

Research Article

A Comparative Analysis of Corporate Governance in Public Enterprises in Kosovo - the Difference Between Central and Local Public Enterprises: Case Study “Southern Hydregion” and “Eco Region” in Prizren

Albrim Badallaj* , Shpresa Suli 

Department of Business Administration, South East European University, Tetovo, North Macedonia

Abstract

Corporate Governance in Public Enterprises is the main prerequisite for their success and profitability. In Kosovo, it is a new concept and has only begun to be practiced after 2005, promoting the principles of the OECD. The purpose of this paper is to present the divergences between public enterprises at the central and local levels. Public Enterprises in Kosovo are important for the local economy since in 2016, they counted about 10,152 employees or about 3.1% of the total number of employees in the Republic of Kosovo in the same year. Public enterprises in Kosovo, according to the law, are of two types: Central and Local. In Kosovo, Public Enterprises are characterized by a positive balance of profitability, but with inherited debts, especially to ATK in the amount of millions. The lack of literature regarding this topic presents the gaps of the paper. While the methodology used in this paper is based on primary data through interviews and secondary data, through literature review. Deductive and comparative methods were used. The results of this paper show that there are major differences in the governance of central public enterprises from local ones and at the same time there is low implementation of OECD principles. The analysis of the findings presents the real picture of the fundamental problems and the lack of technocrats in the field in the Boards of Directors and the Chief Executive Officer, as management bodies that give direction to the orientation of Public Enterprises and their growth or decline.

Keywords

Corporate Governance, CG, OECD, Public Enterprises, PE

1. Introduction

Corporate governance refers to the structures and mechanisms through which the enterprise is governed: its governing bodies, the rights and obligations of these bodies, the treatment of shareholders and the relationship between management and various actors. As for Corporate Governance, we can say that it is one of the most controversial topics in the

contemporary period of the free market, and which has received great focus both in developed countries and in developing countries such as Kosovo.

The word governance derives from the Greek language "governare", which means direction or to direct, in the sense of leadership and management. The name corporation derives

*Corresponding author: albrim.badallaj@gmail.com (Albrim Badallaj)

Received: 25 December 2024; **Accepted:** 14 January 2025; **Published:** 9 September 2025



Copyright: © The Author(s), 2025. Published by Science Publishing Group. This is an **Open Access** article, distributed under the terms of the Creative Commons Attribution 4.0 License (<http://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution and reproduction in any medium, provided the original work is properly cited.

from the Latin language, from the word "corpus", which means body, which represents a group of people. [6].

The main bases of Corporate Governance according to international standards are the applications of OECD principles, based on which the law on Public Enterprises, Corporate Governance Codes and Statutes are harmonized. Corporate Governance in Public Enterprises in Kosovo began to be implemented at the beginning of 2006 and as a concept is relatively new, even though Corporate Governance has been addressed in discussions and debates of the post-war period as part of analyzes related to privatization policy, this concept has not been the focal point of the debate and has mainly been used to highlight some of the consequences of alternative privatization methods. [41].

The corporatization of Public Enterprises in Kosovo has its beginnings in the period of 2004, when the Kosovo Trust Agency developed a program towards the corporatization of Enterprises in two phases. In the first phase, the existing Public Enterprises were transformed into Joint Stock Companies. Until, in the second phase, "spin-off" was used to create new enterprises in the form of JSC.

In Kosovo, Public Enterprises number about 10,152 employees or about 3.1% of the total number of employees in the Republic of Kosovo in the same year, having an important role in the employment of citizens, but also in the provision of services. Of the number of employees, approximately 19% have a high, superior qualification, over 60% have a secondary school qualification, and 21% only have a lower school qualification. [43].

Based on the statistics of the Unit for Policy and Monitoring of Public Enterprises (NJPMNP) in Kosovo, there are 17 central PEs and 55 local PEs. [37]

Although the Law on Public Enterprises recognizes 56 local enterprises, KRM Higijena in Gjilan, since July of 2013 operates as a public-private partnership (PPP) enterprise with 51% of the shares owned by the private shareholder as the owner and according to the law on Public Enterprises, this enterprise is no longer considered public, but operates on the basis of the special Law No. 04/L-045 For Public Private Partnership.

The main purpose of this research paper is to analyze and evaluate the implementation of OECD principles and practices for Corporate Governance in Public Enterprises in Kosovo, as well as to present the divergences of Corporate Governance between Central Public Enterprises and Local Public Enterprises. [36]

This study differs from previous works in that it is more contemporary and simultaneously uses primary and secondary data, as well as an advanced scientific methodology in terms of analysis of differences.

2. Literature Review

As a basis for the literature review in this paper are the OECD reports, the books of Llaci & Tabaku, the law on public enterprise in Kosovo, and the analyzes of organizations

such as GAP, World Bank, IFC, RIINVEST, ISA and NJPMNP were analyzed. [32]

These authors and reports highlighted the problems and rise of Corporate Governance in analyzing various theories of eminent authors, the role of governance in corporate performance and (failure) success, profitability, interest groups, advantages and disadvantages, governance models and development over the years of the CG. [25] Also, the international principles of the OECD, the Code of Ethics and Corporate Governance, ownership and management, standards and comparison of different models were also addressed in the focus of this paper. [13]

There are several definitions and definitions regarding Corporate Governance, from different authors, on the basis of which comparisons or even the suitability of the definitions can be made. Monks & Minow [7], define Corporate Governance as "relationship between different participants such as shareholders, board of directors and managers". Shleifer and Vishny [12], define Corporate Governance as the way in which financial investors ensure themselves, to get a return on their investment. [29].

Corporate Governance has been put in focus, especially after the financial crisis of 2008, where the problems and malfunctions in the relationship between the owners, the board and the managers have appeared, in which case the problems like that of the principal-agent have arisen. [31] Typically, the authors analyze three approaches or theoretical thoughts of Corporate Governance, comparing them among themselves as: Agency Theory (principal-agent), Stakeholders Theory and Stewardship Theory. [26]

Also, the three governance models were analyzed, from which the Governing Boards are derived, and as such they are also applied in Kosovo: the Anglo-American model, the Japanese model and the German model. The author has worked on statistical and graphic analysis regarding these divisions and their application in practice. As a topic, it is minor or almost not treated in Kosovo; therefore, the literature review has been complex, except for the credible reports of high-level organizations. [24]

3. Data and Methodology

The methodology used in this paper includes primary and secondary data. Primary data were obtained through interviews, conducted online and physically, with open-ended questions, in the Public Enterprises "Hidroregjioni Jugor" and "Eko Regjioni" in Prizren. Secondary data are the result of a review of a wide and contemporary literature on corporate governance. This literature was obtained by researching reports of various organizations and primary and secondary legislation, including reports of the NJPMNP, financial statements, reports of the National Auditor, reports of foreign organizations, etc. [27]

A qualitative research method was used in this study, as it allows us to collect data from responsible persons. The inter-

view instrument was self-administered, consisting of 30 questions in total. These questions relate to ownership and management, models and theories, social responsibility, risk management and auditing, and the reporting process. The sample for this research was determined using judgmental sampling, which is a form of sampling in which elements of the population are selected based on the researcher's judgment. This includes several predetermined criteria such as geographical proximity, access to participate in interviews and based on workplaces. [10]

The data were collected from two companies, which were taken as case studies "Hidroregjioni Jugor" with central ownership and "Eko regjioni" with local ownership, where the following were surveyed: shareholders, boards of directors, chief executives and the Parliamentary Commission for the Oversight of Public Enterprises in Kosovo. [11]

All these data were processed through the Python program, for which we will provide clarification in the fifth chapter, regarding data analysis.

Whereas, the specific objectives of this work are:

- 1) To analyze the differences between Central and Local Public Enterprises in Kosovo.
- 2) To analyze the implementation of OECD principles in Public Enterprises in Kosovo.
- 3) To analyze the difficulties of the governance model in Central and Local Public Enterprises in Kosovo.

The hypotheses raised in this research are:

H1: There are differences in governance between Local Enterprises and Public Enterprises.

H2: The application of OECD principles on Corporate Governance is low in Public Enterprises.

H3: Local Public Enterprises face interference from local authorities more often than Central Public Enterprises.

The comparison method was used to identify the advantages and disadvantages of Corporate Governance in Public Enterprises with different ownership, central and local, to highlight legal and practical divergences.

The research on which this research paper was carried out is

based on some of the following methods:

- 1) Deductive method to analyze the historical retrospective, background and evidence from legal-economic literature,
- 2) Comparison method between different ownership of NPs,
- 3) Analysis method for evaluating the application of OECD principles in Corporate Governance.

4. Corporate Governance in Kosovo

Kosovo, as part of the former RSFJ (Federal Socialist Republic of Yugoslavia) for nearly 45 years was based on the planned economy of the socialist-self-government system, being shunned by the free market economy. [35] The entire economic organization was oriented to state ownership, and then to social ownership, where as a result of this approach, the concept of Corporate Governance has been missing in Kosovo. It was only in the early 90s that the establishment of private enterprises was allowed, organized into SH. P. K (Limited Liability Companies) and SH. A (Joint Stock Companies). [5].

All PEs in Kosovo must be organized as Joint Stock Companies in accordance with the law in force on Commercial Companies and all ownership interests in a PE are represented by shares. [39] The division of PE is based on the Law on Public Enterprises and classifies them into two types: Central PE and Local PE. [14] The main shareholder in the Central PE is the Government of the Republic of Kosovo, while in the Local ones it is the Municipality (Municipalities, when the PE extends to more than one Municipality). [30] If an PE provides services to less than three (3) municipalities in the field of waste collection, that enterprise is a Local PE, otherwise it will be a Central PE. If this Local PE provides services to more than one municipality, each municipality's percentage ownership (shares) will be equal to the percentage of registered customers of this Local PE in that municipality. [28]

17 Central Public Enterprises

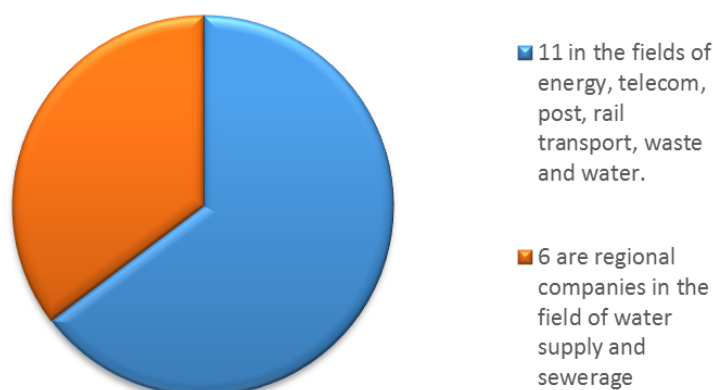
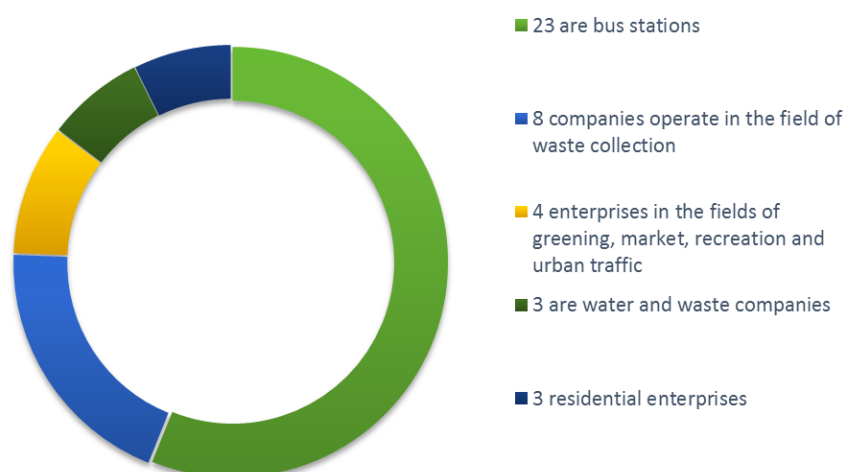


Figure 1. Sorting of Central Public Enterprises based on the nature of service provision.

55 Local Public Enterprises



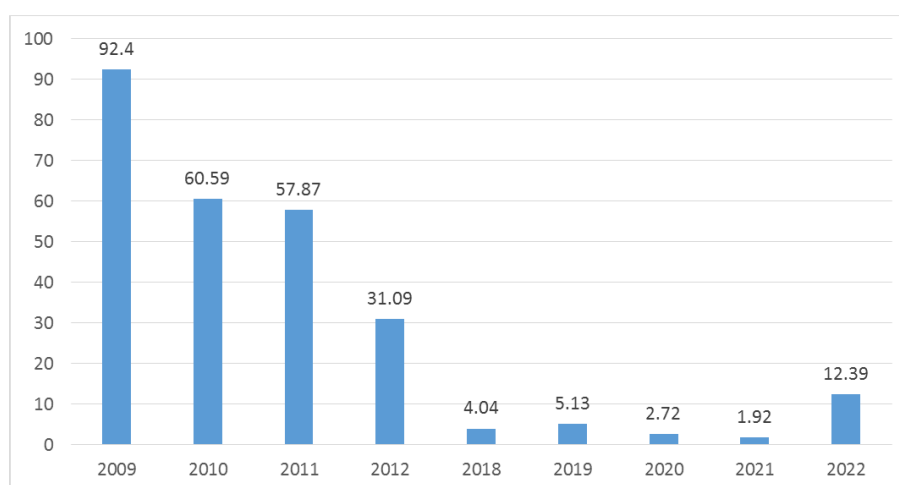
Source: Author's research based on Law No. 03/L-087 For Public Enterprises, Assembly of the Republic of Kosovo, June 2008. Article 3 (3.1)

Figure 2. Sorting of Local Public Enterprises based on the nature of service provision.

Public enterprises in Kosovo perform with high rates of bad debts, small collection, commercial losses and technical problems. Taking into account these indications, we have a great impact on the lack of investments, which means non-advancement of services to customers, citizens. Many Public Enterprises are important for the state budget, since they do not have financial stability, thus obliging the government for subsidies and investments. [9].

The provision of these subsidies, defined in the Law on

Budgetary Allocation through MZE, has supported Central and Local Public Enterprises with financial means with a total budget of 92.4 million in 2009, with a downward trend, when in 2012 it fell to 31.09 million euros. This trend of Government subsidies for PEs has had a linear decline, where in 2018 there were only 4.04 million euros or in 2021 only 1.92 million euros, and in 2022 to 12.39 million euros there was an enormous increase, compared to the previous years, especially with the year 2021 where the difference was 545%.



Source: Ministry of Finance of the Republic of Kosovo <https://mf.rks-gov.net/page.aspx?id=1,29>

Figure 3. Government Subsidies for Public Enterprises in million €, during the period 2009-2022.

This tendency of reduction within the decade of subsidies of PEs is an indication that discipline has begun in the management of the own revenues of these Central and Local Public Enterprises.

This reduction of the subsidy from the Government is in harmony with the requirements of the Association Stabilization Agreement, as it recommends that the subsidy from the state be allowed only when there are general interests. Alt-

though this support from the state has existed, the investments in these enterprises have not increased, and at the same time the collection in relation to the services provided has remained low, especially in the water supply and waste cleaning sector, with about 65%.

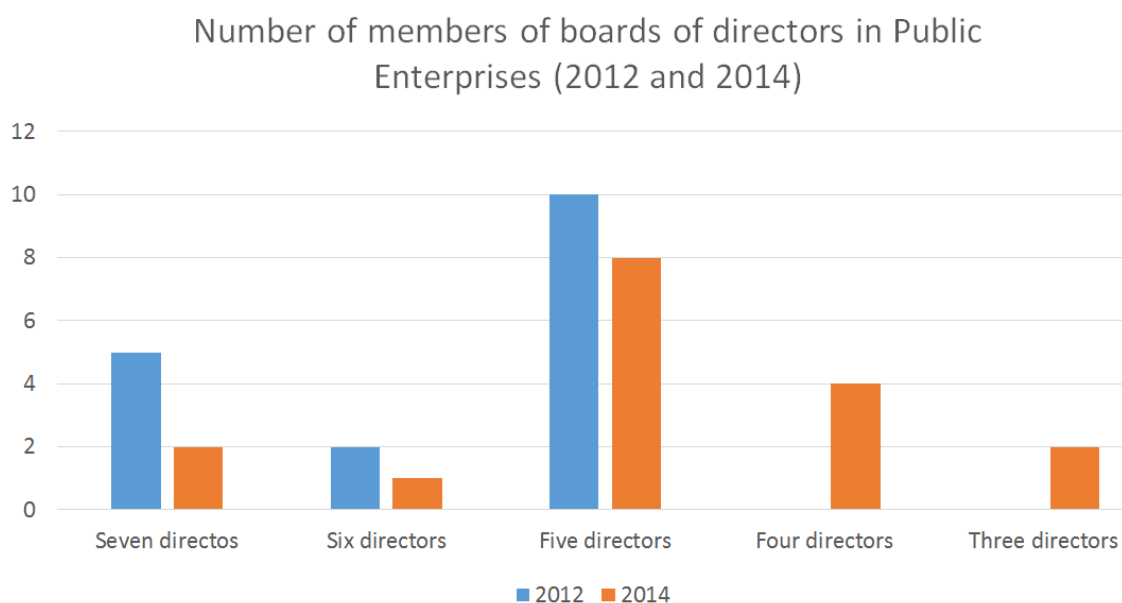
4.1. Appointment of Shareholders and Selection of the Board of Directors

The Government of the Republic of Kosovo is the owner of the shares of Central Public Enterprises and through the establishment of a commission that includes the Ministry of Infrastructure, the Ministry of Finance, the Ministry of Trade, the Ministry of the Environment and the Ministry of Economic Development, it exercises its right. When a municipality is a shareholder in a Local PE, its shareholder rights will be exercised by a Municipal Commission of Shareholders, which consists of (a) one member appointed by the Mayor of the Municipality and (b) two other members of appointed by the Municipal Assembly. [34] This Municipal Commission has the right and responsibility to act on behalf of the Mu-

nicipality, in accordance with the Law on Commercial Companies and the Law on Public Enterprises. [4]

The right of shareholders is manifested through the election or appointment of a Board of Directors. The boards of PEs in Kosovo use the one-level board model, or the Anglo-American model, where the Board of Directors consists of 5 or 7 people and all directors, except one, will be elected by the Government. [40] The other director will be the Chief Executive Officer of the PE who is elected by the Board and no member of the board, except the Chief Executive Officer (CEO), has executive powers. According to the practices of the OECD principles, the CEO cannot be the Chairman of the Board at the same time. [2]

In Central Public Enterprises, Board members, the Government can only choose from the list recommended by the relevant Commission. During the selection process of Board members (directors), the Government of Kosovo is obliged to select at least two (2) directors who are technocrats or experts in the field, or who have knowledge of accounting. Other criteria are: political impartiality, professionalism, not to be criminally prosecuted, etc. [42].



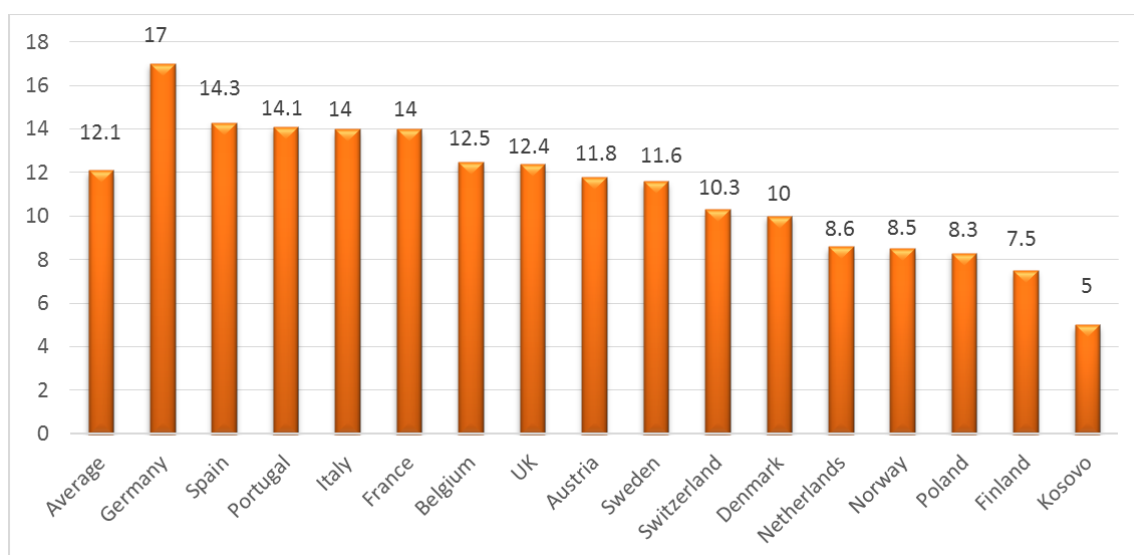
Source: NJPMNP 2013. Annual performance report of PE, 2012

Figure 4. Number of members of boards of directors in Public Enterprises (2012 and 2014).

In the Local PE, the right of the shareholder of the PE is exercised by the Municipal Shareholders' Committee, which consists of: (a) a member appointed by the Mayor of the Municipality; and (b) 2 other members who are elected by the Municipal Assembly. [38] The Board of Directors of a Local PE will consist of five (5) directors, where four (4) directors are elected at a meeting of shareholders, while the other director is the EC of the Public Enterprise who is then elected by

the Board of Directors. [19] The Commission selects the boards of the Local PE and reports to the Municipal Assembly on an annual basis on the performance of the Local PE.

In cases where one or more municipalities have shares in a Local PE, then each Municipal Shareholder Committee has the right to elect a director. The representation of each municipality in the Board of Directors is regulated by an Administrative Instruction. [1]



Source: Heidrick & Struggles (2014: 19), Towards Dynamic Governance 2014 - European Corporate Governance Report.

Figure 5. Average number of board directors in several European countries.

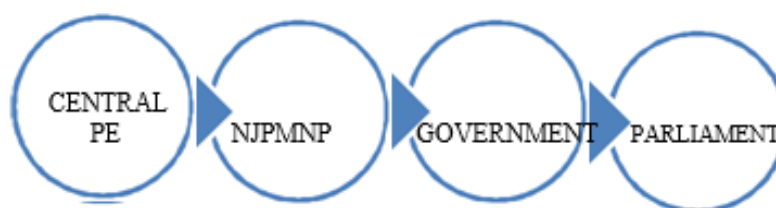
This tendency of the decrease within the decade of the subsidies of the PEs is an indicator that discipline has begun in terms of the management of own revenues, of these Central and Local Public Enterprises. [33]

This reduction of the subsidy by the Government is in harmony with the requirements of the ASA, as it recommends that the subsidy from the state is allowed only when there are general interests. Although this support from the state has existed, the investments in these enterprises have not increased, and at the same time the collection in relation to the services provided has remained low, especially in the water

supply and waste cleaning sector, with about 65%.

4.2. Monitoring and Transparency of Public Enterprises

Monitoring as a process of Central Public Enterprises is done by the Public Enterprises Monitoring Unit, which is a department within the Ministry of Development, while Local Enterprises are monitored by the Municipalities, namely the Municipal Assembly. [8]



Source: NJPMNP 2013. Annual performance report of PE, 2012.

Figure 6. The cycle of reporting from public enterprises to Parliament.

NJPMNP has the role of observer in the Central Public Enterprises, having the right to be part of the meetings of the Board of Directors and at the same time supports the Minister of Economic Development for the supervision and operation of the PEs. In addition to these responsibilities, this unit has an obligation for transparency and disclosure. [3].

NJPMNP has managed to issue several important documents in the direction of advancing the Corporate Governance of PEs. This unit has drawn up and approved the Code of Ethics and Corporate Governance for PEs, as well as issued

PE performance evaluation reports. [15]

5. Data Analysis

In the formulation below, ownership (O) is taken as the dependent variable, while management (M) and internal control (IC) are taken as independent variables.

I created a complete Python package to analyze and compare the interview responses from both companies. Here's what I accomplished with this code:

Answer Length Analysis:

- 1) I compared the level of detail in each company's responses and identified which questions received more detailed and

which ones received less detailed responses.

- 2) I analyzed whether one company provided more comprehensive responses compared to the other.

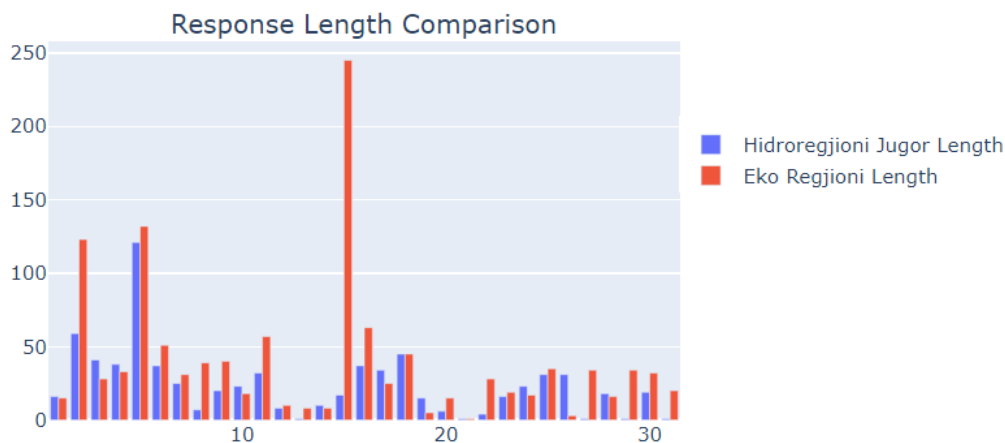
Company Interview Analysis Dashboard

Figure 7. Response length comparison.

Sentiment Analysis:

- 1) I assessed the tone of the responses, determining whether they were positive, negative, or neutral.
- 2) I compared how the two companies discussed chal-

lenges and achievements, highlighting differences in their approaches.

- 3) I identified areas where each company seemed particularly proud or concerned.

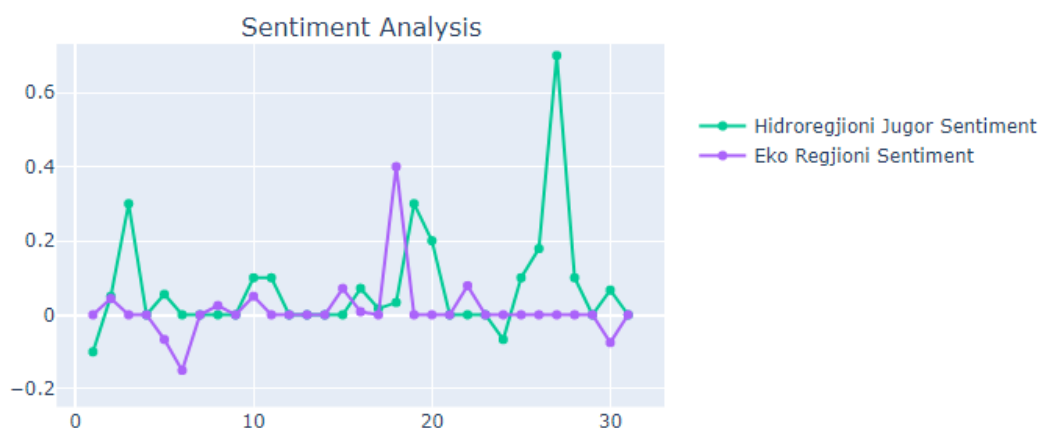


Figure 8. Sentiment Analysis.

Theme Analysis:

- 1) I tracked the frequency of key terms related to corporate governance in their responses.
- 2) I compared the focus areas between the two companies, identifying differences in their priorities.
- 3) I drew different approaches to management strategies based on recurring themes.

Specific Question Analysis:

- 1) I conducted an in-depth analysis of the responses to critical questions, focusing on governance, risk management, and compliance.
- 2) I compared the differences in board structure and reporting processes between the two companies.

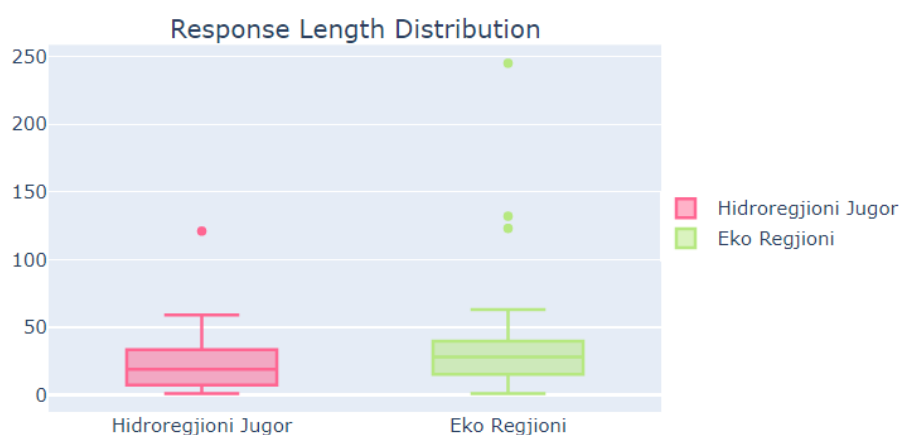


Figure 9. Response Length Distribution.

How I Implemented the Analysis:

- 1) I transcribed the interviews and organized the responses by question number.
- 2) I created vocabularies for each company, using the question numbers as keys, and systematically applied the analyses.
- 3) I generated insights from the data and created visualizations, which I included in my thesis.

Main Topics I Focused On:

- 1) Corporate Governance Terms: I analyzed how terms

such as “board,” “oversight,” “compliance,” and “risk” are used.

- 2) Financial terms: I examined mentions of terms such as “performance,” “dividend,” “subsidy,” and “investment.”
- 3) Operational terms: I studied the use of terms such as “efficiency,” “service,” “management,” and “monitoring.”
- 4) Stakeholder terms: I researched references to “public,” “government,” “community,” and “environment.”

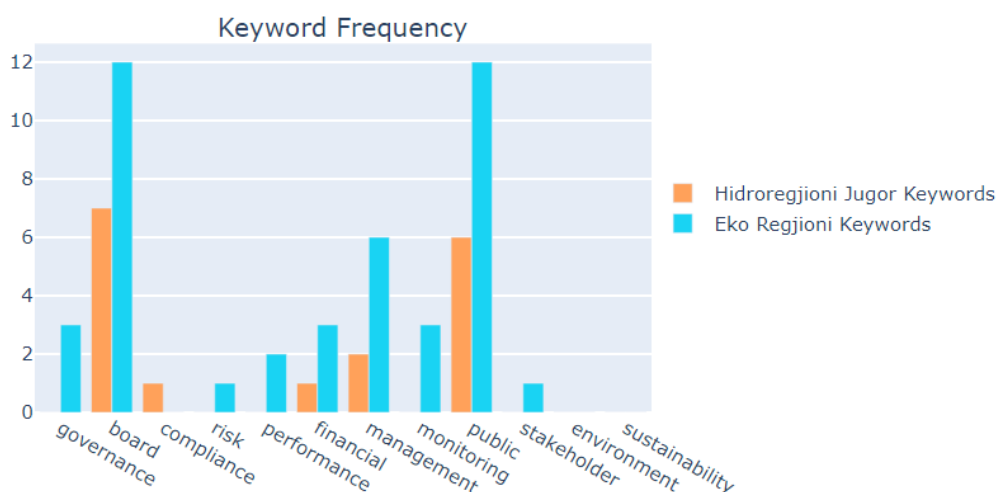


Figure 10. Keyword frequency.

Using this package, I was able to uncover significant insights into the companies’ priorities, strategies, and communication styles.

→ Artificial Intelligence → machine learning → deep learning → NLP (natural language processing) → Sentiment analysis (Naïve Bayes, Support Vector Machine, Neural network).

Table 1. Comparing the sentiment of the responses from the interviews of the two companies.

	Hidroregjioni Jugor_Sentiment	Eko Regjioni_Sentiment
1	-0.1	0

	Hidroregjioni Ju- gor_Sentiment	Eko Regjioni_Sentiment
2	0.05	0.044047619
3	0.3	0
4	0	0
5	0.055357143	-0.066666667
6	0	-0.15
7	0	0
8	0	0.025
9	0	0
10	0.1	0.05
11	0.1	0
12	0	0
13	0	0
14	0	0
15	0	0.071309524
16	0.071428571	0.008333333
17	0.016666667	0
18	0.033333333	0.4
19	0.3	0
20	0.2	0
21	0	0
22	0	0.078598485
23	0	0
24	-0.066666667	0
25	0.1	0
26	0.178571429	0
27	0.7	0
28	0.1	0
29	0	0
30	0.066666667	-0.075
31	0	0

Based on the analysis of primary and secondary data, we have concluded that all three hypotheses raised are proved. For H1, it has been proven that there are differences in the governance of Local Enterprises from Public Enterprises, starting from the “appointment” of shareholders, where in Central Public Enterprises, the Government delegates this responsibility to the executive or a Commission of Ministers, while in Local PEs, this responsibility is more delegated to the legislature, since the Municipal Assembly forms the Munic-

ipal Shareholders Commission, with two representatives from the Assembly and one from the Executive. The differences continue even in subordinate positions, where the Board of Directors in Central Enterprises passes through candidates recommended by the Commission for the Supervision of Public Enterprises, while in Local Enterprises passes directly through a public competition, without going through other filters. Even in the monitoring process, Central Public Enterprises differ from Local Public Enterprises, since they are monitored by the Public Enterprises Unit, while Local Enterprises are monitored “only” by the Municipal Assembly. The differences are substantial both in the organogram, but also in publications and transparency. This difference deepens even more in Local (Regional) Enterprises, mainly waste, where they extend to more than one Municipality, and where the shares are divided between the municipalities and is a case in itself for comparison and study. [16]

In H2, it is proven that the main OECD principles such as: Strengthening the role of the Board of Directors, Protection of small shareholders, Transparency, Strengthening the internal control system and separation of commissions, Transparent remuneration system, Social responsibility of Public Enterprises and the principal-agent problem, are not respected, not implemented or partially implemented. [17]

Starting from transparency, where especially in Local Public Enterprises but also in Central ones, the organization chart, financial reports, operational reports, as well as audited statements are not published. The role of the state or municipality as an active owner is almost cosmetic, while relations with other actors, including citizens and potential investors are lacking. Social responsibility towards the environment and citizens is inapplicable and sometimes even unknown. [41] Equal treatment of shareholders does not work in Local Enterprises since the “preferential shareholder” is not favored, while there is stagnation in the implementation of the Corporate Governance Code. Even the implementation of an effective legal framework, as among the basic principles of the OECD, is deficient in our country, it needs to be supplemented, changed and standardized. [18]

H3 is also confirmed, since as we saw above from the research, Local Public Enterprises are more closely linked to government authorities than Central Public Enterprises because there are direct calculations and at the same time the success or failure of Local Enterprises affects the performance of Local Government. [20]

6. Conclusions and Discussion

The state of Corporate Governance in Kosovo, with special emphasis on Central and Local Public Enterprises, is on the way to improvement, but there is room for intervention, standardization and harmonization. Public Enterprises in Kosovo do not have improvement indicators for the development of transparency, as a prerequisite for local and foreign investors for Public-Private Partnership, by not publishing the

audited financial reports, operational reports and access to the resources of the Enterprise. This situation is more serious in Local and Regional PEs. [21]

As a small achievement for the Government and Municipalities, we can point out the implementation of the Law on PEs, for the division of ownership over control, as among the fundamental issues of the "contemporary" CG, but the small interest of state shareholders, such as the Government of Kosovo for Central PEs and Municipalities for Regional (Local) PEs, on the performance and profitability of PEs represents a great concern since many PEs have performed with losses and debts, depending on subsidies and grants. Knowing the rapid development of technology and European standards on machinery, these PEs find it difficult to survive as state monopolies, knowing the approach of Kosovo that has embraced the free market and capitalism as an economic philosophy. [23]

The internal control system is one of the issues where a great focus should be shown, since it is a prevention of misuse. None of the analyzed PEs has a Risk Management Committee, separate from the Audit Committee. Social responsibility is one of the points that increases the reputation of Public Enterprises, but in our study case they are unknown concepts in theory, but also inapplicable in practice. There is no example of the implementation of social responsibility in relation to the environment, customers or workers, even though it falls within the OECD principles.

NJPMNP has shown improvements in the monitoring process of Central PEs, but the small number of staff remains a challenge in itself. Financially, the sustainability of PEs depends on CEO, as research examples have shown this in different periods of leadership. Inherited debts and millions of debts to TAK remain a problem, which can paralyze the PEs, in case the PEs' accounts are blocked through execution. [22]

Based on the results of the research, we can establish a number of challenges and problems faced by Corporate Governance in Public Enterprises in Kosovo and which we can group into several points, as follows:

- 1) Implementation of good practices based on OECD principles
- 2) Strengthening the role of the Board of Directors
- 3) Protection of small shareholders (potentially private)
- 4) Transparency
- 5) Strengthening the internal control system and the division of commissions
- 6) Transparent reward system (remuneration)
- 7) Social responsibility of PEs
- 8) Principal-agent problem

7. Recommendations

- 1) To reduce the subsidy from the Ministry for the expenses of PEs and to increase it for capital investments.
- 2) To increase the number of NJPMNP officials in monitoring the PEs.

- 3) To adjust the accountability regarding Local PEs that receive subsidies from the Central Level (Government) but do not report to the Government.
- 4) It should be introduced as a criterion that the CEO has managerial experience and adequate school preparation (not like the cases where the CEO is a former military superior or a former official in the administration).
- 5) To initiate the establishment of the Institute for Corporate Governance in Kosovo.
- 6) To organize more advanced trainings for Corporate Governance and Risk Management.
- 7) To incorporate in the Law and Statutes the establishment of the Risk Management Commission, separate from the Audit Commission.
- 8) The government should stimulate the Central and Local PEs with a profit of grants, based on performance.
- 9) To create a genuine system of the process of remuneration (remuneration) of directors and officials and supervision by shareholders.
- 10) To apply the social responsibility of PEs towards the environment and citizens.
- 11) To functionalize the Assembly of Shareholders, in Regional Companies (operating as Local Enterprises), which extend to more than one municipality, since they function only on the basis of Municipal Commissions of Shareholders, for each municipality.
- 12) Municipalities and the Government to facilitate the procedures for PEs with PPP - Public-Private Partnership.
- 13) To be applied in practice to Regional (Local) Enterprises, the right to vote for the preferential shareholder (for the Municipality that has more than 51% of the shares).
- 14) To create mechanisms or committees at the PEs, to deal with the agency (principal-agent) problem.

Abbreviations

CG	Corporate Governance
PE	Public Enterprises
OECD	The Organisation for Economic Co-operation and Development
H1,2	Hypothesis 1,2

Author Contributions

Albrim Badallaj: Conceptualization, Data curation, Methodology, Software, Visualization, Writing – original draft

Shpresa Suli: Formal Analysis, Investigation, Supervision, Validation, Writing – review & editing

Conflicts of Interest

The authors declare no conflict of interest.

References

- [1] Djulić K & Kuzman T. (2015). "Introduction to Corporate Governance" Corporate Governance for Board Members of a Commercial Company, Belgrade, p. 30. (Author's translation).
- [2] Talka, Q. & Kumbaro, M. (2010) Corporate Governance.
- [3] Herbert B. Mayo (2006), Basic Finance - An introduction to Financial Institutions, Investments and Management.
- [4] Llaci, Sh. (2012) Corporate Governance.
- [5] Llaci, Sh. & Tabaku, J. (2009) Corporate Governance.
- [6] Monks, R. A. G. & Minow, N., (2011), Corporate Governance, This edition first published in 2011, John Wiley & Sons: <http://www.amazon.com/Corporate-Governance-Robert-A-Monks/dp/0470972599>
- [7] Shleifer, A. & R. Vishny (1997). 'A survey of corporate governance' Journal of Finance 52(2): 737-783.
- [8] IFC, Katarina Djulic, Tanja Kuzman, 2013 <https://openknowledge.worldbank.org/bitstream/handle/10986/26119/112580-WP-ECA-Women-on-Boards-2013-PUBLIC.pdf?sequence=1&isAllowed=y>
- [9] Kaen, F. R., (2003): A Blueprint for Corporate Governance: Strategy, Accountability and Preservation Shareholder Value. New York: American Management Association. <http://www.persianholdings.com/usersfiles/admin/files/bookfile/blueprintforcorporategovernancestrategyaccountabilityandhepreservationofshareholdervalue.pdf>
- [10] Shleifer, A., & Vishny, R. (1986). Large shareholders and corporate control. Journal of Political Economy, 94(3), 461-488. Available at <http://dx.doi.org/10.1086/261385>
- [11] Shleifer, A., & Vishny, R., Lopez De Silanez, F., Laporta, R., (1997). Legal Determinations of External Finance. The Journal Of Finance Vol LII, No 3 July 1997. Scholar. Harvard. Edu.
- [12] Eisenhardt, K. (1989). "Agency theory: An assessment and review". Academy of Management Review, 1989, vol. 14, No. 1, pp. 57-74. JSTOR 258191. <http://classwebs.spea.indiana.edu/kenricha/Oxford/Archives/Oxford%202006/Courses/Governance/Articles/Eisenhardt%20-%20Agency%20Theory.pdf>
- [13] Jensen, M. & Murphy K., (1990), Performance pay and top management incentives, Journal of Political Economy 98, 225-263. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=94009
- [14] Phillips, R. A., Freeman, R. E. & Wicks A., (2005). What Stakeholder Theory is Not, Business Ethics Quarterly, Volume 13, Issue 4, pp, 479-502; http://papers.ssrn.com/sol3/papers.cfm?abstract_id=663703
- [15] Mitchell, D. T., (2005), From Pluralism to Individualism: Berle and Means and 20th- Century American Legal Thought, George Washington University Law School. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1001749
- [16] Freeman, R. E. & Phillips, R. A., (2002). "Libertarian Stakeholder Theory." Business Ethics Quarterly 12(3): 331-349. https://noppa.aalto.fi/noppa/kurssi/51a00210/materiaali/51A00210_freemanphillipsstakeholder_theory__a_libertarian_defense_2.pdf
- [17] Shehaj, E.& Hashi, I. (2007): The evolution of ownership structure, path dependency and enterprise performance using dynamic panel data models, Enterprise in Transition, Seventh International Conference on Enterprise in Transition, Proceedings Book of Extended Abstracts, CD ROM with full papers, University of Split, Faculty of Economics, Split, Croatia, 2007, pp. 191-209. <http://www.efst.hr/eitconf/proceedings/SeventhInternationalConferenceEnterpriseInTransitionConferenceProceedings-bookmarked.pdf>
- [18] Jungmann, C. M., (2006). The Effectiveness of Corporate Governance in One-Tier and Two-Tier Board Systems-Evidence from the UK and Germany, European Company and Financial Law Review. Vol. 3. No. 4. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=981407
- [19] Davies, P. L., (2001). Board Structure in the UK and Germany: Convergence or Continuing Divergence?: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=262959
- [20] Braendle, U. C., Noll, J. (2004). The Power of Monitoring, German Law Journal, Vol. 05, No. 11. http://www.germanlawjournal.com/pdfs/Vol05No11/PDF_Vol_05_No_11_1349-1371_Private_Braendle_Noll.pdf
- [21] Maassen, G. F., (2002). An International Comparison of Corporate Governance Models - A Study on the Formal Independence and Convergence of One-tier and Two-tier Corporate Boards of Directors in the United States of America, the United Kingdom and the Netherlands, Spencer Stuart, Amsterdam. http://repub.eur.nl/pub/8028/Maassen_9789090125916.pdf
- [22] Tipurić Darko (2012), mission of the company and corporate governance, Zagreb. <http://web.efzg.hr/mwg-internal/de5fs23hu73ds/progress?id=xPlad/fcp0>
- [23] Tipurić, D., (2013), Corporate management, Zagreb. <http://web.efzg.hr/dok/OIM/dtipuric/1-korporativno%20upravljanje-diplomski-2013.pdf>
- [24] Tipurić, D., (2013). Mechanism of corporate governance, Zagreb. <http://web.efzg.hr/mwg-internal/de5fs23hu73ds/progress?id=VtPLqvw6v9>
- [25] Heidrick & Struggles (2011), European Corporate Governance Report 2011: Challenging board performance, European Department Director, International Monetary Fund. http://www.heidrick.com/~media/Publications%20and%20Reports/HS_EuropeanCorpGovRpt2011.pdf
- [26] OECD, 2013; Corporate Governance and Capital Markets in Eurasia: Two Decades of Reform, OECD, Paris, 2013. <http://www.oecd.org/daf/ca/CapMarketsEurasia2013English.pdf>
- [27] OECD (2011), Guidelines: State Owned Enterprise Governance Reform an Inventory of Recent Change 2011. <http://www.oecd.org/dataoecd/43/4/48455108.pdf>

- [28] OECD (2009), Corporate Governance and the Financial Crisis, key findings and main messages:
<http://www.oecd.org/daf/ca/corporategovernanceprinciples/43056196.pdf>
- [29] OECD (2007), Methodology for assessing the implementation of the OECD Principles of Corporate Governance, Paris, 2007.
<http://www.oecd.org/corporate/ca/corporategovernanceprinciples/37776417.pdf>
- [30] OECD (2005), OEC Guidelines on the Corporate Governance of State-Owned Enterprises, Paris: OECD (April).
<http://www.oecd.org/corporate/ca/corporategovernanceofstate-ownedenterprises/34803211.pdf>
- [31] OECD, (2004). OECD Principles of Corporate Governance, Paris.
<http://www.oecd.org/daf/ca/corporategovernanceprinciples/31557724.pdf>
- [32] OECD (2003 b), White Paper on Corporate Governance in South East Europe, Paris:
<http://www.oecd.org/corporate/ca/corporategovernanceprinciples/20490351.pdf>
- [33] OECD (2003 a), Privatising State-Owned Enterprises: An overview of Policies and practices in OECD countries.
http://www.apec.org.au/docs/10_TP_PFI%204/Privatising%20SOEs.pdf
- [34] OECD, (2001). Codes of Corporate Conduct: Expanded Review of their Contents, OECD Working Papers on International Investment, 2001/06, OECD Publishing, May 2001.
<http://www.oecdilibrary.org/docserver/download/5lgsjhvj8v6h.pdf?expires=1416315733&id=id&accname=guest&checksum=F63DD130C11E20FE9BEE9F97D9B2AD60>
- [35] OECD, (1999). Principles of Corporate Governance, OECD, Paris.
http://www.csrhellas.org/portal/images/stories/files/1999_oecd_principles_of_corporate_governance.pdf
- [36] Lang, W. W. & Jagtiani, J. A. (2010). The mortgage and financial crisis: The role of credit risk management and corporate governance. *Atlantic Economic Journal*, 38(2), 295-316.
- [37] Riinvest 2006, Qeverisja korporative në Kosovë 1.
- [38] Riinvest, (2006), Përmirësimi i Kornizës së Qeverisjes Korporative dhe Transparencës në Ndërmarrjet Publike të Kosovës.
- [39] IFC, (2014), (Korporata Financiare Ndërkombëtare):
<http://www.ifc.org/wps/wcm/connect/a14257004aadce2a92cdfec99f439e/CG+Fact+Sheet+3-10-14.pdf?MOD=AJPERES>
- [40] IFC, (2012), Global Corporate Governance Forum, Focus 10, Corporate Governance and development- An Update.
http://www.ifc.org/wps/wcm/connect/518e9e804a70d9ed942ad6e6e3180238/Focus10_CG%26Development.pdf?MOD=AJPERES
- [41] IFC (2011), Corporate management, Banja Luka;
<http://ef.unibl.org/mwg-internal/de5fs23hu73ds/progress?id=+gImwVfiY/>
- [42] IFC, (2009), Corporate governance, manual, Tirana.
- [43] Code of Ethics and Corporate Governance for Publicly-owned Enterprises (2010) amended and reprinted, Pristina, Kosovo, July 2014.