovo's BFS and GDIF programs serves two important purposes:

- 1) To support compliance with the Foreign Aid Transparency and Accountability Act (FATAA) of 2016,¹ which includes requirements to evaluate the outcomes and impacts of OTA's programs whose dollar value equals or exceeds the median program size and apply the findings and conclusions of such evaluations to proposed project and program design; and
- 2) To provide OTA with in-depth, third-party, retrospective insights of its BFS and GDIF program activities and outcomes in Kosovo. The evaluation focuses on OTA's contributions to Kosovo's financial sector and public debt governance through its technical assistance to the CBK and MOF.

IV. Evaluation Questions

Bixal's evaluation team collaborated with OTA's M&E, BFS, and GDIF program teams to develop a limited number of evaluation questions to better understand OTA's work in Kosovo, including its contributions to financial sector-strengthening, improved public debt management, and sustainability of outcomes. The evaluation team's design approach began with analyzing and coding categories of data found in the wide range of documents produced by individual advisors working on the two programs. Due to the long timeframe of both projects, the team compiled a chronology of activities (see Annex I for BFS and Annex L for GDIF).² This document review resulted in a preliminary set of activities and interventions through which OTA contributed to financial sector-strengthening and improved public debt-management/debt-market functioning. The team then supplemented the document review with discussions with OTA's M&E, BFS, and GDIF program teams and key advisors to get a base-level understanding of OTA's activities and interventions. These discussions also resulted in a consensus among OTA's M&E, BFS, and GDIF teams regarding the evaluation's scope and three high-level evaluation questions.

The evaluation questions provided the foundation for the remaining design elements such as methods used, and data sources.

1. In which ways did OTA's TA contribute to financial sector-strengthening in Kosovo?

This question probes key elements of OTA's different TA methods and key interventions in the BFS program. These included drafting legislation/regulations, capacity-building, creating manuals, and training. The evaluation examined selected interventions to better understand how OTA contributed to strengthening of the financial sector in Kosovo over time. It analyzed the appropriateness of interventions to address Kosovo's needs and desired outcomes.

2. In which ways did OTA's TA contribute to improved public debt management in Kosovo?

¹ Foreign Aid and Transparency and Accountability Act of 2016, Public Law 114-191
<https://www.congress.gov/114/plaws/publ191/PLAW-114publ191.pdf>

² The OTA advisor for the ongoing GDIF project created a chronology for the evaluation team. The evaluation team created a chronology for the BFS project.

Like question 1, this question probes key elements of OTA's different TA in the GDIF program area. These elements also included drafting legislation/regulations, capacity-building, creating a trading system, creating a domestic market for government securities, and training. The evaluation examined selected interventions to better understand how OTA contributed to Kosovo's improved public debt management. It also analyzed the appropriateness of interventions to the level of regime development in Kosovo and their relationship to desired outcomes.

3. Which identified outcomes of OTA's TA in Kosovo have been sustained over time?

This question focuses on the sustainability of OTA's contributions to Kosovo's financial sector and institutions. The evaluation team recognized that some activities were purposefully limited or short term in response to specific circumstances and near-term needs. Nevertheless, the greater arc of project activities was intended individually and collectively to contribute to financial sector-strengthening or improved public debt management.

V. Methodology and Data Sources

The evaluation used a mix of qualitative methods described in this section. These include:

- 1) A desk review of project and background documents;
- 2) Key informant interviews conducted on-site and virtually with OTA advisors, counterparts, and other stakeholders; and
- 3) A survey of banking stakeholders.

Desk Review Process

Project Documents: The evaluation team conducted a thorough desk analysis of project documents provided by OTA to gain a basic understanding of OTA's activities and interventions in both BFS and GDIF program areas. The desk review and initial fact-finding discussions with program staff helped put OTA's TA into an evaluative context, using the six standard criteria established by the Organization for Economic Cooperation and Development (OECD) including effectiveness, efficiency, coherence, impact, and sustainability.³

For evaluation question (EQ)1 and EQ2, the evaluation team focused on the effectiveness and efficiency of OTA's BFS and GDIF program activities and interventions. For EQ3, the evaluation team focused on the coherence, impact, and sustainability of OTA's activities and interventions.

OTA provided the following categories of project documents to the evaluation team:

- Proposals to the Department of State proposing funding from the Assistance to Europe, Eurasia, and Central Asia appropriation;
- Briefing materials;
- End-of-tour reports;

³ These criteria are described in detail on the website of the Organization for Economic Cooperation and Development. See <https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

- Indicator reference sheets;
- Terms of reference;
- Trip reports; and
- Workplans.

Annex A is the evaluation data source matrix that illustrates the relationship among the three key evaluation questions, illustrative sub-questions or probing questions, and proposed methods and data sources.

In addition, the evaluation team used results mapping to better understand the contribution of each intervention to the overall result—financial sector-strengthening or improved public debt management/debt-market functioning. The results-mapping exercise also provided multiple opportunities to cross-reference findings and conduct quality control.

Annex B lists all the OTA documents analyzed.

Contextual Information Sources: The evaluation team conducted a desk review of reports published by the European Commission, the Government of Kosovo, Kosovar financial institutions, multilateral financial institutions, and research institutions. This review of financial sector analyses, reviews, and surveys provided a better understanding of the context of Kosovo’s financial sector and debt market. Annex C lists all the context documents analyzed.

Key Informant Interviews

Key informant interviews (KIIs) provided multiple perspectives and sources to support findings related to the evaluation questions. Working from interview guides tailored for each category of respondents, the evaluation team conducted KIIs to document a full range of perspectives on OTA’s work and to validate findings from the initial document analysis. Some KIIs focused on specific OTA activities and interventions to answer the three evaluation questions in greater detail.

The evaluation team identified key informants in four categories:

- OTA program staff and Kosovo advisors;
- Direct Government of Kosovo counterparts (CBK and MOF);
- Beneficiaries (Kosovar banks, the Kosovo Banking Association [KBA], insurance companies, the Kosovo Insurance Bureau, and the Kosovo Pension Trust Fund); and
- Stakeholders (other donors engaged in the Kosovar financial sector, multilateral financial institutions, the U.S. Embassy, and the United States Agency for International Development [USAID]).

Annex D contains the interview guides.

Annex E is the list of key informants interviewed.

Stakeholder Survey

The evaluation team conducted an online survey of member banks of the KBA to understand how OTA's work contributed to financial sector-strengthening (EQ1), public debt management (EQ2), and sustainability (EQ3). All ten member banks were invited to participate in the survey.

The survey questions are found in Annex F.

Mixed-Methods Approach

The evaluation team's design approach started with the desk review, as described above, to establish a basic understanding of what OTA did in Kosovo. The KIIs and stakeholder survey were then used to verify, build on, and/or add nuance to what was already known from the documents. The team also analyzed OTA's contributions to the outcomes.

Preliminary findings for the BFS program (Section X) and GDIF program (Section XI) were verified using multiple data sources and conclusions drawn regarding OTA's contributions to overall program outcomes and their sustainability.

VI. Data Collection

Document Review

The evaluation team members reviewed documents in a multi-phase process that included selecting and prioritizing high-value sources (e.g., current and former Ministers of Finance, the Governor of the CBK, etc.), identifying preliminary findings for deeper probing and verification, and coding the documents using the ATLAS.ti. The ATLAS.ti software is qualitative analysis application that enables rigorous qualitative coding to systematically catalogue program documents.

KIIs

Between May 3 and June 16, 2022, the Bixal evaluation team conducted KIIs, working in pairs as assigned by the team leader. The interviews were in person whenever possible, given constraints around scheduling and respondent preference. All interviewers closely followed prepared interview guides and instructions to ensure that interviews were unbiased and focused on the evaluation questions. Most interviews were scheduled for one hour, with a limited number with high-priority respondents scheduled with prior agreement for 90 minutes. Interviewers recorded the conversations when possible, to ensure complete and accurate data capture. Any notes in Albanian were translated to English for analysis.

Notetakers took notes using a notetaking guide. In advance of the first KII, notetakers were trained on the evaluation team's standard operating procedure for notetaking to ensure they captured the highest quality of data.

From May 11-20, 2022, the evaluation team (except Michael Tatone) visited Pristina, Kosovo. The evaluation team completed 24 total KIIs with 36 respondents. The box below shows the number of participants who spoke about the GDIF or BFS project, or both.

KII Respondent by Program	Respondents
Respondents discussed the OTA BFS program	13
Respondents discussed the OTA GDIF program	11
Respondents discussed both OTA programs	12
KII Respondent Groups	
Direct Government of Kosovo counterparts	15
Beneficiaries	9
Stakeholders	6
OTA program staff and Kosovo advisors	6
KII Respondent Gender	
Men	29
Women	7
Total KII Respondents	36

Respondents represented the following institutions (in alphabetical order):

Institution	Respondents
Banke Ekonomike	2
Central Bank of Kosovo	8
International Monetary Fund (IMF)	1
Q Kosovo Banking Association	1
Kosovo Insurance Bureau	2
Kosovo Pension Savings Trust	2
Ministry of Finance of Kosovo	7
Office of Technical Assistance (three BFS and three GDIF)	6
Raiffeisen Bank Kosovo	1
Scardian Insurance Company	1
USAID/Kosovo	3
U.S. Embassy in Kosovo	2

Surveys

As explained above, the evaluation team conducted an online survey of member banks of the KBA. The survey allowed the evaluation to probe OTA's engagement with a defined set of stakeholders beyond OTA's direct counterparts, the CBK and the MOF. While the survey responses do not represent all Kosovar banks, they enabled the team to validate the results of specific OTA activities and interventions. All ten KBA member banks were invited to complete the survey. Four banks responded, resulting in a 40% response rate. It is important to note these

results do not represent all Kosovar banks, but the ten KBA member banks were invited to participate in the survey.

VII. Data Analysis Process

The evaluation team conducted qualitative analyses of KII data on an ongoing basis concurrent with fieldwork to ensure quality and the identification of emergent findings and trends as soon as possible during the evaluation's brief data collection phase. Team members completed interview notes and shared them with the team leader as soon as possible. The Project Manager coded KII notes in ATLAS.ti and analyzed data by grouping similar data under themes or categories. The goal was to allow the evaluation team to locate, retrieve, and combine the textual data that corresponded to an evaluation question, concept, or theme of interest. Quantitative analysis of the survey included crosstabs and summaries of data to both open- and closed-ended questions.

When data collection was nearly complete, all evaluation team members convened for an extended analysis workshop. Participants debated, clarified, and verified potential findings and trends that emerged throughout the data collection and analysis period. The evaluation team distilled insights and ideas from this process into a presentation of preliminary findings to each OTA program team for vetting and discussion before the drafting of this final evaluation report. The preliminary findings were presented to and vetted by OTA's M&E, BFS, and GDIF teams before they were considered final. With insights from the two presentations, the team analyzed the data again for additional validation and verification and conducted an additional KII to further probe a subset of the questions.

The evaluation team compiled an overview table of activities and interventions for each program, listing indicators, change over time, OTA's contribution, constraints, and sustainability. (See Annex H for the BFS program, and Annex K for GDIF.) Finally, the evaluation team diagrammed how together the interventions contributed to results. (See Section X, Figure 2, and Section XI, Figure 4.)

VIII. Quality Assurance

The evaluation team followed standard quality assurance best practices:

- 1) Notetakers uploaded their notes at the end of each day of data collection. The team leader/Bixal staff reviewed notes for accuracy, completeness, precision, and quality.
- 2) The evaluation team met at the end of each day of data collection in Pristina. The team discussed what was heard and observed to ensure consistency in collecting and reporting data.
- 3) The ATLAS.ti application enabled the team to check for accuracy and completeness of qualitative data as they were entered and coded. Standard cross-checking protocols were followed to ensure consistency and accuracy.
- 4) The data analysis workshop provided an opportunity for evaluation team members to check each other's assumptions and cross-check data quality.
- 5) One subject matter expert (SME) conducted an analysis of both sets of program data — for BFS and for GDIF. The evaluation team employed a similar line of inquiry and methodology to identify and categorize key OTA interventions. A second SME

conducted a separate analysis of the GDIF data and reviewed the analysis of both datasets of the first SME.

- 6) The two SMEs shared their preliminary findings and conclusions with each other first. Then the entire evaluation team met to discuss findings and conclusions. The following day, the entire evaluation team conducted a follow-up workshop to map findings to conclusions and conclusions to recommendations.

IX. Limitations

The evaluation team faced several key limitations of time, resources, and data that constrained the evaluation's possible purposes, scope, and granularity of findings. The OTA and the evaluation team were aware of most of these limitations from the beginning, and evaluation design choices were made to address these limitations.

Political Positivity Context

The MOF's and CBK's perceptions, expressed in KIIs, of OTA's TA can be illustrated by a quote from a high-level counterpart: *"It would be impossible for Kosovo to be where we are today.... Even if I said 'thank you' a thousand times, it would not be sufficient."*

The quote represents the very positive tone of many of the counterparts as well as the OTA advisors themselves who were interviewed during the evaluation. It reflects their shared perceptions of the MOF's and CBK's nascence when OTA's work began juxtaposed against subsequent progress. The evaluation's findings show ample evidence of OTA's critical contributions to Kosovo's current, relatively advanced state of debt-market maturity and financial stability.

While the positive tone of the evaluation findings indicates an overall success story, it is useful to consider Kosovo's greater context for a balanced interpretation of OTA's work. The above expression of gratitude reflects a recognition of OTA's contributions, but it also reflects the MOF's and CBK's early acute needs for TA that, according to counterpart key informants, were addressed by "the Americans" more than any other donors or providers of financial TA. The quote also illustrates Kosovo's pro-American political context underlying OTA's work and the evaluation's findings. The evaluation team considered this context in developing an objective understanding of OTA's work. The evaluation probed for a diversity of perspectives on program outcomes, and the findings accurately reflect the various stakeholders' views.

Demand-Driven Technical Assistance

OTA's demand-driven TA approach, while responsive to the MOF's and the CBK's requests, did not follow a predetermined, long-term strategic plan. OTA's demand-driven approach to TA is an important context to the evaluation's design. Program activities were implemented by different, largely independent advisors that were focused on counterparts' needs and requests. According to several advisors representing both Kosovo programs, their demand-driven approach precluded the use of program-level, long-term, holistic strategic plans, and corresponding performance indicators. For this reason, there is limited apparent connectedness between activities. While the project documents reflect some communications among advisors, the evaluation findings that identify OTA's BFS contributions to Kosovo's financial sector-strengthening reads like a catalog of discrete activities and interventions undertaken by different

advisors, rather than a holistic program working toward a high-level strategic objective or following an articulated theory of change. The lack of typical program design elements such as theories of change, logic or results frameworks, performance indicators, or baseline measures limited the ability of the evaluation team to design an evaluation focused on program performance using traditional methods.

Project Documentation Limitations

No blueprint or consistently documented overall strategy was conceived when the OTA project was launched in Kosovo. Annual reports were not required by OTA or the State Department. There is no “final” report for the BFS program. GDIF program activities remain ongoing since 2008, but there is no document that provides a comprehensive chronology or synthesis. This was a key challenge for the evaluation team in gaining an understanding of OTA’s work at a program or systems level.

Project documents, while they included descriptions of advisors’ activities (e.g., trip reports), they did not document critical information such as connections between activity inputs, outputs, and outcomes; risk factors, baselines, performance data, externalities that influenced results, context data, or training documentation. While OTA’s trip reports provide a basic description of advisor activities, they are, based on the evaluation team’s review, insufficient to provide a complete and nuanced understanding of activities. Missing, for example, were the logic behind how they were selected and designed, details of how they were implemented, what worked and did not work, and which results were achieved. Without this documentation, it was difficult in some cases for the evaluation team to determine OTA’s contributions to outcomes.

All eight of the OTA BFS advisors and seven of the eight GDIF advisors who worked in Kosovo noted in program documents the presence of training activities. Counterparts and stakeholders confirmed and validated this. However, training details such as agendas, content, lists of training participants, and evaluations were not available to the evaluation team as that documentation was apparently not kept. The lack of training activity documentation made it difficult for the evaluation team to assess participants’ baseline knowledge, including training utility, whether the agenda were appropriate for the participants, content quality, and participants’ utilization of new skills⁴. Combined with memory recall limitations among those participating in the KIIs, it was not possible for the evaluation team to probe for OTA’s training activities’ contributions regarding EQ1 beyond a general statement confirming that training occurred and at least some participants were assumed to be able use their new skills.

The team also found inconsistencies in documents such as missing counterpart feedback surveys and other missing or non-existent end-of tour documents for some years and/or some advisors. These documents the evaluation team did not have access to could have been a good source of additional recommendations and constructive feedback. The few counterpart feedback surveys shared (by counterparts) included constructive criticism rarely heard during KIIs. The counterpart surveys also target the work of advisors, rather than interventions. This makes it

⁴ These criteria are described in detail on the website of the Organization for Economic Cooperation and Development. See <https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

difficult to track the success and results achieved by an activity or intervention, which may have been implemented by more than one advisor. This lack of documentation may have exacerbated the aggregate positive trend in the findings.

The many project documents written by numerous individual OTA advisors include many point-in-time details that suggest a large body of successful outcomes. Nevertheless, the evaluation team, individually and collectively, struggled initially to develop the big-picture story of OTA's work in Kosovo from this mosaic. For example, the absence of quarterly or annual reports presented a challenge to the evaluation team in fully understanding the BFS and GDIF program's long arc and any interconnectivity among OTA's many different interventions over a 14-year history in Kosovo. For this reason, the evaluation team chose different approaches to conceptualize OTA's work: an overview table (Annexes G and I), a chronology (Annexes H and J), and a results diagram (see Sections X and XI) for each program.

Time and Limited Memory Recall

Another important aspect of the evaluation's context is the amount of time that has passed between OTA's most intense periods of activity and the evaluation's interviews with advisors, counterparts, and other stakeholders. In many cases, the key informants' perspectives of activities that happened years in the past may have changed. A lens of selective memory and current circumstances may contribute to a key informant's overall positive retrospective. For example, an MOF counterpart, reflecting on his or her experience as their younger self working with an OTA advisor, stated in a KII that *"I remember working long hours and being exhausted and overwhelmed, but now I know that it was necessary and worth it."*





Memory limitations and recall bias presented significant challenges to the evaluation team whenever probing questions to counterparts related to what didn't work, or what might have been done better. Similarly, advisors expressed a generally positive, enthusiastic perspective regarding their work with their counterparts that may partially result from selective memory.

X. EQ1 Findings and Conclusions—Banking and Financial Services

EQ1: In which ways did OTA's TA contribute to financial sector-strengthening in Kosovo?

This section describes the evaluation findings for EQ1 under the three different sectors in which OTA worked: Kosovo's banking, insurance, and real estate sectors. Figure 1 represents the findings as a list of OTA's activities and interventions in those three sectors.

Figure 1: Banking and Financial Services Program Activities and Interventions

	<p>Banking Sector—Activities and interventions Organizational effectiveness of the CBK Law on Banks Risk-based bank supervision Corporate governance Emergency Liquidity Assistance (ELA) Repo system Liquidity arrangements</p>
	<p>Insurance Sector—Activities and interventions Law on Insurance Solvency I implementation Risk-based supervision Corporate governance</p>
	<p>Real Estate—Activities and interventions Regulation of appraisal of immovable property Regulation of housing mortgages Regulation of and training of real estate appraisers</p>
	<p>Development and supervision of the insurance and real estate sectors</p>

Additional details can be found in the following report annexes:

- Annex G presents an overview of the OTA BFS program describing each intervention, OTA’s contribution, constraints encountered during implementation of the intervention, and the sustainability of the intervention. The annex also includes selected context indicators that demonstrate the changes from 2011–2020 in the banking, insurance, and real estate sectors.
- Annex H presents a chronology of each set of OTA BFS program activities and interventions in banking, insurance, and real estate.

Finding: On a systemic level, OTA contributed to the organizational effectiveness of the CBK.

Former and current Central Bank governors, as well as senior staff of the CBK, described the institutional, organizational, operational, and strategic success of the CBK supported by U.S. government assistance, including that from the U.S. Embassy, the U.S. Department of State, and USAID. These parties emphasized OTA’s lead role in supporting CBK’s development, described in general terms, from its nascent stage in 2012 to the present. Details of CBK’s early capacity for comparison are difficult to know due to the lack of baseline documentation and memory recall limitations. However, the evaluation found evidence, through KIIs with CBK staff and advisors, of OTA’s contributions to the CBK’s organizational development. The TA in question resulted in CBK’s high-level vision and a strategic plan that is updated annually.

OTA's TA and knowledge transfer to the CBK included formal training in topics such as banking supervision, as well as on-the-job mentoring between advisors and CBK key managers and staff. While formal, classroom-style training was mentioned in project documents and KIIs, no training documentation was available. However, former, and current CBK governors and senior staff emphatically stated that OTA contributed in fundamental ways to the establishment, operational effectiveness, and institutional sustainability of the CBK.

In 2012, the CBK requested OTA assistance to establish its strategic plan. Later, according to KIIs with advisors, OTA's TA — in response to CBK requests — built CBK capacities in specific technical areas — law, regulation, operations, etc. OTA's high systems-level technical assistance enabled the CBK to function as a central bank and implement critical specific measures, such as laws, operations, regulations, and supervision, that were identified and supported by OTA and other donors and TA providers. One interview respondent stated that OTA was "*central to the success of the CBK.*" This view was confirmed by staff of a USAID economic governance activity. The staff member recognized OTA's contributions to building the CBK and MOF that enabled USAID's activity.

Conclusion: OTA's sustainable contributions to the CBK include the wide range of manuals, policies, principles, and procedures that are still in use today — as well as the wealth of technical knowledge OTA advisors have transferred to CBK staff over the years — that have enabled the CBK to progress since the inception of OTA's TA. Country reports published by the European Commission (2021) and the IMF (2021 and 2021) as well as the European Union Kosovo Scorecard 2021 (published by the European Policy Institute of Kosovo⁵) recognize the CBK as a well-governed and well-managed central bank.

Finding: OTA contributed to the Banking Law.

Kosovo's Banking Law was revised in 2012, which enabled the CBK to operate as a central bank and supervisor of banks and insurance companies. According to project documents and KIIs with CBK staff, OTA's TA related to the new Banking Law included:

- Standardization of supervisory policies;
- Training of on-site bank examiners and off-site analysts;
- Improved bank reporting standards;
- Adoption of Basel I Core Principles; and
- Institutionalization of risk-based supervision and the capital adequacy, assets, management capability, earnings, liquidity, and sensitivity (CAMELS) ratings system.⁶

However, details on OTA's activities and interventions related to the Banking Law were unavailable, as the evaluation team was unable to interview the OTA advisor who worked on this intervention ten years ago.

⁵ See Annex C – Context Document List.

⁶ See 2012 Annual Budget Review Template III—Country Narrative Kosovo-Banking, p. 3.

The sustainability of the Banking Law needs to be considered in the current context of the CBK. The original 2012 regulations need revision to align with current Basel committee principles under Basel II. The CBK drafted the Law with the help of OTA advisors. However, the draft Banking Law is still pending government and parliamentary approval.

In addition, while OTA's TA was instrumental to the adoption of Basel I, Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) has been the primary TA provider working with the CBK to implement Basel II/III, although the governor of the CBK mentioned also discussing Basel II/III implementation with OTA advisors. Although OTA is no longer actively contributing to Basel II/III, the initial Basel Committee on Banking Supervision framework, revised with OTA's TA in 2012, remains the basis of the current proposed Banking Law revisions.

Finding: OTA contributed to implementation of risk-based bank supervision, but risk assessments are inconsistent.

Project documents and advisor KIIs indicate that the CBK developed a risk-based supervision manual with the assistance of OTA advisors. With OTA's TA, CBK also implemented a CAMELS rating system, a fundamental tool for implementing risk-based supervision. Documentation of the U.S. Department of State's 2011 Annual Budget Review, a process that outlines anticipated project activities, states that: *"The banking sector dominates the financial sector in Kosovo and its soundness will have a significant impact on the development of the Kosovo economy. The banking sector is also highly concentrated so that all the banks are systemically important and have to be subject to close supervision. There is currently one local bank under liquidation and there are two other small, local banks that probably will need to be sold or they may also face liquidation."* It proposes: *"In the long-run, OTA's technical assistance would focus on institutionalizing risk-based supervision and the CAMELS ratings system in the regular examination of financial institutions in order to foster the development of sound commercial banks and other financial institutions."*⁷

The CAMELS rating system and the supervision manual are still in use today. Furthermore, all four bank survey respondents stated that risk-based supervision had a good or high positive impact on the financial sector in Kosovo.

However, in one OTA advisor's assessment, corroborated by members of the KBA, the risk-based supervision is still far from being effective as very few banks have adopted formal, consistent, internal risk assessment practices. KII participants described certain deviations from best practice and/or international standards. For example, the CAMELS bank assessments do not seem to be consistently conducted on an annual basis.

Conclusion: Risk-based identification of priority does not seem to be in place for on-site inspections. Without full implementation, risk-based supervision is not certain to be sustainable, according to one KII respondent from the CBK.

⁷ Office of the Coordinator of U.S. Assistance to Europe, Eurasia and Central Asia (EUR/ACE) 2020 Annual Budget Review.

Finding: OTA contributed to improved corporate governance of Kosovar banks.

The July 2015 Basel Committee on Banking Supervision guidelines on corporate governance for banks include 13 principles that supervisory authorities should implement to comply with the Basel committee framework. With the assistance of OTA, a regulation on corporate governance was issued on December 29, 2016, to align banking practices with international standards.⁸

Representatives of the banking industry who were interviewed said they were not invited to comment on the draft regulation; instead, their feedback was requested only after the regulations were already adopted. All four bank survey respondents agreed that corporate governance had a positive impact on the financial sector in Kosovo. However, CBK staff discussed in KIIs the issue of a limited number of qualified board members in Kosovo, a small, newly independent, and post-conflict country with a history of emigration.

Finding: OTA contributed to the establishment of the emergency liquidity account in Kosovo.

Emergency liquidity account (ELA) is a system that is needed in the event of a banking crisis involving a short- or medium-term lack of liquidity at otherwise solvent banks. A requirement of the Banking Law, it enables the CBK to act as lender of last resort to licensed banks at its discretion in case of adverse market conditions or pending bank failure.

While the ELA has never been used, all four bank survey respondents agreed that its establishment had a positive impact on the financial sector in Kosovo as a necessary safety net that is needed to comply with European Union banking standards. One KII respondent from the KBA said that, given the Kosovo banking sector's experience of consistent excess liquidity, although the necessity of an ELA was a surprise to them, "*from the legal perspective, it is calming and reassuring.*" Despite challenges, former ministers, the current minister, and senior staff from the MOF all confirmed the viability of the ELA mechanism.

Conclusion: In Kosovo's current context of excess liquidity, the KBA has not needed to use the ELA. The KBA perceived it as unlikely that it would need to do so in the foreseeable future. However, the KBA recognizes the ELA as a critical tool in an emergency, and that international standards require it. The CBK reports periodically testing the ELA to ensure its operational effectiveness.

Finding: OTA contributed to the creation of short-term, intraday, and overnight liquidity arrangements.

According to CBK staff, CBK created — with the assistance of OTA — arrangements to enable short-term transactions like a repo, but under terms that are up to ten days, longer than traditional repo markets' intraday or overnight timeframes. In this way, the CBK provides short-term liquidity to Kosovo's banks through transactions that are collateralized by government securities but mature beyond intraday repo terms. This solution, while not identical to a typical repo, improves the liquidity capacity of Kosovo's government securities and opens the door for the

⁸ See <https://bqk-kos.org/legal-framework/regulations/banks/?lang=en>

development of a secondary market. The Regulation on Liquidity Risk Management currently treats these assets as liquid for the computation of the required liquidity ratios.

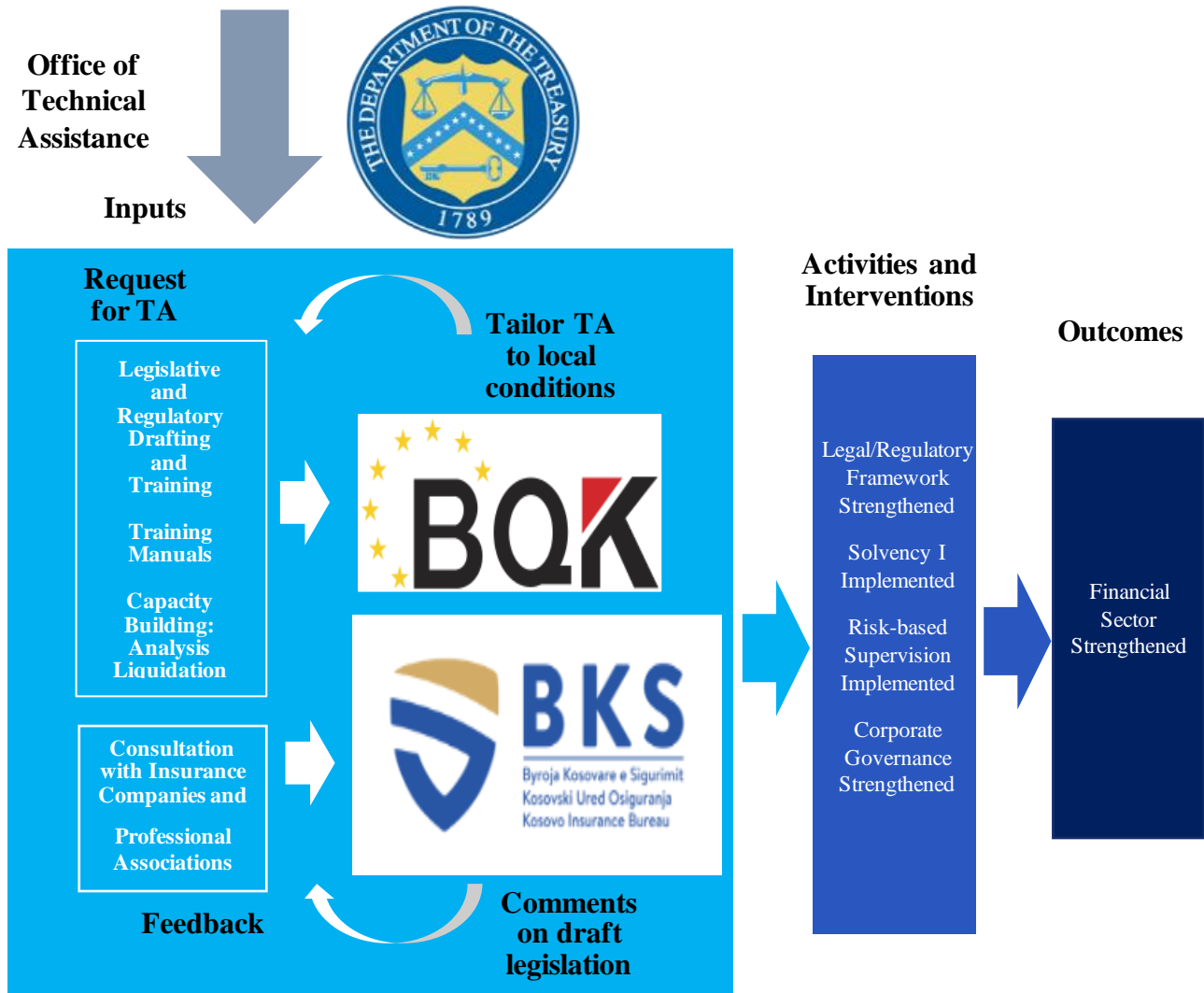
While the CBK recently established a repo market platform with OTA's assistance, DMU staff report that the current version of the CBK's electronic trading platform, Depo/X, does not include a module to comprehensively support the new facility. The trading module will need to have sufficient flexibility to calculate the required anticipated range of transaction variables including varying amounts of available collateral and cash needed by different borrowers. Different pricing options must be available for both Treasury bills and government bonds,⁹ but this is not fully functional although Depo/X has been used for approximately 60 transactions.

Conclusion: Typically, repos function as an effective horizontal tool among banks for intraday and overnight transactions. While the CBK's short-term arrangements are effective — for its current, over-liquid circumstances — the CBK does not fully participate in repo. Certain typical repo elements are not present, e.g., an automatic switch to intraday liquidity arrangements that are collateralized with securities repo in case of extension. The CBK reports that the arrangements have been adapted to Kosovo's current circumstances and have work well when needed. According to a CBK counterpart, *“the liquidity facilities functioned well during the COVID crisis and are useful liquidity tools today.”*

Figure 2 shows a conceptual summary of insurance interventions undertaken by the BFS Program Team. The inputs were developed through an iterative process in which the BFS Program Team provided the TA shown in the white boxes, with the counterpart agencies providing direct feedback to the BFS program team through activity outputs, described in the insurance-related findings for EQ2, and described in this section.

⁹ See OTA Trip Report (internal), 201906_kosovo_tr_gdif_gianaris.p4

Figure 2: Diagram of OTA BFS Project -- Insurance Intervention



Finding: OTA contributed to the Law on Insurance, but revisions are needed.

The Law on Insurance was developed with OTA’s technical assistance and approved in 2012. Prior to the law’s passage, there was no legal framework for the insurance sector, and according to the governor of the CBK, “*all successful results that today we have in the insurance sector are a result of the establishment of a legal framework for insurance.*” The Law on Insurance includes all the core and necessary elements for the sector: legal regime, compensation fund, border insurance, bankruptcy rules, technical reserves, etc. The Kosovo Insurance Bureau agreed with the CBK that implementation of the Law on Insurance is fundamental to the sector.

According to CBK counterparts, the law remains unchanged and has been sustainable in its original form since its inception. However, as the insurance sector has matured over time, revisions to update the law have been proposed, but those proposed changes have remained under review by the Parliament for more than a year for political reasons.

Finding: OTA contributed to the implementation of Solvency I, but transition to the European Union’s Solvency II has not been completed.

Solvency I include mandatory European Union directives for insurance sector supervision, and the CBK considers OTA’s technical assistance as essential for the implementation of those directives. First adopted in 2016, the provisions of Solvency I have been fully implemented and all the insurers are compliant, according to the CBK and the OTA advisor who worked in insurance. The Kosovo Insurance Bureau shared this assessment.

Conclusion: The CBK considered Solvency I to be a significant first step that established a supervisory regime. However, its sustainability cannot be determined until its provisions are updated to align with current European Union standards and comply with Solvency II guidelines. The new provisions include, among others, setting higher insurer solvency capital requirements, assessing insurers’ “true risk” profiles, and harmonizing European Union standards that encourage a single European market for financial services.¹⁰ The CBK is currently working with the World Bank to draft the roadmap toward an updated risk-based Solvency II framework.

Finding: OTA contributed to the implementation of risk-based insurance supervision and improved insurers’ corporate governance.

To support implementation of the Solvency I provisions, OTA developed a supervision manual, still used today by CBK insurance supervisors, that is considered a milestone achievement. In a counterpart survey, a high-level CBK official wrote, “*The preparation of the manual by [an OTA advisor] provides the CBK staff with standards and best practices for conducting risk-based examinations. As a result, [the OTA advisor’s] assistance in these areas has enhanced the institutional and human capacities of the CBK. Technical assistance and training sessions are a very important part in establishing and further developing the role of the CBK. This is the case for licensing, regulation, and supervision of financial institutions, respective companies, and insurance intermediaries.*” KIIs with key members of the Kosovo Insurance Bureau characterized Kosovo’s insurance sector supervision as appropriately conservative from their industry perspective.

The efficacy of the CBK’s insurance supervision can be illustrated anecdotally. In KIIs, counterparts reported that the CBK has revoked the licenses of two non-life insurers, in 2019 and 2020, and sent the companies into liquidation. KII respondents reported that, during the CBK’s due diligence supervision, insurers had difficulties fulfilling CBK’s legal requirements regarding capital adequacy and solvency. To safeguard insurers’ financial stability and fulfill legal and regulatory requirements, the CBK attempted to help the insurers resolve their financial problems. Despite these efforts, the insurers’ shareholders did not respond to CBK’s requests that included increased solvency capital and compliance with other legal requirements. The CBK revoked the licenses of the two insurers to protect the policyholders and to prevent an adverse impact on the insurance market and financial system in general.

¹⁰ Background Source: European Insurance and Occupation Pensions Authority: https://www.eiopa.europa.eu/rulebook-categories/directive-1382009ec-solvency-ii-directive_en

In addition to its contributions to risk-based supervision by the CBK, OTA also contributed to CBK's implementation of the July 2015 Basel Committee on Banking Supervision principles. These principles were expanded to insurance companies and to non-banking financial institutions to comply with international standards.

Conclusions: The details of these events were unclear in the retelling in KIIs. The evaluation team was unable to determine when CBK became aware of the insurers' pending insolvencies and at what point the CBK responded. Therefore, the evaluation team was unable to assess whether the CBK's insurance supervision has improved over time based on these anecdotal incidents.

However, the industry representatives did agree that the insurance industry in Kosovo is now well supervised and compliant with Solvency I provisions. OTA made significant contributions to foundational elements, including Solvency I, the supervisor training manual, and the CBK's cadre of insurance supervisors. Nevertheless, the sustainability of risk-based insurance supervision cannot be determined while the updated, risk-based provisions of Solvency II are still to be adopted.

Finding: OTA contributed to the development of the Regulation on Appraisal of Immovable Properties.¹¹

The regulation was drafted with OTA's TA and adopted in 2015, enabling banks to appraise and value real estate for the first time. A CBK counterpart survey conducted by OTA and shared with the evaluation team included a comment that characterized OTA's TA as having addressed *"the mortgage issues here, identified many legal gaps and raised a number of issues which are being addressed by the CBK and also by the other relevant institutions."*

The regulations were later updated under another OTA advisor's guidance in 2018. However, the current regulation is not sustainable, as the CBK reported at the time of the evaluation as never having had adopted the updated revisions. OTA's intervention was ended before a real estate index was completed for reasons that were not clear due to memory recall with advisor and KIIs with CBK staff. The index is currently being developed by another donor-funded project.

Finding: OTA drafted legislation that enabled the development of mortgage regulations, but the real estate sector remains severely constrained by unresolved limitations.

Before this OTA intervention, no legal framework existed for housing mortgages or commercial real estate mortgages. The CBK's requests for TA prioritized 1) improving the real estate legal environment, 2) reducing banks' real estate exposure to residential housing risks, and 3)

¹¹ Implementation of Bank Valuation Regulation is one of three indicators listed in OTA's Office of the Coordinator of the U.S. Assistance to Europe, Eurasia and Central Asia (EUR/ACE) FY 2020 Annual Budget Review Project Narrative: Implementation of Real Estate Index; Increased Accuracy in the Valuation of Certain Properties; and Implementation of Bank Valuation Regulation.

No indicators were mentioned in the EUR/ACE FY 2020 Annual Budget Review Project Narrative for 2014, 2013, 2012.

consumer protection for property owners to enable post-war reconstruction, including development in the new capital city of Pristina.

According to OTA's advisor, the CBK, working with OTA, faced four major constraints related to property rights: 1) Kosovo's governance transition from the former Yugoslav concept of social ownership to the concept of private residential property ownership, 2) the destruction of ownership documents by Serbs during the war, 3) property owners' difficulties in compliance such as seeking building licenses without clear titles, and the sale of unlicensed properties, exacerbating the compliance problems over time, and 4) the lack of a property register. These constraints remain unresolved and have resulted in delayed and partial implementation of the mortgage regulations over time. The situation has also been further exacerbated by the political attrition of multiple governors and CBK board members.

Despite these underlying constraints, some aspects of the mortgage regulations have spurred real estate lending and provided guidelines for collateralization, resulting in an increased volume of real estate loans, according to the CBK. Nevertheless, the impact of the mortgage regulations has been muted by the underlying constraints.

Conclusion: All four bank survey respondents agreed that the regulations on housing mortgages have had a limited positive impact on the financial sector in Kosovo. They agree that OTA's work to draft mortgage regulations cannot be considered sustainable without the resolution of the sector's systemic constraints that limit the purchase and sale of real estate.

Finding: OTA contributed to the regulations on real estate appraisers and training of real estate appraisers, but their utility is limited in the sector's current circumstances.¹²

OTA developed the legal and institutional framework for real estate appraisers that enabled them to provide objective assessments of the fair value of the real estate assets. OTA coordinated with the banking industry and drafted the regulations and put the framework in place, including a governance board, licencing process, and policies. As described in several stakeholders' interviews, the banking industry participated actively in the design and implementation processes, and the OTA advisor also conducted training for real estate appraisers, resulting in the licensing of 253 appraisers as of May 2022.

The regulation on real estate appraisal and training of real estate appraisers contributed to the development of the real estate industry in Kosovo, as some properties are being appraised and sold. However, the real estate sector challenges described above constrain full development of Kosovo's real estate sector. KIIs with CBK counterparts and advisors revealed that the real estate appraisal activity was ended early before completion of its objectives, likely because of the underlying sector constraints. Respondents were not able to provide details of how and when the decision was made.

¹² Increased Accuracy in the Valuation of Certain Properties is one of three indicators listed in the Office of the Coordinator of U.S. Assistance to Europe, Eurasia and Central Asia (EUR/ACE) FY 2020 Annual Budget Review Project Narrative: Implementation of Real Estate Index; Increased Accuracy in the Valuation of Certain Properties; and Implementation of Bank Valuation Regulation.

Kosovo's market circumstances also limit the impact of the regulations that were drafted with OTA's TA. According to the CBK, the regulations define three risk-weight levels for mortgage exposures: 35% (Basel II minimum level), 50%, and 75% (Basel II level for ordinary retail exposures). The risk weight assessment determines the cost (interest rate) of the housing mortgage. According to a Kosovar bank official, current market realities make it impossible to apply the 35% rate because exposures are set at a default risk weight assessment of 75%. This risk is passed along to borrowers with high costs and the regulation does not achieve its primary objectives of reducing mortgage rates for residential households.

Conclusion: While the activity resulted in a regulatory framework and a cadre of appraisers, its relevance is limited until the underlying legal and market constraints are resolved. Some banks are not currently interested in real estate lending, and those that are require mortgage collateral which cannot be met without undisputed, clear ownership documentation. One industry representative explained that while some banks are making unsecured loans, they are not common and relationship-based and/or secured through alternative means unavailable to most potential borrowers.

Finding: There was limited coordination between OTA BFS advisors and individual project activities.

Project documents provide some evidence of written email communications and shared trip-report documents. However, the evaluation team did not find or hear evidence of substantive knowledge transfer, exchange of ideas, or feedback among advisors and OTA's headquarters-based program staff; it is possible that this occurred through emails that are not available to the evaluation team. KIIs with advisors confirmed that any communications and coordination between advisors was inconsistent and not documented.

Overall Conclusions—Banking and Financial Services

To address the first evaluation question, the evaluation identified findings that describe the ways that OTA contributed to Kosovo's financial sector-strengthening. Counterpart surveys and KIIs with advisors, CBK stakeholders, the U.S. Embassy, USAID, and the IMF all confirmed OTA's contributions to Kosovo's financial sector-strengthening in three categories:

1. legal and regulatory development;
2. institutional and operational capacity-building; and
3. training and knowledge transfer.

The evaluation team used these three categories as a framework to understand the scope of OTA's BFS program activities and interventions to financial sector-strengthening. They emerged through a review of the project documents and KIIs.

OTA's demand-driven approach to TA has many strengths including:

- Responsiveness to the CBK's and MOF's priorities, fostering ownership over activities and outcomes; and
- Flexibility to adapt activities or correct interventions based on emergent information or changing circumstances.

This approach has been implemented in Kosovo by a cadre of individual advisors who, while providing extraordinary expertise, worked largely independently with limited and coordination between them, such as between advisors who focused on related activities or over transitions. The BFS program benefited from the long-term commitment of just a small number of advisors over a period of nearly 10 years. As a result, a great amount of OTA/Kosovo’s institutional knowledge was lost when individual advisors completed their scopes of work, when advisors were replaced, or activities were ended. One OTA advisor noted that information-sharing among individual OTA advisors could be improved, and that individual advisors would benefit from sharing institutional knowledge and technical exchange. This is particularly true when there is a time gap or hiatus in activities due to counterpart attrition or political transitions. In addition, any organizational, technical, political, or relationship-related challenges in working with counterparts can be documented and shared with other advisors and may provide insights for OTA staff on advisor/counterpart relationships.

XI. EQ2 Findings and Conclusions—Government Debt and Infrastructure Finance

EQ2: In which ways did OTA’s TA contribute to improved public debt management in Kosovo?

This section describes the evaluation findings to EQ2 and the ways that OTA’s GDIF advisors’ activities and interventions contributed to four key findings. OTA’s primary GDIF activities and interventions are listed in Figure 3.

Figure 3: Government Debt and Infrastructure Finance Program Activities and Interventions





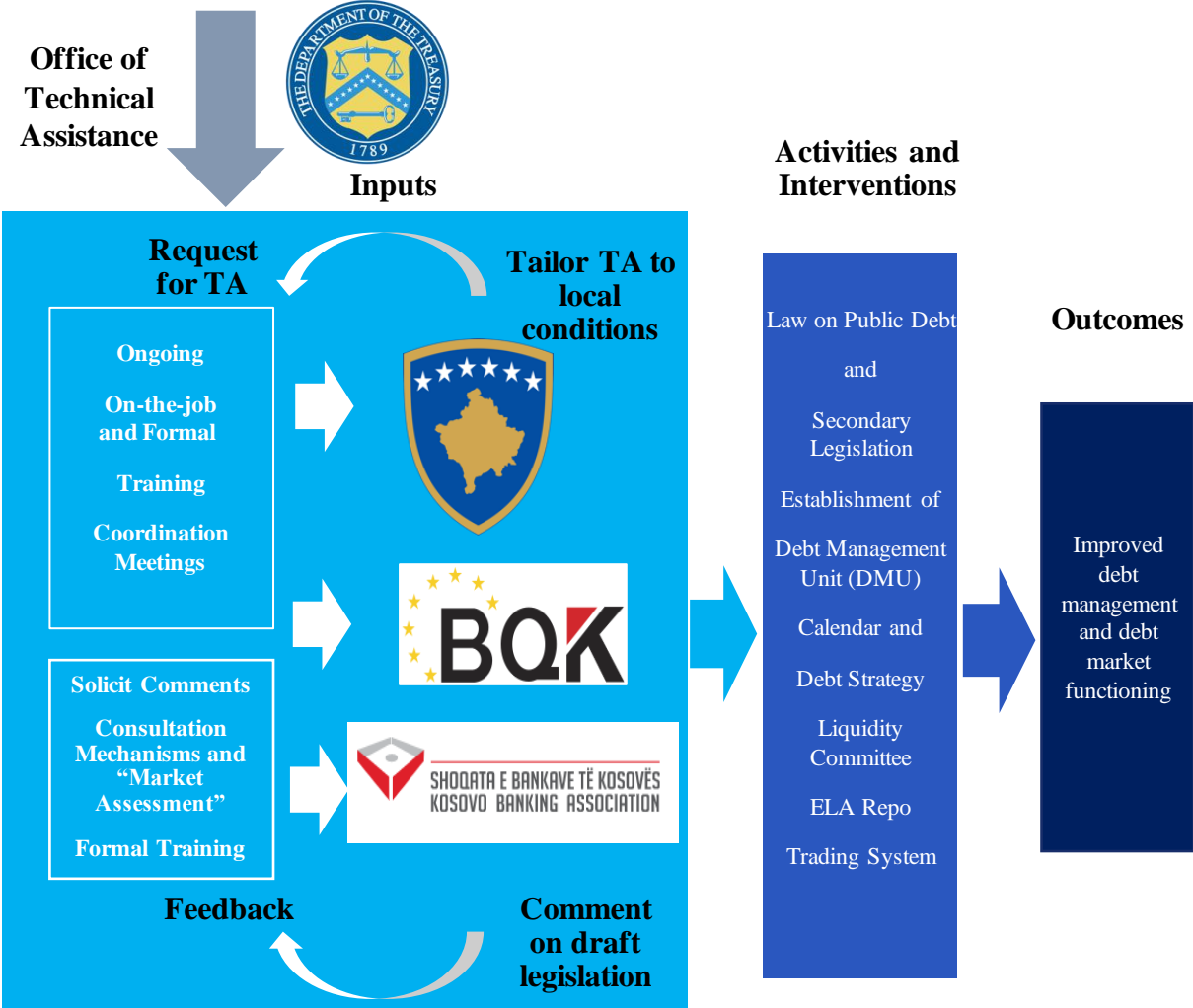
	<p>Establishment of the legal/regulatory and institutional/operational framework for public debt management in Kosovo</p>
	<p>Establishment of a domestic debt market in Kosovo</p>
	<p>Lengthening of debt maturities over time</p>
	<p>Coordination of the MOF with the CBK and market participants</p>

Figure 4 is a visual conceptualization of OTA’s approach to improved public debt management and debt-market functioning, shown on the far right as the GDIF’s high-level outcome. Findings for EQ2 are depicted as OTA’s activities and interventions, or outputs. The inputs represent the GDIF program’s TA contributions listed in the white text boxes, informed by counterparts’ feedback.

Figure 4: OTA GDIF Project – Debt Management



Further details of GDIF program activities and interventions to supplement this section can be found in the following Annexes:

- Annex I is an overview of the OTA GDIF program, listing each intervention, relevant indicator(s), OTA’s contribution, constraints encountered during implementation of the intervention, and the sustainability of the intervention.

- Annex J presents a chronology of OTA GDIF program interventions.

Finding: On a systemic level, OTA contributed to the establishment of the legal/regulatory and institutional/operational framework for public debt management in Kosovo.¹³

The Law on Public Debt was drafted with OTA’s TA and adopted by the Assembly in late 2009. Following adoption of the Law, OTA worked with the MOF on implementation, developing administrative procedures and regulations for the issuance and management of all public debt within the Ministry of Economy and Finance. In addition to working with the MOF, advisors also engaged with other key stakeholders; four bank survey respondents stated that the MOF and/or the CBK included them, soliciting feedback and review of proposed financial sector regulations between 2012 and 2018. OTA’s significant contribution to the establishment of the legal framework was characterized in a counterpart KII, saying that it was “*in large part the result of OTA’s support.*”

KIIs with former Ministers, the current Minister, and MOF senior staff cited the technical expertise of OTA’s advisors and credited them for the speed with which the legal/regulatory and institutional/operational frameworks were established. One counterpart respondent explained that the role of OTA was crucial in “designing the framework as well as the timely execution of the debt market.”

Following approval of the Law on Public Debt and secondary legislation, a new DMU was created in 2010 within the MOF. OTA helped the MOF define new roles and select staff from a pool of candidates who had no previous direct experience in the securities market.

From 2010–2020, OTA developed DMU capacity for issuing, managing, and reporting all public debt through counterpart mentoring and formal training that addressed government securities market regulations and secondary market operations, among other topics. Initially, the OTA advisor was directly involved in the daily activities of the DMU, a relationship that, according to counterpart KIIs, shifted over time to a consultative role that provided advice and high-level guidance upon request. One counterpart KII respondent shared details of OTA’s TA with examples that covered cash and debt management, operations and systems management, accounting and reporting, IT, and payroll management. Another noted that OTA’s TA enabled the DMU to conduct material assessments and assess market needs in just six to 12 months. Since its inception, the DMU has taken the lead role in the establishment and maturation of Kosovo’s debt market. Over time, as the DMU’s technical capacity has developed, counterparts have better been able to present more specific needs and requests to OTA, and OTA advisors have responded with more narrowly focused TA.

Conclusion: Interviews with USAID Mission staff knowledgeable about OTA’s work through their portfolio of economic growth activities verified OTA’s significant contributions in building the capacity of the MOF and the CBK. Evidence that supports the sustainability of OTA’s contributions to the regulatory framework. For example, the Law on Public Debt and related

¹³ For the GDIF project, the legal/regulatory and institutional/operational interventions are described together as a “systemic-level” intervention, as the Law and DMU were both created from scratch.

secondary legislation enacted in 2010 remains current. The DMU, established with OTA’s guidance, also remains fully functional and continues to successfully manage all public debt-related activities.

KIIs with staff members of the DMU revealed that the unit has experienced high personnel attrition in recent years due to a growing market demand for their skills. USAID has responded to this issue through the mission’s “Brain Fund” activity, implemented by Bearing Point, to attract and retain highly skilled professionals within the civil service in Kosovo. See Annex N for more details.

Finding: OTA contributed to the establishment of a domestic debt market in Kosovo.

KII respondents with MOF counterparts credited OTA with providing the technical foundation from scratch for the establishment of Kosovo’s well-functioning primary debt market in a very short time. This assessment was verified by former ministers, the current minister, and senior DMU staff within the MOF.

OTA contributed design specifications for the hardware and software for Kosovo’s first government securities electronic trading platform, as verified by trip report documents from 2010. As a result of OTA assistance, an efficient e-trading platform is in place today, providing timely calculations and auction money transfers. MOF counterparts and market participants reported in KIIs that the system functions well and that they were not aware of any significant technical problems with the e-platform. According to the DMU, market auctions have an average bid-to-cover ratio of 1.75 (average 2012–2020), which indicates a satisfactory level of market participation. See Annex K for more details. OTA helped develop the MOF’s capacity to annually update a medium-term debt management strategy that covers current and projected public debt. The MOF also published a debt securities announcement calendar.

After the market was established, OTA continued to contribute to its development through engagement with the MOF and market participants, according to market participant KIIs. One avenue was initiating regular meetings that provided an opportunity for open discussion of market conditions and assessing stakeholders’ interest in participating. MOF counterparts reported OTA’s technical leadership as the critical factor in building an efficient public debt market. All four bank survey respondents confirmed their participation in quarterly meetings with the MOF, OTA advisors, and primary dealers of government securities. The respondents also participated in OTA trainings from 2012 to 2018.

One market participant noted that the primary market is “*working fine*” but that the secondary market “needs to be developed.” The comment reflects a common theme around a desire for further secondary market development heard in KIIs with market participants, while (often simultaneously) acknowledging that this would be premature. A counterpart noted that OTA contributed to the success of the one and only non-governmental private placement to date.

Finding: OTA contributed to the lengthening of debt maturities over time.¹⁴

¹⁴ Average length of government debt maturity and existence of longer-term securities were the indicators used by the OTA GDIF program.

The current Minister and MOF staff all credited OTA for the rapid debt maturity lengthening over just a few years, and emphasized that without OTA’s advisors, the process would have likely taken much longer.

According to the advisor, in January 2012, the Republic of Kosovo issued its first government security. OTA’s TA contributed to the MOF’s securities issuance strategy that has lengthened average debt maturities from the first three-month T-bill issued in 2012, to one-year securities the following year, and eventually to the issuance of 10-year securities in 2018. According to data provided to the evaluation team by the MOF, average maturity, a key market sustainability indicator, increased from 1.53 months in 2012 to 35.11 months in 2020. The MOF also added diaspora bonds in 2021 that enable Kosovars abroad to invest funds to enable the economic development of the country. Annex J provides more details of the year-by-year progression of debt-market instruments.

While the lengthened debt maturities provide evidence that the primary market has been sustainable, the pace of debt-market development has slowed since 2015, according to DMU staff discussions in KII. Following the 10-year maturity security (2018) and the diaspora bonds (2021), new debt instruments have not yet been issued due to challenges related to the COVID-19 pandemic.

Finding: OTA contributed to coordination of the MOF with the CBK and market participants.

According to counterparts in KIIs, the OTA played a crucial role in fostering dialogue among the MOF, the CBK, market participants, and primary dealers that enabled the DMU to assess market conditions and make informed decisions.

OTA supported the establishment of the Liquidity Committee between the MOF and the CBK to oversee the management of cash balances and investments. Because it was established through 2020, the Liquidity Committee was sustainable and held regular quarterly meetings. Meetings have been less frequent since the beginning of the COVID-19 pandemic, while the MOF and the CBK recently have returned to pre-COVID norms.

The ELA facility¹⁵ and repo systems (both discussed in Section X) are possible because of the coordination—with OTA’s technical guidance—between the CBK and the MOF that was described by counterparts from both the MOF and CBK as a “*marriage—for better or worse.*”

Overall Conclusions—Government Debt and Infrastructure Finance

To address EQ2, the evaluation team identified findings that describe OTA’s significant¹⁶ contributions to improved public debt management through:

- a) Legal and regulatory development;
- b) Institutional and operational capacity-building; and

¹⁵ Existence of a Liquid Adjustment Facility was one of three indicators for the OTA GDIF program.

¹⁶ The evaluation report uses the term “significant,” whereas OTA’s counterpart survey distinguishes among major contributions, some contributions, and no contributions made by OTA.

- c) training and knowledge transfer.

These three categories of TA emerged through a review of the project documents and KIIs. The categories can be used as a framework to understand the scope of GDIF program activities, made more apparent through KIIs with the MOF and other key stakeholders. In addition to these sources, interviews with U.S. Embassy, USAID, and IMF staff who had direct knowledge of OTA's activities provided additional perspectives and further verified the findings presented in this section.

XII. EQ 3 Findings and Conclusions—Sustainability

EQ3: Which identified outcomes of OTA's TA in Kosovo have been sustained over time?

Sustainability—Banking and Financial Services Program

To address EQ3, the evaluation team assessed each of the BFS program areas that OTA contributed to, as described in section X above, and considered the evidence of sustainability within the current context. The sustainability of OTA's BFS activities and interventions is summarized in the following findings:

Finding: The following OTA BFS program's contributions to financial sector-strengthening in Kosovo are sustainable.

OTA's contributions to the ELA, the repo system, and liquidity arrangements are all sustainable. As discussed in Section X, however, the ELA has never been used, the repo system is not yet fully matured, and the CBK does not fully participate as a horizontal market player.

Conclusions: Four insurance interventions were sustainable: the Law on Insurance, Solvency I implementation, risk-based supervision, and corporate governance. At the same time, necessary revisions to the Law on Insurance to comply with Solvency II requirements have not been completed. In addition, two insurance companies have been dissolved since the inception of risk-based insurance, making sustainability unclear.

While OTA's contributions to regulations on real estate appraisal and training of real estate appraisers are sustainable as evidenced by the CBK's small cadre of appraisers (see Section X), these outputs have only limited impact. The impact is constrained by market features, particularly property ownership rights. It is not possible to determine the sustainability of OTA's contributions to the real estate sector.

Finding: The following BFS Banking Law and real estate activities and interventions have not been sustainable:

The Banking Law as originally drafted by OTA, remains in place. Revisions needed to comply with changes in the Basel committee international banking principles under Basel II have been stalled under parliamentary review for three years. Another challenge is that risk-based bank supervision has not been fully implemented. The Banking Law and Basel I represent milestone achievements supported by OTA that are still in place. However, they need to be updated and/or

fully implemented to be sustainable for the CBK to comply with European Union Basel II requirements.

The real estate sector's current Regulation on Appraisal of Immovable Properties was drafted with OTA's TA and adopted in 2015. However, updated amendments of this regulation, which OTA drafted during 2017 and 2018, have not been adopted while the property rights issue, outside the CBK's direct influence, remains unresolved. Development of the real estate industry is still stalled due to such systemic barriers.

Conclusion: The relevance and utility of appraisers is constrained in the current market environment as described in Section X. OTA's real estate activities ended early and the evaluation team was unable to verify the underlying reason from KIIs with the CBK and OTA's advisor.

Finding: The Banking and Financial Services program contributed to the CBK's sustainability.

On a systemic level, former and current governors as well as senior staff of the CBK credit OTA for the ongoing organizational success of the CBK. Both counterparts and OTA advisors confirmed that a wide range of manuals, policies, principles, and procedures developed with the assistance of OTA advisors are still in use today. Also, OTA achieved a major transfer of knowledge to the CBK through its activities and interventions, as discussed in Section X, that enables the CBK to function well today and progress.

This conclusion is confirmed by country reports published by the European Commission (2021) and the IMF (2021 and 2021), as well as the EU Kosovo Scorecard 2021 (published by the European Policy Institute of Kosovo¹⁷) that recognize the CBK as a well-governed and managed central bank.

Conclusions: In addition to the sustainability of BFS activities and interventions, EQ3 also addresses sustainability that needs to be considered in a larger context at the program level. As described in Section X, the BFS program activities and interventions were demand-driven, i.e., based on the CBK's requests for TA. For that reason, the findings represent a menu of discrete activities, rather than components of a comprehensive, coordinated strategy. While there is ample evidence that OTA's BFS program elements contributed to the overall sustainability of the CBK, OTA did not work from big-picture, multi-year plans. Rather, according to counterpart and advisor KIIs, requests for TA addressed the CBK's needs following its own internal strategic planning. Therefore, it is relevant to note that, although most of OTA's BFS outcomes were sustainable by one of the above definitions, OTA's approach to TA was not designed with the CBK's overall, big-picture sustainability as a deliberate, stated objective.

Sustainability—Government Debt and Infrastructure Finance Program

Finding: OTA's GDIF activities and interventions are sustainable.

¹⁷ See Annex C – Context Document List.

These activities are summarized in the following findings:

- The Law on Debt, drafted with OTA's TA in 2009, is still current.
- OTA contributed to the establishment of the MOF's DMU, which is fully functional and, according to KIIs with advisors, counterparts, and market stakeholders, is effective in managing the market.
- The primary debt market, a result of OTA's TA with the DMU, is active and sustainable. Evidence includes the increasing length of debt maturities over time.
- Coordinated activities and decisions among the MOF, the CBK, and market participants are ongoing, although meetings have been less frequent in recent years.

Finding: OTA's Government Debt and Infrastructure Finance program contributed to the sustainability of the MOF's debt management capacity and the primary debt market.

At the program level, OTA contributed to the sustainability of the legal, institutional, and operational framework for public debt management through its TA to the MOF and DMU. As a result, the issuance of public debt is a resource for financing the MOF's budget deficits as needed. According to KIIs with high-level MOF officials, Kosovo's level of debt is sustainable and governed under established rules suggested by OTA. As a result, the primary debt market is fully functional and has had a positive impact on the overall sustainability of public finances. All internal procedures and timelines, established with OTA's guidance, are implemented today, including the DMU's debt strategy and a debt schedule (calendar).

Certain risks remain. Challenges include the need to expand the investor base to include more individuals, insurance companies, or private companies. Diversification would improve the debt market's stability through decreased reliance on the CBK's holdings.

A common theme heard throughout KIIs is that the secondary market has not developed as quickly and there is still room for progress. However, constraints to further development remain, including current market realities and the interest of market participants. In describing the market development, one counterpart and one market participant — in separate interviews — used the analogy of learning to walk before you run. In their assessment, the market has developed and progressed "step by step." Now, it is slowly becoming time for the market to develop further.

Conclusions: In contrast to the BFS program's wide range of more loosely connected activities and interventions, the GDIF program was more narrowly focused. It provided TA to the MOF to establish and develop a government debt market and build the MOF's capacity to manage public debt. However, like the BFS program's TA approach, the GDIF program activities and interventions were also largely demand-driven and consultative, based on requests for TA by the MOF. As a result, the GDIF program's TA approach was responsive to the MOF and its strategic plan rather than following a high-level, long-term development strategy. The evaluation team identified four GDIF activities and interventions discussed in Section XI (see also Annex K), including remarks about their sustainability. All four of the OTA GDIF program's contributions to improved public debt management and debt market functioning in Kosovo contributed to sustainable outcomes. In general, these outcomes can be characterized as follows:

- Milestone achievements, or outcomes that are sustainable, such as the establishment of Kosovo’s primary debt market and the DMU unit of the MOF; and
- Aspects of debt market development that, while sustainable, are stalled or, arguably (based on a range of KII opinions), have not reached their full mature potential, such as the establishment of a secondary debt market.

Overall Conclusion—Government Debt and Infrastructure Finance

Many of the findings for EQ1 and EQ2 include remarks related to sustainability of OTA’s individual activities and interventions, or outputs. The evaluation team defined four categories of sustainability that emerged, as discussed in Section X, characterized as follows:

1. Outputs that continue in the present, such as regulations that remain relevant and unchanged;
2. Tangible products, such as training manuals developed by OTA, that remain in use, largely unchanged;
3. Milestone achievements, where OTA made significant contributions that have been superseded over time such as revised regulations or updated standards and practices; and
4. Outputs that have only limited impact due to Kosovo’s political and/or market constraints.

XIII. Recommendations

Recommendation: Systematize and document communications, knowledge exchange, and coordination between and among advisors and OTA program staff.

The evaluation team recommends that OTA consider adopting additional protocols to systematize communications among advisors (including those working under different program areas) and OTA program staff. While added demands added to advisors’ burdens need to be considered in OTA’s organizational culture and context, new protocols could include, for example, transition reports using a standard template, facilitating “shadowing” exchanges between advisors, and periodic virtual brainstorming workshops with current and past advisors in small or large groups. These examples may not be an appropriate fit for OTA’s unique needs, but the evaluation team nevertheless recommends addressing the underlying issue that became apparent during the evaluation.

Recommendation: Improve program-level documentation including periodic, annual, and final reports to capture lessons learned and institutional knowledge.

The evaluation team recommends that OTA require periodic (e.g., quarterly), annual, and final reporting frameworks to strengthen:

- Internal coherence and knowledge-sharing (within teams and between/among more than one team);
- donor coordination; and
- accountability (within OTA and to the U.S. government).

An annual report would contain in one document the details (narrative and monitoring data, such as indicators) of how the project made progress toward results. Similarly, a final report would

contain aggregate information about the project, as distinguished from trip reports that contain data or information about the work of individual advisors. More importantly, annual reports and final, program close-out reports serve a wide range of purposes for Treasury/OTA, the U.S. Embassy and USAID mission, CBK and MOF counterparts, and other donors and TA providers supporting the Government of Kosovo.

Recommendation: OTA should implement best practices in monitoring, evaluation, and learning to improve results while not sacrificing the flexibility of its demand-driven TA model.

This first evaluation provides an opportunity for OTA to share data and lessons learned internally and with partners—including other U.S. government agencies, counterparts, stakeholders, and other donors.

As appropriate, OTA should share evaluation results with other U.S. government agencies, counterparts, stakeholders, and/or other donors, to improve communication and dialogue as well as engender a culture of evidence-based learning.

Monitoring activities track progress toward intermediate objectives and anticipated/expected outcomes. As recommended below, OTA should implement monitoring activities to:

- Identify and document assumptions, constraints and/or risks when designing an intervention;
- Share knowledge among advisors and among teams;
- Track progress toward program objectives and measure performance;
- Enhance cooperation with stakeholders (counterparts, end beneficiaries, and other donors); and
- Strengthen accountability (internally and to other U.S. government agencies).

On an ongoing basis, OTA should incorporate the collection and analysis of monitoring data and evidence. Standardized monitoring data collected by OTA throughout the life of the project describe:

- Discrete programmatic decision-making—identifying, designing, and prioritizing a specific intervention in response to a counterpart request;
- Assessment of each intervention during implementation and upon completion;
- Activity design and strategy for a given project/country over a specific period; and
- Documentation of training events including agendas, source materials, participant lists, and post-training surveys.

Recommendation: Incorporate counterpart feedback in programmatic decision-making.

The only evidence of documented counterpart feedback that the evaluation found was the discovery of OTA counterpart satisfaction surveys. Several of these surveys were provided to the evaluation team when requested, though not included with OTA's package of project documents. According to the counterparts, other satisfaction surveys were done but could not be located. While the evaluation team does not infer that they were intentionally withheld, the evaluation team found no evidence in the project documents or KIIs that they were ever used to inform planning or adjustments. Counterpart surveys should be consistently used, anonymized

to protect individual respondents, and archived with the same careful stewardship as other project documents.

The CBK and the MOF of Kosovo were eager to participate in the evaluation. They provided ample gratitude and praise, as well as specific constructive criticism, feedback, and suggestions on how OTA could improve its TA. Sharing this evaluation would demonstrate how OTA values dialogue with and input from counterparts.

For example, in response to counterpart survey questions, a staff member of the CBK wrote:

What weaknesses do you see in U.S. Treasury’s approach to technical assistance?

Response: “The inability to follow-up on the implementation phase is usually quite problematic, however in this case we are thankful for the chance to address some of the implementation issues and the ability to have the support for the amendments.”

What changes do you recommend to strengthen U.S. Treasury technical assistance?

Response: “The focusing on the follow-up and set aside some project dates for the implementation phase and reflection on the issues raised during implementation is very important in tackling those issues that usually is difficult to foresee before you begin the implementation process.”¹⁸

Two other counterparts mentioned the lack of iterative feedback and strategic planning as the key weakness of OTA’s operational model for delivering TA. These examples illustrate the potential value of counterpart feedback to enhance OTA’s effectiveness. In the absence of other means to pull counterpart feedback, systematic collection and distribution of survey results could provide OTA with a rare opportunity to receive invaluable feedback from counterparts.

XIV. Suggested Follow-Up and Next Steps

The evaluation team submitted a timetable to OTA for review and approval of this final report. Following approval of the final report, the evaluation team will deliver a final presentation of the evaluation to OTA. OTA might consider inviting counterparts and stakeholders to that presentation or a separate presentation of evaluation results.

¹⁸ Counterpart survey completed by Department for Payments System, CBK, November 7, 2018.

XV. Annexes

Annex A: Evaluation Data Source Matrix

Evaluation Question	Research Questions (indicative)	Sources of Evidence	Research Method
1. In which ways did OTA's TA contribute to financial sector-strengthening in Kosovo?	<p>How did OTA adapt its TA/recommendations to local realities in Kosovo?</p> <p>What is the level/quality of Kosovar banks' implementation of the main Basel Committee Principles?</p> <p>How did OTA prioritize activities/interventions?</p> <p>How did certain activities/interventions (emergency liquidity assistance, insurance supervision and liquidation of financial institutions) contribute to financial sector-strengthening in Kosovo?</p> <p>How did training provided by OTA contribute to financial sector-strengthening in Kosovo?</p>	<p>OTA documents</p> <p>Financial sector assessments (IMF, etc.)</p> <p>CBK</p> <p>MOF</p> <p>Kosovar financial sector institutions (associations, banks, insurance companies, pension funds)</p> <p>U.S. Embassy in Kosovo</p> <p>USAID, Kosovo</p> <p>IMF, Kosovo</p>	<p>Document review</p> <p>Results mapping</p> <p>KII</p> <p>Survey</p>
2. In which ways did OTA's TA contribute to improved public debt management in Kosovo?	<p>How did the establishment of the DMU within the Ministry of Finance contribute to improved debt management in Kosovo?</p> <p>OTA TA helped create the primary and secondary market of government securities. How did this affect the overall sustainability of finances, namely financing of fiscal deficit?</p> <p>How successful were project interventions in expanding financing sources to other non-bank institutions?</p> <p>How efficient was the electronic platform for the sale and trading of government securities? Were any irregularities reported by banks and other market players?</p> <p>How did training provided by OTA contribute to improved public debt management in Kosovo?</p>	<p>OTA documents</p> <p>Financial sector assessments (IMF, etc.)</p> <p>CBK</p> <p>MOF</p> <p>Kosovar financial sector institutions (associations, banks, insurance companies, pension funds)</p> <p>U.S. Embassy in Kosovo</p> <p>USAID, Kosovo</p> <p>IMF, Kosovo</p>	<p>Document review</p> <p>Results mapping</p> <p>KII</p> <p>Survey</p>

<p>3. Which outcomes of OTA's TA in Kosovo were sustainable over time?</p>	<p>How did OTA coordinate with other donors (to ensure sustainability of outcomes)?</p> <p>The CBK reports that between 2013 and today, (the approximate duration of the OTA project) financial stability has improved significantly, despite the COVID-19 crisis. Is it possible to measure the impact of the various components of OTA project on this improvement in financial stability?</p> <p>Does the CBK regularly monitor financial institutions implementation of the laws/regulations drafted with OTA TA?</p> <p>OTA and other donors worked on non-systemic issues (insurance sector), systemic but low risk issues (ELA versus excess liquidity) and systemic with higher risk issues (Basel II/III, Solvency). On which of these aspects of financial stability is the impact of OTA's TA most evident?</p> <p>How did the establishment of the DMU within the Ministry of Finance contribute to sustainability of public finance in Kosovo?</p> <p>What is the current status of the debt regulatory framework (Debt Law and related second regulation, Law on Public Financial Management and Accountability) that were supported by the OTA TA?</p> <p>Did staff turnover at the CBK impact the sustainability of OTA TA outcomes? OR How did OTA respond to staff turnover at the CBK?</p>	<p>OTA documents</p> <p>Financial sector assessments (IMF, etc.)</p> <p>CBK</p> <p>MOF</p> <p>Kosovar financial sector institutions (associations, banks, insurance companies, pension funds)</p> <p>U.S. Embassy in Kosovo</p> <p>USAID, Kosovo</p> <p>IMF, Kosovo</p>	<p>Document review</p> <p>Results mapping</p> <p>KII</p> <p>Survey</p>
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Annex B: OTA Project Document List

Annotated List of Project Documents

OTA provided the evaluation team with a few general documents about OTA (a brochure and organizational chart) and a variety of documents about each of the two programs: BFS and GDIF. Below is a list of the project documentation received, organized by category:

Kosovo BFS Program Documents

- EUR/ACE Annual Budget Review project narrative (five)
 - Financial Years: 2011–2014, and 2020
- Assistance to Europe, Eurasia, and Central Asia Indicator Reference Sheets (three)
 - Existence of an emergency liquidity assistance facility for banking system
 - Established processes and procedures to for banks to access CBK’s emergency liquidity facility
 - Issued bank appraisal and valuation regulation
- Briefing materials (eight)
- End-of-tour report by insurance advisor Russell Lamb, 2016 (one)
- Field trip reports of OTA advisors (114)
 - Lewis Allen (10), Terry O. Blagg (7), Russell Lamb (47), Vilma Rosa Leon-York (1), Jimmy P. Mohler (4), Peter Nicholl (35), Deborah Senn (2) and William C. Thomas (8)
 - Female—2; Male—6
- Terms of Reference for work with CBK 2012
- Project workplan 2021 (1)
- OTA counterpart surveys
 - Banking and Financial Services, Peter Nicholl (2010 to 2011). August 2011.
 - Banking and Financial Services (Insurance), Russell Lamb (February 2012 to January 2015). July 2014.
 - Banking and Financial Services, Russell Lamb (February 2012 to January 2015). September 2015
 - Banking and Financial Services, Peter Nicholl (2015 to 2016). September 2015.
 - Banking and Financial Services, Lewis J. Allen (December 2–16, 2017, and June 16–30, 2018). November 7, 2018

Kosovo GDIF Program Documents

- EUR/ACE Annual Budget Review project narrative (12)
 - 2010–2020
- Briefing materials (eight)
- End-of-tour reports of OTA advisors Anne L. Schwartz (2013) and William Donovan (2014) (two)
- Field reports of OTA advisors (121)
 - William Donovan (14), Gene Evenskaas (1), George Gianaris (48), Barry Gray (1), Ellyn I. Greenwald (11), Bob Jelnick (1), Anne L. Schwartz (44), and Stephen M. Vajs (1)

- Female—2; Male—6
- Terms of reference for 2008, 2012, and 2013
- Project workplan for 2007, 2010, 2012, 2015, and 2018
- OTA counterpart surveys
 - GDIF, William Donovan (March 2012 to November 2014), October 2014

Annex C: Context Document List

EU Kosovo Scorecard 2021. European Policy Institute of Kosovo. November 2021. URL: <https://www.epik-eu.com/publications>

Financial Stability Report – Number 04. Central Bank of Kosovo. May 2014. URL: https://bqk-kos.org/repository/docs/2014/FSR_anglisht.pdf

Financial Stability Report. Central Bank of Kosovo. December 2020. URL: https://bqk-kos.org/wp-content/uploads/2021/06/CBK_FSR_17.pdf

Government Securities rates and value. Central Bank of Kosovo. February 2022. URL: https://bqk-kos.org/repository/docs/time_series/13-Government%20Securities%20rates%20and%20value.xls

IMF Country Report No. 20/217. Technical Assistance Report – Financial Sector Stability Review. International Monetary Fund. July 2020. URL: <https://www.elibrary.imf.org/view/journals/002/2020/217/article-A000-en.xml>

IMF Country Report No. 21/41. 2020 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Republic of Kosovo. International Monetary Fund. February 2021. URL: <https://www.imf.org/-/media/Files/Publications/CR/2021/English/1KOSEA2021001.ashx>

Kosovo 2021 Report. European Commission. October 19, 2021. URL: https://ec.europa.eu/neighbourhood-enlargement/kosovo-report-2021_en

Annex D: Data Collection Instruments

OTA Banking and Financial Services (BFS) Program Qualitative Interview Guide – OTA BFS Staff Version

Interview Date	
Interviewer Name	
Notetaker Name	
Unique ID	
Years of Experience	

Introduction

The evaluation of OTA/Kosovo’s Banking and Financial Services (BFS) program will serve two purposes:

The first purpose is to ensure OTA’s compliance with the Foreign Aid Transparency and Accountability Act (FATAA) of 2016, which includes requirements to evaluate the outcomes and impacts of OTA’s programs.

The second purpose is to provide OTA with in-depth, third party, retrospective insights of its BFS program activities in Kosovo. The evaluation will focus on the key evaluation questions related to its contributions to financial sector-strengthening through its technical assistance to the Central Bank of Kosovo (CBK).

Informed Consent

We will be asking you a series of questions on the topic of the OTA’s work in the financial sector in Kosovo. Your participation in this discussion is voluntary and you are free to discontinue with the discussion at any point or can ask us further details.

We anticipate the discussion to take 60-90 minutes.

We plan to share our findings in publications or presentations. You will not be identified by name. If we quote you, we will use a pseudonym. At the end of this interview, we will ask you if there is any information that you shared that is confidential or off the record. If you have understood these points and consent to continue the discussion, please give us a verbal agreement stating, “Yes, I consent to be interviewed.”

Illustrative Interview Questions	Notes
1. Please describe your role at OTA and with the Kosovo banking project.	
2. How did OTA adapt its TA/recommendations to local realities in Kosovo?	
3. How did OTA determine the starting point for a specific activity/intervention?	
4. How did OTA prioritize activities/interventions?	
5. Did OTA engage beneficiaries (stakeholders or end-users) in the process of designing financial sector infrastructure or regulations?	
6. How did certain activities/interventions (Emergency Liquidity Assistance, insurance supervision and liquidation of financial institutions) contribute to financial sector-strengthening in Kosovo?	
7. The CBK FSRs report that between 2013 and today, (the approximate duration of the OTA project) financial stability has improved significantly, despite the COVID-19 crisis. Is it possible to measure the impact of the various components of OTA project on this improvement in financial stability?	
8. OTA and other donors worked on non-systemic issues (insurance sector), systemic but low risk issues (ELA vs excess liquidity) and systemic with higher risk issues (Basel II/III, Solvency). On which of these aspects of financial stability is the impact of OTA's TA most evident?	
9. How did OTA coordinate with other donors (to ensure sustainability of outcomes)?	
10. What is the level/quality of Kosovar banks' implementation of the main Basel Committee Principles?	
11. Did staff turnover at the CBK impact the sustainability of OTA TA outcomes? AND/OR How did OTA respond to staff turnover at the CBK?	
12. How did training provided by OTA contribute to financial sector-strengthening in Kosovo?	
13. Did you or other OTA staff maintain documentation of training conducted by OTA?	

OTA Banking and Financial Services (BFS) Program Qualitative Interview Guide – Counterpart Version

Interview Date	
Interviewer Name	
Notetaker Name	
Unique ID	
Organization	
Sector	
Years of Experience	

Introduction

The Department of the Treasury’s Office of Technical Assistance (OTA) has provided technical assistance in Kosovo’s banking sector since 2012, using resident and intermittent Advisors who have worked closely with Counterparts in the Central Bank of Kosovo (CBK), the banking sector (including mortgage) and the insurance sector. OTA’s BFS program activities included support for development of Kosovo’s insurance sector and advising CBK in governance, operations, and banking sector oversight, and supporting Kosovo’s nascent government securities market.

We are conducting this series of interviews to inform the OTA’s program design and to help identify ways in which that work contributed to financial sector-strengthening. We also want to identify outcomes of that work and determine which outcomes were sustainable over time.

Informed Consent

We will be asking you a series of questions on the topic of OTA’s work in the financial sector in Kosovo. Your participation in this discussion is voluntary and you are free to discontinue with the discussion at any point or can ask us further details.

We anticipate the discussion to take 60-90 minutes.

We plan to share our findings in publications or presentations. You will not be identified by name. If we quote you, we will use a pseudonym. At the end of this interview, we will ask you if there is any information that you shared that is confidential or off the record. If you have understood these points and consent to continue the discussion, please give us a verbal agreement stating, “Yes, I consent to be interviewed.”

Illustrative Interview Questions	Notes
1. Please tell me about your roles and responsibilities in your current position.	
2. Did you have direct interaction with an OTA Advisor or Advisors? If so, in which capacity?	
3. How did OTA adapt its TA/recommendations to changing realities?	
4. How did OTA determine the starting point for a specific activity/intervention?	
5. What were you hoping to achieve while working with OTA? What were your objectives?	
6. How were OTA activities/interventions determined and prioritized?	
7. Did your institution engage beneficiaries (stakeholders or end-users) in the process of designing financial sector infrastructure or regulations?	
8. What did you achieve while working with OTA's Advisors?	
9. How did certain activities/interventions (Emergency Liquidity Assistance, insurance supervision and liquidation of financial institutions) contribute to financial sector-strengthening in Kosovo?	
10. The CBK FSRs report that between 2013 and today, (the approximate duration of the OTA project) financial stability has improved significantly, despite the COVID-19 crisis. Is it possible to measure the impact of the various components of OTA project on this improvement in financial stability?	
11. Does the CBK regularly monitor financial institutions implementation of the laws/regulations drafted with OTA TA?	
12. What is the level/quality of Kosovar banks' implementation of the main Basel Committee Principles?	
13. Did staff turnover at the CBK impact the sustainability of OTA TA outcomes? AND/OR How did OTA respond to staff turnover at the CBK?	
14. How did training provided by OTA contribute to financial sector-strengthening in Kosovo?	
15. Did your institution maintain documentation of training conducted by OTA?	

**OTA Government Debt and Infrastructure Finance (GDIF) Program
Qualitative Interview Guide – OTA GDIF Staff Version**

Interview Date	
Interviewer Name	
Notetaker Name	
Unique ID	
Years of Experience	

Introduction

The evaluation of OTA/Kosovo’s Government Debt and Infrastructure Finance (GDIF) program will serve two purposes:

First, is to ensure OTA’s compliance with the Foreign Aid Transparency and Accountability Act (FATAA) of 2016, which includes requirements to evaluate the outcomes and impacts of OTA’s programs.

The second purpose is to provide OTA with in-depth, third-party, retrospective insights of its banking program activities in Kosovo. The evaluation will focus on the key evaluation questions related to its contributions to financial sector-strengthening through its technical assistance to the Central Bank of Kosovo (CBK).

Informed Consent

We will be asking you a series of questions on the topic of OTA’s work in the financial sector in Kosovo. Your participation in this discussion is voluntary and you are free to discontinue with the discussion at any point or can ask us further details.

We anticipate the discussion to take 60-90 minutes.

We plan to share our findings in publications or presentations. You will not be identified by name. If we quote you, we will use a pseudonym. At the end of this interview, we will ask you if there is any information that you shared that is confidential or off the record. If you have understood these points and consent to continue the discussion, please give us a verbal agreement stating, “Yes, I consent to be interviewed.”

Illustrative Interview Questions	Notes
1. Please describe your role at OTA and with the Kosovo debt project.	
2. How did OTA adapt its TA/recommendations to changing realities?	
3. How did OTA determine the starting point for a specific activity/intervention?	
4. How were OTA activities/interventions determined and prioritized?	
5. Did OTA engage beneficiaries (stakeholders or end-users) in the process of designing debt market infrastructure or regulations?	
6. How did the establishment of the Debt Management Unit (DMU) within the Ministry of Finance contribute to improved debt management in Kosovo?	
7. OTA TA helped create the primary and secondary market of government securities. How did this affect the overall sustainability of finances, namely financing of fiscal deficit?	
8. How successful were project interventions in expanding financing sources to other non-bank institutions? How efficient was the electronic platform for the sale and trading of government securities? Were any irregularities reported by banks and other market players?	
9. How did the establishment of the Debt Management Unit (DMU) within the Ministry of Finance contribute to sustainability of public finance in Kosovo?	
10. What is the current status of the debt regulatory framework (Debt Law and related second regulation, Law on Public Financial Management and Accountability) that were supported by the OTA technical assistance?	
11. Did staff turnover at the MOF impact the sustainability of OTA TA outcomes? AND/OR How did OTA respond to staff turnover at the MOF?	
12. How did training provided by OTA contribute to improved public debt management in Kosovo?	
13. Did you or other OTA staff maintain documentation of training conducted by OTA?	

**OTA Government Debt and Infrastructure Finance (GDIF) Program
Qualitative Interview Guide – Counterpart Version**

Interview Date	
Interviewer Name	
Notetaker Name	
Unique ID	
Organization	
Sector	
Years of Experience	

Introduction

The Department of the Treasury’s Office of Technical Assistance (OTA) has provided technical assistance in Kosovo’s debt sector since 2007 using resident and intermittent Advisors who have worked closely with Counterparts in the Ministry of Finance (MOF) of Kosovo. OTA’s debt sector Advisors focused on building Kosovo’s sovereign debt capacity and providing expert guidance in developing a Debt Management Unit (DMU) and supporting Kosovo’s nascent government securities market.

We are conducting this series of interviews to inform the OTA’s program design and to help identify ways in which that work contributed to improved public debt management in Kosovo. We also want to identify outcomes of that work and determine which outcomes were sustainable over time.

Informed Consent

We will be asking you a series of questions on the topic of OTA’s work in the financial sector in Kosovo. Your participation in this discussion is voluntary and you are free to discontinue with the discussion at any point or can ask us further details.

We anticipate the discussion to take 60-90 minutes.

We plan to share our findings in publications or presentations. You will not be identified by name. If we quote you, we will use a pseudonym. At the end of this interview, we will ask you if there is any information that you shared that is confidential or off the record. If you have understood these points and consent to continue the discussion, please give us a verbal agreement stating, “Yes, I consent to be interviewed.”

Illustrative Interview Questions	Notes
1. Please tell me about your roles and responsibilities in your current position.	
2. Did you have direct interaction with an OTA Advisor or Advisors? If so, in which capacity?	
3. How did OTA tailor adapt its TA/recommendations to local realities in Kosovo?	
4. What were you hoping to achieve while working with OTA? What were your objectives?	
5. How were OTA activities/interventions determined and prioritized?	
6. How did OTA determine the starting point for a specific activity/intervention?	
7. What did you achieve while working with OTA's Advisors?	
8. Did your institution engage beneficiaries (stakeholders or end-users) in the process of designing financial sector infrastructure or regulations?	
9. How did the establishment of the Debt Management Unit (DMU) within the Ministry of Finance contribute to improved debt management in Kosovo?	
10. OTA TA helped create the primary and secondary market of government securities. How did this affect the overall sustainability of finances, namely financing of fiscal deficit?	
11. How successful were project interventions in expanding financing sources to other non-bank institutions? How efficient was the electronic platform for the sale and trading of government securities? Were any irregularities reported by banks and other market players?	
12. How did the establishment of the Debt Management Unit (DMU) within the Ministry of Finance contribute to sustainability of public finance in Kosovo?	
13. What is the current status of the debt regulatory framework (Debt Law and related second regulation, Law on Public Financial Management and Accountability)? that were supported by the OTA technical assistance?	
14. Did staff turnover at the MOF impact the sustainability of OTA TA outcomes? AND/OR How did OTA respond to staff turnover at the MOF?	
15. How did training provided by OTA contribute to improved public debt management in Kosovo?	
16. Did your institution maintain documentation of training conducted by OTA?	

Annex E: Key Informants Interviewed

Between May 3 and June 16, 2022, the Bixal evaluation team conducted Key Informant Interviews (KIIs). A total of 24 KIIs were conducted, with 36 respondents. The gender composition was seven women and 29 men. The table below presents the KIIs and respondents:

MEETING	RESPONDENT	Names Redacted	POSITION	INSTITUTION	OTA PROGRAM	DATE	IN-PERSON/ON-LINE	GENDER
1	1		Senior Advisor, Government Debt and Infrastructure Team	OTA	GDIF	May 3, 2022	Online	Male
2	2		Senior Advisor, Government Debt and Infrastructure Team	OTA	GDIF	May 3, 2022	Online	Male
2	3		Senior Advisor, Banking and Financial Services Team	OTA	BFS	May 5, 2022	Online	Male
3	4		Economic Growth Office	USAID/ Kosovo	BFS and GDIF	May 12, 2022	In-person	Male
	5		Public Finance Objective Lead	USAID/ Kosovo Economic Governance Activity (KEGA)	BFS and GDIF	May 12, 2022	In-person	Female
	6		Chief of Party	USAID/ KEGA	BFS and GDIF	May 12, 2022	In-person	Male
4	7		Officer Economic Unit	U.S. Embassy/ Pristina, Kosovo	BFS and GDIF	May 12, 2022	In-person	Male
	8		Economic Unit Chief	U.S. Embassy/ Pristina, Kosovo	BFS and GDIF	May 12, 2022	In-person	Male
5	9		Advisor, Government Debt and Infrastructure Team	OTA	GDIF	May 13, 2022	Online	Female

6	10		Governor	CBK	BFS	May 13, 2022	In-person	Male
	11		Chief of Cabinet	CBK	BFS	May 13, 2022	In-person	Male
7	12		Head of Asset Department	CBK	BFS and GDIF	May 13, 2022	In-person	Female
	13		Advisor to Governor	CBK	BFS and GDIF	May 13, 2022	In-person	Male
8	14		Director, Department for Payment Systems	CBK	BFS	May 13, 2022	In-person	Male
9	15		Former Donor Coordinator	CBK	BFS and GDIF	May 13, 2022	In-person	Female
10	16		Economist	IMF/ Kosovo	BFS and GDIF	May 16, 2022	In-person	Male
11	17		CEO	Kosovo Banking Association	BFS	May 16, 2022	Online	Male
	18		Head of Treasury Office	Raiffeisen Bank Kosovo	BFS	May 16, 2022	Online	Male
12	19		Managing Director	Kosovo Pension Savings Trust (KPST)	GDIF	May 16, 2022	In-person	Male
	20		Deputy Director	Kosovo Pension Savings Trust (KPST)	GDIF	May 16, 2022	In-person	Male
13	21		Director	Scardian Insurance Company	BFS and GDIF	May 17, 2022	In-person	Male
14	22		Minister	MOF	GDIF	May 18, 2022	In-person	Male
15	23		Former Minister	MOF	GDIF	May 18, 2022	In-person	Male
16	24		Director, Treasury Office	MOF	GDIF	May 18, 2022	In-person	Male
	25		Head of Debt Unit	MOF	GDIF	May 18, 2022	In-person	Female
	26		Debt Management Officer	MOF	GDIF	May 18, 2022	In-person	Female

17	27		Director	Kosovo Insurance Bureau	BFS	May 19, 2022	In person	Male
	28		Advisor	Kosovo Insurance Bureau	BFS	May 19, 2022	In person	Male
18	29		Head of Bank Supervision	CBK	BFS	May 19, 2022	Online	Male
19	30		Former Deputy Governor/ Former Treasury Director	CBK, MOF	BFS and GDIF	May 19, 2022	In-person	Male
20	31		Former Debt Unit Director/ Former Deputy Director of Treasury	MOF	GDIF	May 20, 2022	In-person	Female
21	32		Chief Risk Officer	Banka Ekonomike	BFS	May 20, 2022	In-person	Male
	33		Treasury Office	Banka Ekonomike	BFS	May 20, 2022	In-person	Male
22	34		Former Minister of Finance	MOF	BFS and GDIF	May 20, 2022	In-person	Male
23	35		Advisor, Banking and Financial Services Team	OTA	BFS	May 23, 2022	Online	Male
24	36		Advisor, Banking and Financial Services Team	OTA	BFS	June 16, 2022	Online	Male

Annex F: Online Survey of Kosovar Banks

In June 2022, the evaluation team conducted an online survey of Kosovar banks. The survey was conducted with the cooperation of the Kosovo Banking Association (KBA). Four of the 10 member banks of the KBA completed the survey.

Name of Bank	Position
1 Raiffeisen Bank Kosovo	Head of Treasury
2 ProCredit Bank Kosova	Head of Risk Management
3 TEB Bank	Head of Treasury
4 Banka per Biznes (BPB)	Head of Risk Management

1. Did you or your institution participate in quarterly meetings that the Ministry of Finance (and OTA experts) held with primary dealers of government securities, during the time period from 2012 to 2018?	
Options	Frequency
<i>Yes, I did</i>	3
<i>Yes, someone else from my institution did</i>	1
<i>No, neither myself, nor someone else from my institution did</i>	0
<i>I don't know/remember</i>	0
<i>I choose to not answer this question</i>	0

2. Did you or your institution participate in training/s for market participants conducted by the Ministry of Finance (jointly with OTA), during the time period from 2012 to 2018?	
Options	Frequency
<i>Yes, I did</i>	3
<i>Yes, someone else from my institution did</i>	1
<i>No, neither myself, nor someone else from my institution did</i>	0
<i>I don't know/remember</i>	0
<i>I choose to not answer this question</i>	0

3. Did the Central Bank of Kosovo or the Ministry of Finance engage you in the process of reviewing or commenting on proposed financial sector infrastructure or regulations, during the time period from 2012 to 2018?	
Options	Frequency
<i>Yes, only Central Bank of Kosovo did</i>	0
<i>Yes, only Ministry of Finance did</i>	1
<i>Yes, both Central Bank of Kosovo and Ministry of Finance did</i>	3
<i>Neither of them engaged us in those processes</i>	0
<i>I don't know/remember</i>	0
<i>I choose to not answer this question</i>	0

4. If the capital market was further developed in the next years, what type of assets would be prioritized by your organization? <i>Note: Please choose maximum three priorities</i>	
Options	Frequency
<i>Corporate shares (on stock exchange)</i>	2
<i>Corporate bonds</i>	1
<i>Municipal bonds</i>	2
<i>Real estate covered bonds</i>	0
<i>Green bonds</i>	3
<i>Longer-term government or corporate bonds for project finance (power plants, dams, roads, etc.)</i>	1
<i>Other (Please write.) _____</i>	0
<i>I choose to not answer this question</i>	0

5. In your opinion, which of the following reforms (supported by OTA) have made it possible to consolidate the financial sector in Kosovo since 2012? <i>Note: 1-No positive impact to 5-High positive impact</i>								
Reforms	1: No positive impact	2: Low positive impact	3: Medium positive impact	4: Good/ Significant positive impact	5: High positive Impact	I don't know	I choose to not answer this question	If your answer is 1 or 2, could you please provide brief explanation?
Basel II	0	0	0	4	0	0	0	N/A
Basel III	0	1	0	4	0	0	0	The Basel III rules have not been properly applied as almost no bank in Kosovo has an Internal-Based Risk Approach that indicates a basic level of risk management development at the Kosovo level
Law on Insurance	0	0	0	1	0	1	2	N/A
Banking Law	0	0	0	3	1	0	0	N/A
Regulations on housing mortgages	0	1	1	2	0	0	0	The regulations have had a small positive impact because the criteria are difficult to implement in practice.
Regulations on real estate appraisers	0	0	0	4	0	0	0	N/A
Risk-based supervision	0	0	0	2	2	0	0	N/A

Emergency Liquidity Assistance	0	1	1	0	2	0	0	The legislation is not in line with the MREL and the process has never been tested so far for the speed of decision-making as the CBK according to the regulation needs time for decision-making. Regarding the non-emergency option such as short-term liquidity provided by the Central Bank in the form of repo, there is a very small limit by the Central Bank and REPO contracting is not guaranteed.
Development of equity market	2	0	1	1	0	0	0	1. The focus has been extremely narrow on local securities. No steps have been taken to create legislation for stock market, fund registration, registration of asset managers and exams for asset managers. There is no department for development of financial products in either the Ministry of Finance or the CBK 2. There is no stock market in Kosovo.
Repo system for liquidity management	0	1	1	2	0	0	0	The market with CBK does not exist. There is very little cooperation between banks as the cost of transfers to the CBK to remove funds from Kosovo is extremely high and this forces banks to keep funds in the CBK and reduces the need for REPO. Regarding Netting (we are not members of ISDA) there is no progress and Netting is mentioned only in the Banking Law and the law only applies to the financial sector.
CBK intraday and overnight liquidity arrangements	0	0	2	2	0	0	0	N/A
Regulation on corporate governance	0	1	0	2	1	0	0	It does not positively affect the development of the capital market. As a result of this regulation, none of board member[s] of [b]anks in Kosovo is experienced in capital markets, and this hinders the development of markets, stock exchanges, corporate bonds, capital growth in companies. No board member in banks is required to have qualifications in investment management, despite the fact that liquidity

								is 35% in the market, but it is only required to be experienced only in basic banking. This is an exception in the region. Also, the appointment of board members is not done by testing, and scoring as in the [European Union], in fairness and merit which leaves room for the appointment of members with inadequate qualifications.
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6. In your opinion, which of the following reforms (supported by OTA) need to be amended in order to adapt to local conditions and achieve the best level of efficiency?
Note: 1-Substantial amendments are needed for the reform to be fully efficient to 5-No amendments are needed since the reform is well implemented and fully operational

Reforms	1 Substantial amendment is needed (60% or more)	2 Significant amendment is needed (Around 50%)	3 Some amendment is needed (40 % or less)	4 Few amendments are needed (Less than 20 %)	5 No amendment is needed	I don't know	I choose to not answer this question	If your answer is 1, 2 or 3 could you please provide brief explanation?
Basel II	0	0	0	3	0	0	1	N/A
Basel III	0	0	1	2	0	0	1	There are CRR regulations that are not properly implemented. The LCR and NSFR must be implemented as well as the capital and MREL rules and the insurance must conform to the liquidity delegated act for non-retail in the LCR
Law on insurance	0	0	0	1	0	0	3	N/A
Banking Law	0	0	0	4	0	0	0	N/A
Regulations on housing mortgages	0	1	0	2	0	1	0	No comment
Regulations on real estate appraisers	0	0	0	1	1	2	0	N/A
Risk-based supervision	0	0	0	4	0	0	0	N/A
Emergency Liquidity Assistance	0	0	0	2	0	1	1	N/A
Development of equity market	2	0	0	1	0	0	1	There is no secondary legislation at all for shares,

Annex G: Overview of the OTA BFS Program

Overview of OTA BFS Project – Kosovo – 2012–2020						
Banking intervention	Indicator		Change	OTA contribution	Constraint(s)	Sustainability
	2012	2020				
Support to CBK	OTA developed policies/procedures.	Policies/procedures developed by OTA still in use.	+	Ongoing technical assistance	Staff turnover. CBK cannot undertake monetary policy	OTA's contribution was sustainable.
Legal/regulatory framework	Law on Banking ¹	Revision of Law on Banking is pending for three years.	Stalled	OTA supported the revision of the Banking Law.	Delays in approving amendments to Banking Law.	The Banking Law needs to be amended/revised.
Corporate governance	Corporate governance practices not in line with international standards.	Corporate governance regulation passed in 2016. ² Implemented today.	+	OTA supported the regulation.	No major constraints.	Implementation of the regulation converges with international standards.
Risk-based bank supervision	Number of banks		+2	Risk-based supervision. CAMELS rating system.	Lack of implementation and/or internal resistance by CBK.	Risk-based supervision is not fully implemented.
	9 ³	11 ⁴				
	Number of liquidated banks		None			
	1 ⁵					

¹ Law on Banks, Microfinance Institutions and Non-bank Financial Institutions, CBK. URL: <https://www.bqk-kos.org/repository/docs/2012/Law%20on%20Banks%20MFI.pdf>

² Regulation on Corporate Governance of Banks, CBK. URL: https://bqk-kos.org/repository/docs/korniza_ligjore/english/ENG%20%20Regullore%20p%20C3%ABr%20Qeverisje%20Korporative%20t%C3%AB%20Bankave2019.pdf

³ Annual Report 2012, CBK. URL: <https://bqk-kos.org/repository/docs/2013/CBK-AR-2012.pdf>

⁴ Annual Report 2020, CBK. URL: https://bqk-kos.org/wp-content/uploads/2021/07/CBK_AR_2020.pdf

⁵ Annual Report 2012, CBK. URL: <https://bqk-kos.org/repository/docs/2013/CBK-AR-2012.pdf>

	Average Capital Adequacy Ratio		-0.7%			
	17.2% ⁶	16.5% ⁷				
	% Non-performing loans		-3.8%			
	6.5% ⁸	2.7% ⁹				
Emergency Liquidity Assistance	Liquidity: loan to deposit ratio		-8%	OTA supported the ELA.	None.	Operational and tested periodically.
	82% ¹⁰	74% ¹¹				
Repo system for liquidity management	Non-existent	Operational	+	OTA supported the repo system.	Lack of participation of CBK.	Operational, mainly between banks.
Liquidity arrangements	Non-existent	Operational	+	OTA supported the CBK intraday and overnight liquidity arrangements.	No major constraints.	Operational.

⁶ Annual Report 2012, CBK. URL: <https://bqk-kos.org/repository/docs/2013/CBK-AR-2012.pdf>

⁷ Annual Report 2020, CBK. URL: https://bqk-kos.org/wp-content/uploads/2021/07/CBK_AR_2020.pdf

⁸ Annual Report 2012, CBK. URL: <https://bqk-kos.org/repository/docs/2013/CBK-AR-2012.pdf>

⁹ Annual Report 2020, CBK. URL: https://bqk-kos.org/wp-content/uploads/2021/07/CBK_AR_2020.pdf

¹⁰ ODC new loans and ODC new deposits, CBK. URL: https://bqk-kos.org/repository/docs/time_series/11a%20ODC%20new%20deposits.xls and https://bqk-kos.org/repository/docs/time_series/11%20ODC%20new%20loans.xls

¹¹ ODC new loans and ODC new deposits, CBK. URL: https://bqk-kos.org/repository/docs/time_series/11a%20ODC%20new%20deposits.xls and https://bqk-kos.org/repository/docs/time_series/11%20ODC%20new%20loans.xls

Overview of OTA BFS Project – Kosovo – 2012-2020						
Sector intervention	Indicator		Change	OTA contribution	Constraint(s)	Sustainability
	2012	2020				
Insurance: Revision of law on Insurance	Law on Insurance approved in 2012. ¹²	Final draft of amended/new law under consideration for one year.	-	OTA supported the legislation.	None	OTA's contributions are sustainable.
Insurance: Solvency I implementation	Non-existent	Implemented	+	OTA supported the implementation of Solvency I.	None with Solvency I.	Solvency II has not been implemented.
Insurance: Implementation of risk-based supervision	Non-existent	Supervision in place.	+	OTA developed a manual for supervision. It is still used today.	Initial effort to educate and train CBK staff.	The supervision is deemed by market participants as appropriate.
	Number of insurance companies		-1			
	13	12 ¹³				
	Number of liquidated companies		+			
2 ¹⁴						
Insurance: Regulation on corporate governance	Corporate governance practices not in line with international standards.	Corporate governance regulations passed in 2016 and 2020 apply to insurance companies. Implemented today. ¹⁵	+	OTA supported the regulation.	No major constraints.	Implementation of the regulation converges with international standards.

¹³ List of registered/licensed financial institutions, CBK. URL: <https://bqk-kos.org/wp-content/uploads/2022/04/Lista-e-institucioneve-financiare-01.04.2022.pdf>

¹⁴ Kosovo Insurance Company was liquidated on April 2010. CBK Annual Report. URL: https://bqk-kos.org/repository/docs/2018/CBK_AR_2017.pdf

Insig insurance company was liquidated on April 2019. CBK. URL: <https://bqk-kos.org/the-cbk-executive-board-decided-to-revoke-the-license-of-the-insurance-company-insig-j-s-c-kosovo-branch/?lang=en>.

Overview of OTA BFS Project – Kosovo – 2012–2020						
Sector intervention	Indicator		Change	OTA contribution	Constraint(s)	Sustainability
	2012	2020				
Real Estate Valuation regulation for banks	Non-existent	Regulation on Appraisal of Immovable Properties was passed in 2015 ¹⁶	+	OTA supported the regulation.	The amendment of this regulation, which OTA drafted during 2017 and 2018, was not passed.	OTA made a contribution, but significant constraints remain.
Real Estate Regulation of housing mortgages	Non-existent	Regulation on residential mortgage lending passed in 2015 ¹⁷	Limited	OTA supported the regulation.	Major constraints: lack of property rights, unlicensed properties, etc.	OTA made a contribution, but significant constraints remain.
		New mortgage loans (million Euro)				
	36.1 million Euro ¹⁸	191.3 m Euro (2021) ¹⁹				

A re-insurance company was liquidated in 2021. URL: <https://bqk-kos.org/the-executive-board-of-the-cbk-takes-a-decision-to-revoke-the-license-of-the-insurer-kosova-e-re/?lang=en>. Neither the CBK or insurance industry representatives discussed this.

¹⁵ Regulation on Corporate Governance of Insurers, CBK. URL: https://bqk-kos.org/repository/docs/korniza_ligjore/shqip/Rregullore%20per%20Qeverisjen%20Korporative%20te%20Siguruesve.pdf

¹⁶ Regulation on appraisal of immovable properties, CBK. URL: https://bqk-kos.org/repository/docs/korniza_ligjore/english/Rregullore%20per%20Vleresimin%20e%20Pronave%20te%20Pa_luatjshme.ang.pdf

¹⁷ Regulation on residential mortgage lending, CBK. URL: [https://bqk-kos.org/repository/docs/korniza_ligjore/english/2-Regulation%20on%20Residential%20Mortgages%20-%20ENG%20\(3\).pdf](https://bqk-kos.org/repository/docs/korniza_ligjore/english/2-Regulation%20on%20Residential%20Mortgages%20-%20ENG%20(3).pdf)

¹⁸ Other Depository Corporations New Loans, CBK. URL: https://bqk-kos.org/repository/docs/time_series/11%20ODC%20new%20loans.xls

¹⁹ Other Depository Corporations New Loans, CBK. URL: https://bqk-kos.org/repository/docs/time_series/11%20ODC%20new%20loans.xls

	New mortgage loans as % of total new loans					
	4.9%	10.6% (2021)				
Real Estate	Non-existent	Regulation passed 2015 ²⁰	+	OTA supported the regulation.	Major constraints: incomplete cadaster, lack of property rights, unlicensed properties, etc.	Despite the constraints, OTA's work was sustainable.
Regulation of real estate appraisers	Number of licensed appraisers		+253			
	0	253 (2022) ²¹				

²⁰ Regulation on appraisal of immovable properties, CBK. URL: https://bqk-kos.org/repository/docs/korniza_ligjore/english/Rregullore%20per%20Vleresimin%20e%20Pronave%20te%20Palu%20atjshme.ang.pdf

²¹ List of licensed real estate appraisers, Ministry of Finance. URL: <https://mf.rks.gov.net/desk/inc/media/E4240D45-8FEC-4355-8FFE-C83C81A8C87E.pdf>

Overview of OTA BFS Project – Kosovo – 2012–2020						
Sector intervention	Indicator		Change	OTA contribution	Constraint(s)	Sustainability
Development and supervision of the insurance and real estate sectors	Asset size (% of financial sector)		+	OTA BFS project supported development and supervision of the insurance and real estate sectors.	The insurance market is well regulated. Insurance companies are profitable. Solvency II is not implemented. Real estate faces major constraints, as noted above.	Recognizing the positive contributions made by OTA, the CBK and market participants would like to see both the insurance and real estate sectors develop even further.
	Banks					
	74.7% ²²	67.7% ²³				
	Asset size (% of financial sector)					
	Insurance					
	3.4% ²⁴	2.8% ²⁵				

²² Other Depository Corporations New Loans, CBK. URL: https://bqk-kos.org/repository/docs/time_series/11%20ODC%20new%20loans.xls

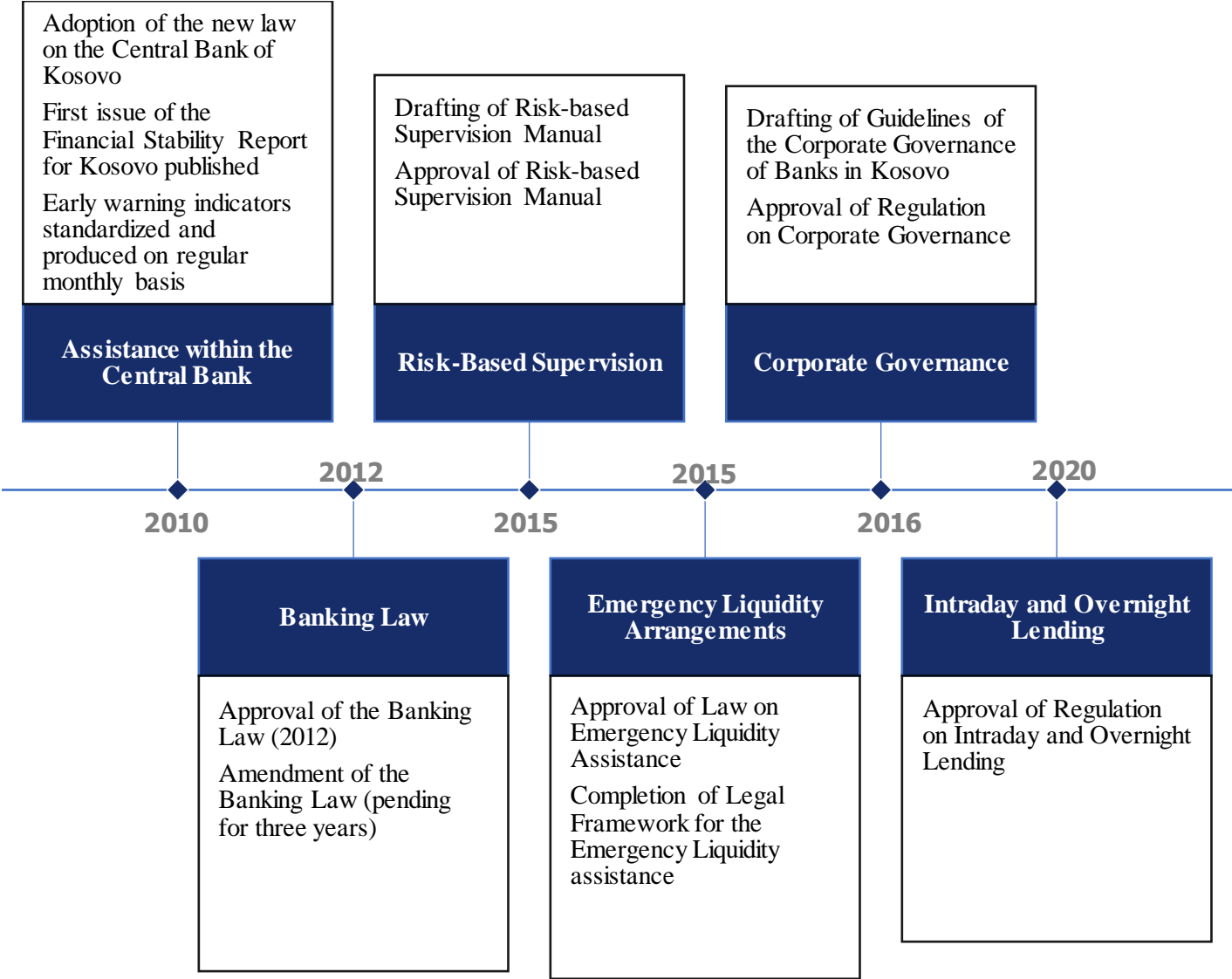
²³ CBK time series data, ODC new loans. URL: https://bqk-kos.org/repository/docs/time_series/11%20ODC%20new%20loans.xls

²⁴ CBK annual report 2012. URL: <https://bqk-kos.org/repository/docs/2013/CBK-AR-2012.pdf>

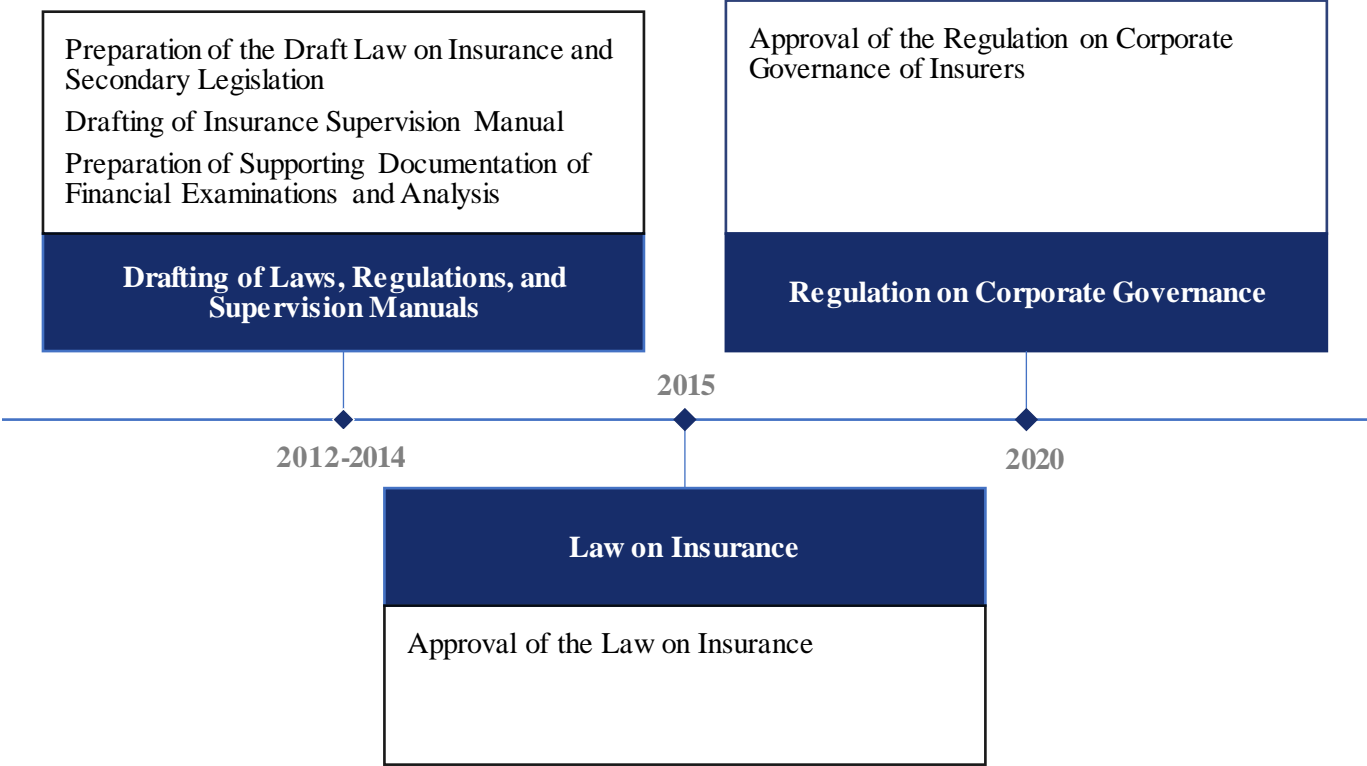
²⁵ CBK annual report 2020. URL: https://bqk-kos.org/wp-content/uploads/2021/07/CBK_AR_2020.pdf

Annex H: Chronology of OTA BFS Program: Banking, Insurance and Real Estate

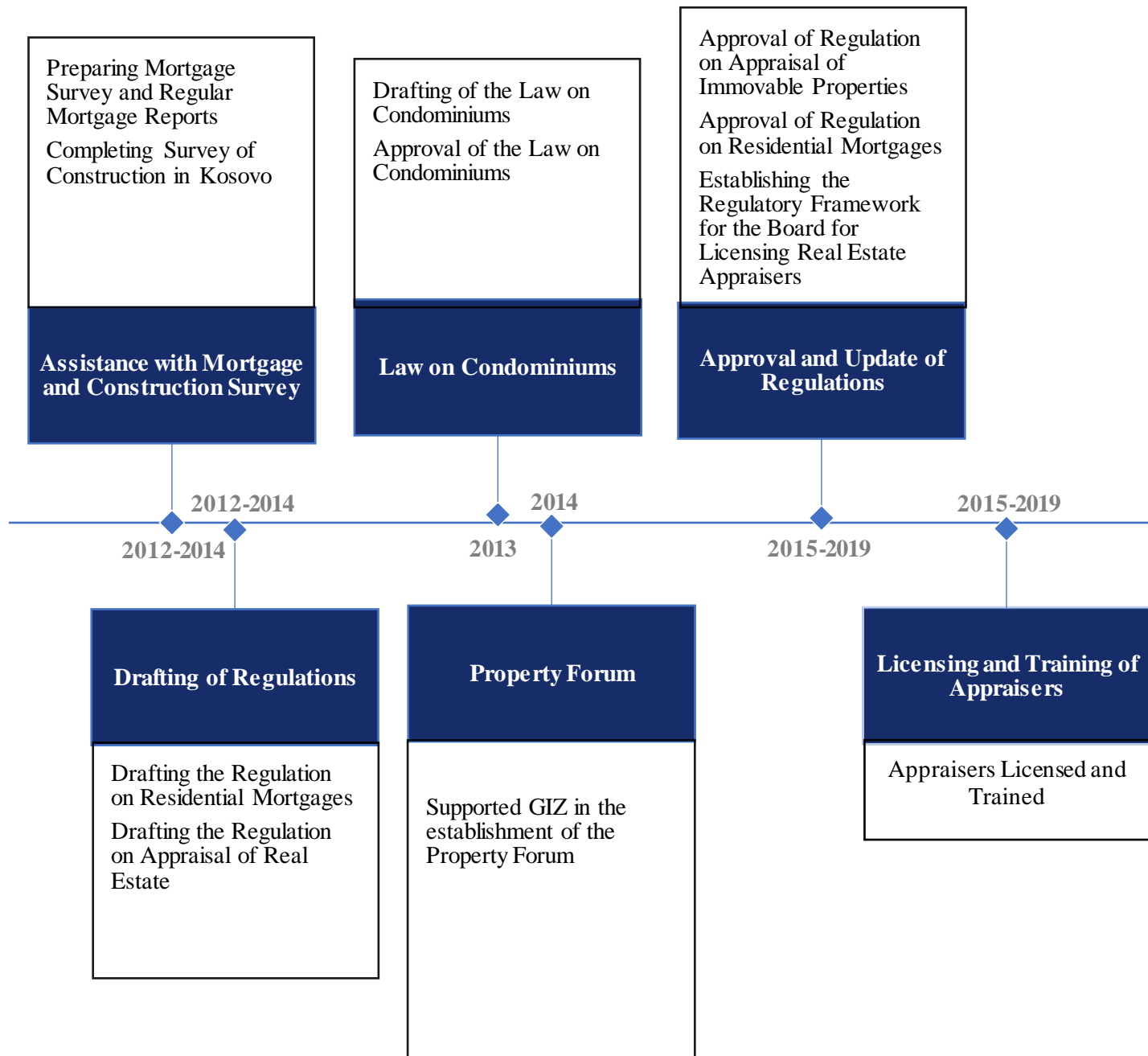
Project Timeline – OTA BFS Project – Banking - Kosovo (2010–2020)



Project Timeline – OTA BFS Project – Insurance – Kosovo (2010–2020)



Project Timeline - OTA BFS Project - Insurance - Kosovo (2010-2020)



Annex I: Overview of the OTA GDIF Program

Overview of OTA GDIF Project – Kosovo – 2010-2022						
Intervention	Indicator		Change	OTA contribution	Constraint(s)	Sustainability
	2010	2020				
Establishment of legal and regulatory framework on debt	Law on Public Debt approved in 2009. No law existed previously. ²⁶	Law on Debt approved in 2009 still in force.	+	Drafting legislation and secondary regulations.	None	Law on Public Debt and secondary legislation still in force.
Establishment of debt management unit (DMU)	DMU established. No DMU existed previously.	Fully Functional DMU ²⁷	+	1. Creation of DMU in 2010. 2. Capacity-building of DMU.	Staff turnover	DMU manages all debt related activities.
Establishment of domestic debt market (procedures, processes, calendar, strategy)	Domestic debt market established. No domestic debt market existed previously.	Well-functioning domestic debt market established from scratch.	+	1. Drafting market regulations. 2. Training of DMU staff (ongoing). 3. Training of market participants (2010). 4. Speed of creating the domestic debt market.	1. Annual calendar still published, but quarterly calendars could/should include more details. 2. Secondary market underdeveloped. 3. Pace of debt-market development slowed down after 2015-16.	1. Regulations still in force and implemented. 2. Annual financing calendar continues to be published regularly.
Trading system	Trading system established. No trading system existed previously.	Efficient trading system and e-platform.	+	1. Design specifications for the trading system (2010). 2. Functioning of the e-platform,	None.	1. Efficient trading system created and operational today. 2. Efficient e-platform.

²⁶ Law on Public Debt, MOF. URL: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2663>

²⁷ Public Debt Unit webpage, MoF, URL: <https://mf.rks-gov.net/page.aspx?id=249>

Overview of OTA GDIF Project – Kosovo – 2010-2022						
Intervention	Indicator		Change	OTA Contribution	Constraint(s)	Sustainability
	2010	2020				
Maturity of bonds and bid cover ratio	1.58 months 2.49 ²⁸	35.11 months 1.5 ²⁹	33.58 months 0.99	2012 – three-month T-Bills 2013 – six-month and one-year T-bills 2014 – two-year securities 2015 – three- and five-year securities 2017 – seven-year securities 2018 – 10-year securities 2021 – diaspora bonds	Time required to develop market and market participant behavior/confidence.	Maturity of instruments increased over time. As the volume of issued bonds increased, some auctions were not fully subscribed. Nevertheless, the bid cover ratio remained high.
Overall debt volume	6.22% Nominal value of domestic debt – EUR 73.3 million ³⁰	21.92% Nominal value of domestic debt – EUR 961.90 million ³¹	15.7% EUR 888.6 million	OTA contributed to prudent public debt issuance and management.	Time required to develop market and market participant behavior/confidence. No other instruments developed yet.	Domestic debt volume increased over time.
Establishment of a consultation mechanism	Non-existent previously	Quarterly meetings are held.	+	OTA advisor plays an advisory role in quarterly meetings with primary dealers.	Interest of market participants.	Meetings are still held.

²⁸ Data provided by DMU/MOF/

²⁹ Data provided by DMU/MOF.

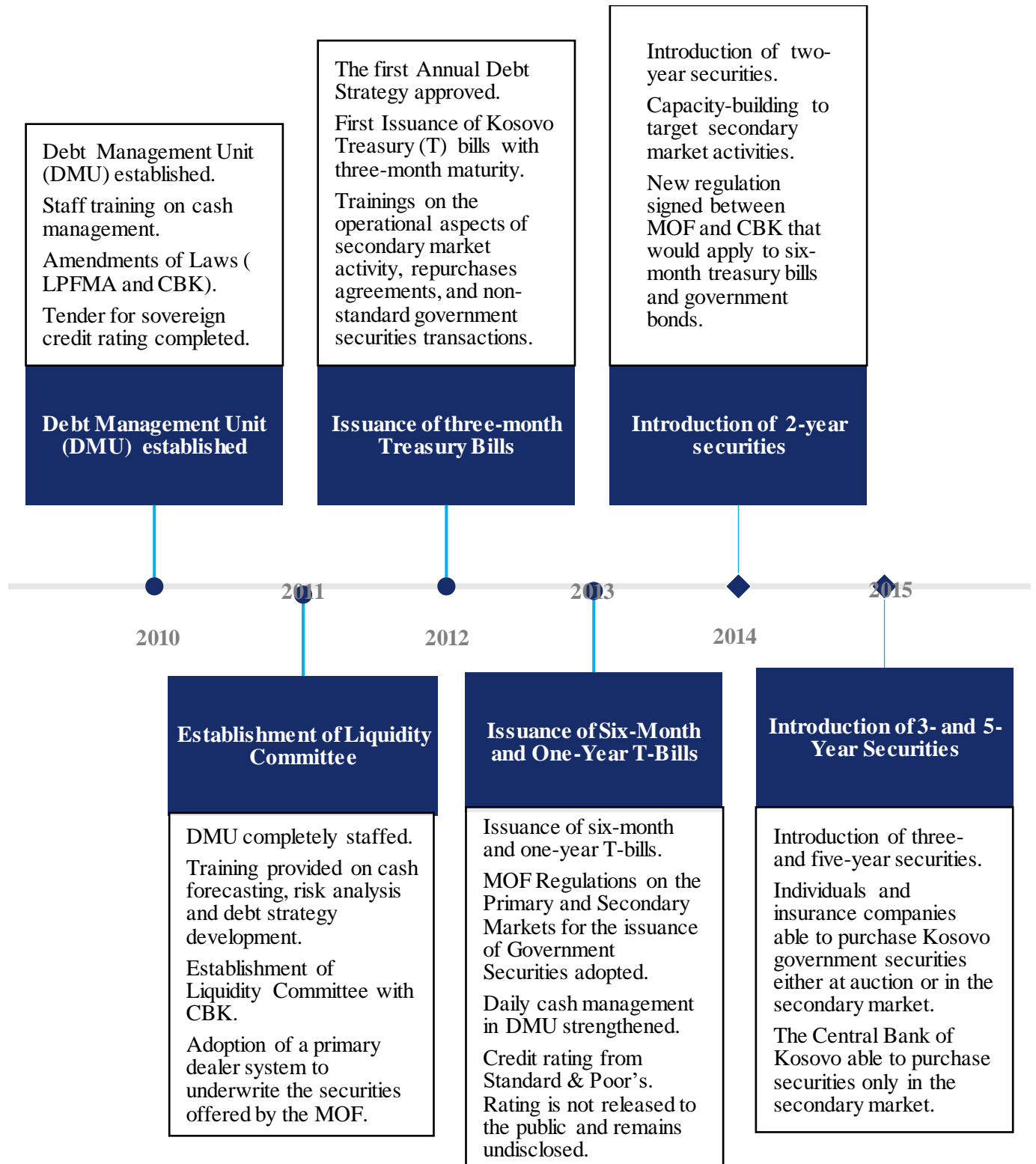
³⁰ Annual 2015 Bulletin on Public Debt. MoF, URL: <https://mf.rks-gov.net/desk/inc/media/8FE80959-0A63-4049-B97A-5C47902577D1.pdf>

³¹ Annual 2020 Bulletin on Public Debt. MoF, URL: <https://mf.rks-gov.net/desk/inc/media/46BF6C74-32C4-4483-A149-6391F1E06F0D.pdf>

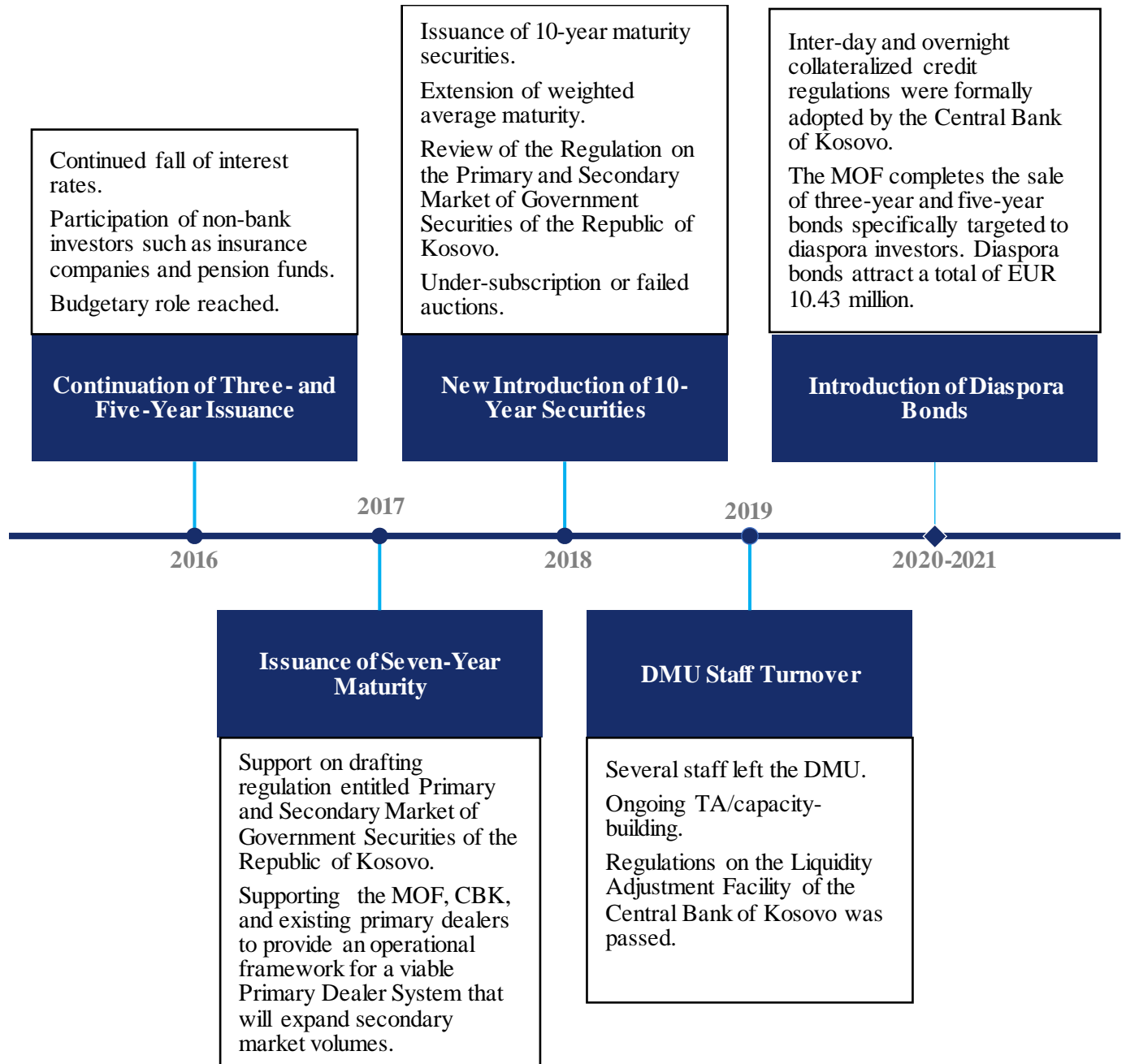
<p>Coordination of MOF with CBK on public debt management</p>	<p>Non-existent previously</p>	<p>Coordination takes place.</p>	<p>+</p>	<p>1. OTA recommended regular monthly coordination meetings between MOF and CBK.</p> <p>2. Liquidity Committee</p> <p>3. ELA</p> <p>4. Repo</p>	<p>1. Less frequent coordination meetings.</p> <p>2. Occasional disagreement between CBK and MOF on legal interpretation and financial instruments.</p>	<p>Quarterly operational meetings between the MOF, CBK and primary dealers still held.</p>
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Annex J: Chronology of OTA GDIF Program Interventions

Project Timeline – OTA GDIF Project – Kosovo (2010-2015)



Project Timeline – OTA GDIF Project – Kosovo (2016-2021)



Annex K: Description of the “Brain Fund”

In 2009, a USAID project implemented by Bearing Point recommended the establishment of a “Brain Fund” to attract and retain highly skilled professionals within the civil service of Kosovo. The Brain Fund was suggested and conceptualized with the support of the GAP Institute.

The Brain Fund later renamed the “Cadre Fund,” created several new positions for senior-level specialists, paid between EUR 800 to EUR 1,800 per month, depending on the position. A set of qualifications were established for employment in these positions.

Three DMU positions in the front, middle, and back office were to be paid by the Brain Fund project. An agreement was reached in 2009, but due to bureaucratic procedures, the process was delayed for four months. Two high-level staff left the DMU at the end of 2010,³² and as a result, the entire process of hiring and training had to be repeated in 2011.

The Brain Fund was in effect until 2015. Despite selection criteria and clearly defined purposes provided by Regulation No. 14/2012, in 2015 the GAP Institute, which monitored the Fund since its establishment, concluded that the Fund was misconstrued and misused by various ministries.³³ The GAP Institute documented that most of the employees paid by the Brain Fund did not meet the established qualifications. Some did not even have an advanced university degree. Of 222 employees paid by the Fund in 2014, only six of them held a PhD in science and 94 held a master’s degree. For more than half of the employee-beneficiaries, 122 people, it was not known if the employee held any university degree. According to the GAP Institute, the Fund was corrupted by high-level ministry employees to pay themselves and reward selected other employees.³⁴

³² See 201012_gdim_mr_kosovo_schwartz

³³ See https://www.institutigap.org/documents/88573_FondiperKuaadroENG.pdf

³⁴ See https://www.institutigap.org/documents/5439_excellence%20fund.pdf

Annex L: Evaluation Team Qualifications

Team Leader Geoffrey Mazullo has 28 years of technical experience as an evaluator, corporate analyst, subject matter expert, and trainer. His expertise includes corporate governance, socially responsible investment, and environmental, social and governance reporting in emerging market environments. He has extensive experience as an evaluation Team Leader, a program Chief of Party, technical expert, and expert trainer in MEL, governance, and other subjects for USAID, the U.S. Department of State, and numerous other government, private sector, and NGO clients. He has a M.Sc. in Political Science from the London School of Economics, graduate certificates from Jagiellonian University in Poland and Freie Universitaet in Germany, and a B.Sc. in Foreign Service from Georgetown University. He has lived and worked extensively throughout Eastern Europe, is a native English speaker, and is proficient in Serbo-Croatian, German, French, Polish, and Russian.

Valmira Rexhebeqaj has more than 15 years of technical experience in public finance, macroeconomic policy analysis, fiscal governance, budgeting, national planning, and taxation expertise. In the past, she served as a Director of Economic and Public Policy for the Ministry of Finance in Kosovo for three years ending in 2014, and currently is the Founder/Director of Rex Consulting Group in Kosovo, providing technical assistance, training, assessment, and evaluation services to the Kosovo and other regional governments, World Bank, GIZ, CEF, OECD, the EU Commission, and other private sector and NGO clients. She is a Ph.D. candidate in Economics at the University of Tirana and has an M.Sc. from Staffordshire University in the UK. She is a native Albanian speaker and is fluent in English and Serbo-Croatian.

Jean-François Bouchard has more than 35 years of experience in the banking sector. Currently, he is a lead consultant with the Agence Française de Développement, World Bank, GIZ, IMF and other clients providing expert guidance in such banking area subjects as anti-money laundering and financing terrorism, risk-based supervision, and enhancing banks' financial stability, providing expertise in Africa and Asia. His expertise also includes microprudential and macroprudential policy, Basel II and III implementation, bank restructuring, and stress-testing. He has served as a Resident Advisor for the IMF responsible for the Central Africa region, as well as in Bulgaria with the European Commission for the National Bank of Romania. He is also a former Head of Mission for the Autorité de Contrôle Prudentiel (French Banking Commission), and has served in numerous high level advising, training, and management roles with the Banque de France. He is a native French speaker, is fluent in English and proficient in German and Romanian.

Genta Agaj has 10 years of technical experience in monitoring and evaluation, working across several sector areas including governance, microfinance, education, and community development. Currently, she serves as an M&E Specialist for the Millenium Challenge Corporation with the Kosovo Threshold Program. Her expertise includes impact evaluation, M&E design and planning, quantitative and qualitative methods and analysis, survey design, advising on performance indicators, and data collection strategies for USAID, contractors, and NGOs. She has a Bachelor of Applied Science degree in Economics from the Rochester Institute

of Technology, and a Master's in Applied Economics from the University of Maryland. She is a native Albanian speaker and is fluent in English.

Driton Zechiri has more than 20 years of technical experience, most recently as a monitoring and evaluation consultant for numerous USAID contractors, UN agencies, various EU funders, European research and policy think tanks, and NGOs. His expertise includes program evaluation, qualitative, quantitative, and mixed methods, evaluation management, survey design, baseline studies, and data collection strategies. He is a Ph.D. candidate in Sociology at the University of Prishtina, where he also has Master's and Bachelor's degrees in Sociology. He is a native Albanian speaker, and fluent in English and Serbian.

Michael Tatone is an International Evaluation Project Manager at Bixal. He has 13 years of technical experience in evaluation and research, managing and providing technical support for evaluations and impact studies in conflict and violence in Colombia, Brazil, and Chicago. Previous roles have included Research Manager at the University of Chicago, and various Project Manager and Researcher roles in academia and NGOs. He has a Master's in Political Science from Universidad de Los Andes in Colombia, and a BA in Political Science from University of Wisconsin-Eau Claire. He is a native English speaker and is fluent in Spanish and Portuguese.

Joseph Kotun is a Director of Monitoring, Evaluation and Learning at Bixal. He has more than 25 years of technical experience in international development, focused on evaluation. Before his current role at Bixal he has worked extensively as an evaluation Team Leader for contractors with USAID, MCC, USDA, U.S Department of State, World Bank, DFID, Asian Development Bank, and other private sector and NGO clients. His expertise includes evaluation design, mixed, qualitative, and quantitative methods, program evaluations, impact evaluations, and systems-based evaluations as well as MEL frameworks, strategies, and learning agenda development. His evaluation work includes financial inclusion and microfinance subject areas, as well as a broad range of other international development sectors. He has a Master's in International Development from the School for International Training Graduate Institute in Vermont and a B.Sc. in Science from McGill University. He is a native English speaker and proficient in French.