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The Role of Economic Zones and their Potential to Attract Diaspora Investment in Kosovo

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The Role of Economic Zones and their Potential to Attract
Diaspora Investment in Kosovo

Honors Society Project

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1. Abstract

The Kosovar diaspora presents a large opportunity for the nation to utilize towards the aim of development. Through the years, the massive amount of resources sent to Kosovo from the diaspora, in the form of remittances, has been realized but has not been effectively utilized and channeled for development projects. The growing reliance on these remittances does not represent a sustainable approach for the country's development as these inflows and could in fact prove to lead to the exact opposite. In order to make better use of Diaspora funds and increase foreign direct investments in the country, the Kosovar government has established investment schemes, such as economic zones, and created the Ministry of Diaspora. The purpose of this Honors Project is to analyze the potential that such economic zones have to attract diaspora investment, and whether this investment scheme is appropriate for Kosovo to continue to implement and pursue.

The study uses surveys and interviews to collect both qualitative and quantitative data on this matter, and the results suggest both pros and cons to implementing economic zones. Diaspora businesses that currently function in the economic zones seem to be largely successful, and those outside of the economic zones long to have the opportunity to function with such incentives. However, the concerns that diaspora businesses have with investing in Kosovo do not seem to be in line with what is offered by the economic zones, and the rigidity of the location of such zones may pose an issue for the diaspora.

Overall, the conclusions of the study were then used to compile a number of recommendations as to how such zones should be managed and how involved the Kosovar government should be in implementing such economic zones.

2. Acronyms

DEED – Diaspora Engagement in Economic Development

FDI – Foreign Direct Investment

IOM – International Organization for Migration

KAS – Kosovo Agency of Statistics

KIESA – Kosovo Investment and Enterprise Support Agency

MDLO – Municipal Diaspora Liaison Officer

MoD – Ministry of Diaspora

MTI – Ministry of Trade and Industry

UNDP – United Nations Development Program

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3. Problem Statement

Kosovo's diaspora has proven that it has the potential to be a core driving force in the development of Kosovo and its economy. The majority of households in Kosovo have family members living and working abroad and remittances remain to be one of the main sources of income for a large portion of the population of Kosovo. However, even though this large amount of external financing that enters the Kosovo economy in the form of remittances shows that the diaspora does indeed have a large capacity to develop the country, it also could indicate a lurking dependency on these remittances. This dependency is highlighted by the fact that the vast majority of the remittances are mainly used for simple consumption. In order to change this pattern, and use these remittances for investment and development instead of simple consumption, different methods and practices must be used in order to formalize and channel these remittances towards the development of the nation.

In order to tap into the potential of the diaspora, and to channel remittances that are currently used for consumption towards investment and development, Kosovo has begun to implement several projects. The majority of these projects are overseen by the newly created Ministry of Diaspora (MoD), and they range from simply gathering information, through diaspora registration, to much more tangible projects such as bringing diaspora businesses together amongst each other and with Kosovar businesses and presenting ideas of investment in Kosovo, through the Business Union. Further, projects which directly have the potential of attracting diaspora investment include projects such as the Kosovo Diaspora Investment Fund, which was initiated by the Diaspora Engagement in Economic Development (DEED) project, a project managed by the International Organization for Migration (IOM) and the United Nations Development Programme (UNDP), and economic zones, managed by the Kosovo Investment and Enterprise Support Agency (KIESA), which have been created in a number of municipalities around Kosovo. While the Diaspora Investment Fund has not been fully initiated, the economic zones have, but their potential to actually attract diaspora investment through the improved business environment that they offer has not been studied.

The aim of this project is to analyze the economic zones and what has been done in Kosovo thus far to implement them. By doing so, I will analyze their potential to attract diaspora investment and channel remittances towards the development of Kosovo, and identify where the issues in establishing prevalent and well managed zones in Kosovo remain. The study will

involve both qualitative and quantitative research to attain a full understanding of the current state of economic zones in Kosovo, as well as to get an understanding of the viewpoint of the diaspora about these zones and the extent to which they do attract their interest for investing in Kosovo. The study and its findings may then be used for policy making in order to change and further develop set policies in order to better utilize economic zones for attracting investment, or to consider concentrating efforts and resources elsewhere.

4. Background Information

In Kosovo, one third of households have family members abroad, and one fourth of all households in Kosovo receive income in the form of remittances (UNDP, 2012, p.17). These remittances range from than 11% to 16% of Kosovo’s total GDP (UNDP, 2012, p.17). This large amount of resources that are incoming to Kosovo could therefore be mobilized to align with the overarching goal of economic development. Upon realization of this untapped potential, the Kosovo Government established the MoD in 2011, with the hope of establishing closer ties with its prosperous diaspora as well as to solidify their participation in decision and policy making processes. The Kosovo Government’s Law on Diaspora and Migration defines a member of diaspora as “any person dwelling or emplaced outside Republic of Kosovo and who was born or has family origins in the Republic of Kosovo” (Law on Diaspora and Migration-04/L-095, 2012). For the purpose of this paper, and to align the definition used by the state with the research that will be described throughout, this is also the definition that will be used when referring to diaspora throughout the paper. Throughout the literature, diaspora members, in the context of Kosovo, are also referred to as emigrants, such as in the UNDP Kosovo Remittance Study where emigrants are described as “Kosovans settled abroad who send remittances back home,” and thus these terms can be used interchangeably (UNDP, 2012, p.18).

4.1. Kosovo’s Diaspora

The Kosovo diaspora is large and statistics prove that this number is especially large when compared to the resident population of Kosovo. Based on KAS, from 1969, to 2011, an estimated 550,000 residents emigrated from Kosovo (Kosovo Agency of Statistics, 2014, p. 75). However, based on Kosovar Law on Diaspora and Migration, as stated above, we can also consider individuals who have family origin in Kosovo as a part of this number. Based on

estimations of natural growth, KAS estimates that 153,978 children were born outside of Kosovo, which brings the total population of the Kosovar's diaspora to 703,978 (Kosovo Agency of Statistics, 2014, p. 76). As a percentage of the resident population, this number accounts for an astounding 28.34% of Kosovo's total population (Kosovo Agency of Statistics, 2014, p. 76). Hence, the initiative and establishment of the MoD, which is an institution which has been active in mobilizing and restoring ties between Kosovo and its diaspora through a broad variety of activities and schemes.

One of such schemes, which is unique to the region, is the registration of the diaspora and the database which will result from the registration. The registry was created due to the fact that there is a very large amount of data that is missing on the diaspora, thus making it difficult to incorporate the diaspora in decision making and as a key factor in the development of Kosovo. The registry itself is all encompassing in terms of the diaspora, and is comprehensive in terms of the data that it collects (Ministry of Diaspora, 2013, p. 21). It will thereafter be used to enumerate the diaspora and get a much more accurate number of the population than the estimations that are available today, and also to gather information regarding the education and skills of the diaspora, their social situation, where they are, why they decided to emigrate, etc. (Ministry of Diaspora, 2013, p. 21). This registry could therefore have a major impact on how the diaspora is incorporated into decision making in Kosovo, but also allows the Government of Kosovo to concentrate its efforts on certain targets by utilizing the data. One such use could be to identify certain skills that are currently lacking in Kosovo's labor force, then use the registry and the database to identify diaspora personnel that could either personally fill these gaps by working as a part of Kosovo's labor force, or by training and educating masses of the population of Kosovo, using the skills and knowledge that they have, in order to fill these skill gaps. Also, such a database could be used to identify certain businesses that have the potential to outsource to/from Kosovo, and even create business links. Therefore, if utilized properly this database could even prove to be a very useful tool in the engagement of the diaspora and the development of the country.

Apart from the diaspora registry, the National Strategy on Diaspora and Migration, which was created by the MoD as an outline of its goals and objectives, also describes different methods and activities through which the Kosovo Government will improve ties with the diaspora and continue to engage it into processes in Kosovo. These include the promotion and advancement of political and social rights of the diaspora, such as through improving services within Kosovo institutions to better suit the diaspora, methods and activities to preserve cultural background

and language, but also, as a main objective, the inclusion of the diaspora in socio-economic development (Ministry of Diaspora, 2013, p. 28). In order to accomplish this, the MoD has established what are known as “Diaspora Business Networks” worldwide (Ministry of Diaspora, 2013, p. 28). These networks bring together diaspora businesses, many of which are very successful, with the aim of engaging them and creating business links between each other which they can benefit, but which Kosovo can also benefit from as these links have the potential to mobilize investment to Kosovo as well. The networks then come together in the form of the “Business Union” which is the umbrella and administrative body of each of the individual business networks. This Business Union is responsible for unifying the efforts of the separate business networks towards overarching goals, of which the main goal is investing in Kosovo. Thus far, the business union has proven its capacity and has shown that it has great potential, even though it was only created in the year 2013. This Business Union is slowly becoming autonomous, and acting as an entirely separate institution from the MoD. The Union has its own president and governing body, a statute which acts as its supreme ruling document, and devoted members which partake in decision making and the activities of the Business Union. The diaspora businesses that are within this Business Union have repeatedly shown their willingness to aid Kosovo in its development through socio-economic aid.

The Diaspora Business Union has taken initiatives such as the agreement that was signed with a hospital in Germany to completely heal 10 Kosovar patients that are in need (IOM and UNDP, 2015). Apart from such social and humanitarian initiatives, the Diaspora Business Union has also been very active in providing investment and opportunity to grow the Kosovar economy. Examples of this are vested in the opening of two new factories in Ferizaj and in Istog, both resulting from the coordination that was created and maintained by the Business Union (IOM and UNDP, 2015). These two factories are still new and currently only have around 60 employees together, but they have shown the potential to grow and provide hundreds of job opportunities, and, perhaps more importantly, it shows the willingness of the diaspora to invest in Kosovo (IOM and UNDP, 2015). It is herein that we realize what is often referred to as the “multiplier effect” by the international community when talking about the diaspora. Both UNDP and IOM have used this term to describe the willingness and the strong connection to the homeland that the Kosovar diaspora continues to show. The term refers to the multiplication of returns that is achieved when investing and using resources to connect and empower the diaspora. This results from the strong willingness of the diaspora to aid Kosovo, their homeland, and therefore small investments towards empowering the diaspora lead to large

returns. This multiplier effect was especially seen in the establishment of the Business Union, which is now autonomous and continually provides investment and shows enthusiasm towards developing Kosovo (DEED, 2015, p. 21). It is this multiplier effect that the MoD concentrates on and hopes to expose in order to use its limited resources to get larger results in the long term. This is also the promising factor of the diaspora, and why it can be seen as a tool for development, and also why the Kosovar Government concentrates its efforts to get the most out of this multiplier effect.

In terms of the current situation of inflows from the diaspora in Kosovo, the largest portion of these inflows is made up by remittances. In 2013, remittances made up a total of €620.8 million, or around 13% of total GDP (GLPS, 2015, p.8). It is important to note that this large sum of inflows from the diaspora is mainly done in the form of informal transfers. For a large number of households this is the second largest, source of income and is vital in helping these households to meet basic consumption needs (GLPS, 2015, p.8). To add to this, more than 90% of remittances are used for basic consumption on “food, clothing, housing, durable goods, health and education” (GLPS, 2015, p.8). This inflow in the form of remittances increases the gross income of recipients, which then naturally increases consumption and in turn increases the demand for labor, indicating a positive impact on the economy of Kosovo. However, remittances also have the potential to raise reservation wages and therefore lower labor supply (GLPS, 2015, p.8). Remittances have continually indicated the strong willingness of the diaspora to aid in the development of Kosovo. There was a constant increase in yearly inflows of remittances from 2009, with only a slight dip in 2010, even though there was a marked recession during this time period (GLPS, 2015, p.8). This shows that remittances and the connection to Kosovo is relatively stable even through more difficult economic times. In order to improve the situation, one suggestion has been to utilize formal channels for remittance transfer in order to allow for more accurate data to be collected and thereby promote evidence-based policy and decision making in terms of remittances. Furthermore, the use of formal channels of transfer by remittance recipients and senders would improve the financial literacy of the recipients and therefore potentially promote the use of these remittances towards investment instead of simple consumption (UNDP, 2012, p.60).

Overall, remittances have a positive impact on the social welfare of the population of Kosovo. There is strong indication that if remittances were halted entirely, the poverty rate amongst the residents of Kosovo would greatly increase (GLPS, 2015, p.27). However, the high dependence on remittances among Kosovar residents is not sufficient to lift a household out of poverty, and

does not provide a long term solution for such households. Hence, policy-makers must find methods of utilizing this large inflow and resources that the diaspora provides, while facing lack of data and information due to the use of informal channels, and an inclination of remittance recipients using remittances towards consumption rather than investment (GLPS, 2015, p.27). Only around 35.7% of remitters, or those that send remittances to Kosovo, invest and save in Kosovo, and of these investments the majority, around 59.8%, go towards real estate purchases for personal use and another 7.1% goes towards rent/resale purposes (UNDP, 2012, p.54). Out of the remainder, from investments that are made to Kosovo by remitters, only 5.6% goes towards establishing service operations, and investment towards the manufacturing sector is virtually inexistent (UNDP, 2012, 58). The largest reasons for this lack of investment in Kosovo include: “lack of sufficient and adequate investment promotion and facilitation, weak law enforcement and administrative capacity, lack of continuing education and training, lack of proactive export promotion, and limited access to finance” (UNDP, 2012, p.55). Therefore, a small number of remitters invest in Kosovo, and the majority of these investments are for personal use, instead of being used for sustainable income generation activities which would be beneficial for a larger group of residents of Kosovo. Investing with the goal of income generation and job creation, would decrease the dependence of the residents of Kosovo on remittances while ensuring a long term solution and alleviating poverty (GLPS, 2015, p.27). This proves to be an issue amongst remittance recipients as only 2% of them are self-employed, and they consistently show a minimal propensity to invest in Kosovo. Out of the remittances that are received, investment in activities which could lead to the socio-economic development of Kosovo are minimal, with business start-up or acquisition accounting for only 0.9% of total remittances, and purchase of productive assets accounting for only 2.2% (UNDP, 2012, p.58). Overall, this shows a need for mobilization of remittances, by both recipients and remitters, in order to utilize the resources of the diaspora with the goal of sustainable development. Many models to attract investment have been tested in regards to the willingness of the diaspora to utilize such models, and the Kosovo government is now employing a few of such models, including economic zones.

4.2. Investment Attraction Models and Economic Zones

Diaspora investment is increasingly becoming an area of main concentration of the Kosovo Government in that, as stated above, it provides a sustainable and long term solution to the large inflow of remittances and growing dependency on such remittances. In the Kosovo Law

on the Diaspora of Kosovo, in the definition of a diaspora member, in Article 3, we realize that the Kosovo Government leaves the extent to which an individual is considered diaspora slightly vague in that it is not explicitly stated how many generations must pass until an individual is no longer considered a diaspora member (Law on Diaspora of Kosovo-03/L-171, 2010). However, this does not pose an issue as based on Article 2 of the Law on Foreign Investment of the Republic of Kosovo, a foreign investor is “a foreign person that has made an investment in the Republic of Kosovo,” and a foreign person may be a person who is a citizen of a foreign country or “a citizen of the Republic of Kosovo, but has residence abroad” (Law on Foreign Investment-04/L-220, 2012). This means that investments made by the diaspora are considered Foreign Direct Investments (FDI) and that the Kosovo government can utilize this fact when promoting diaspora investment in that it will also improve FDI in Kosovo. Thus, in order to attract investment from the diaspora, or promote FDI, the Kosovo Government and the international community within, has created a number of models which could lead to the facilitation of investment.

The first of such models is the Kosovo Diaspora Investment Fund which was initiated by the Diaspora Engagement in Economic Development project, implemented by both IOM and UNDP. The investment fund was created as a method to alleviate the issue of difficult and expensive access to capital from the private sector. Essentially the investment fund works by pooling resources from the diaspora, then gives businesses in Kosovo access to these resources at much lower rates than is available in the Kosovar market (IOM and UNDP, 2013). In order to access these resources and this capital, the businesses must present feasible business plans, and if the board of the Investment Fund evaluates the business to be one which could be profitable and provide job opportunities, the business will be granted the capital. Furthermore, payments of the capital are made only through profits, and therefore the Investment Fund also makes it so that the businesses share all risks with the fund as well (IOM and UNDP, 2013). It also incentivizes diaspora investment as those who invest into the fund will also receive returns based on their investment. The Kosovo Diaspora Investment Fund is not yet fully functioning, as it is currently still acquiring capital from the diaspora, but there have been promising signs that it could soon be active and functioning towards developing Kosovo’s private sector. The biggest of these signs is the fact that the German Diaspora Business Network has agreed to take over the fund, and promises to raise the capital in the fund up to €50 million by the end of 2016 (IOM and UNDP, 2013). However, this fund is still not functioning entirely and will thus not be the focus of this paper.

Economic zones are another model for attracting diaspora investment in Kosovo, and they have constantly developed since their inception. Economic zones, in general are created to provide special regulations and conditions which are not offered elsewhere throughout the country. This means that governments can concentrate its efforts in creating optimal conditions for development in set areas, or zones, instead of having to do so throughout the entire country. Therefore, they provide a means to use the limited resources that are available to create an environment which attracts investment in certain locations. Economic zones are used worldwide in order to aid in the development of nations, and one of such countries that utilizes economic zones and has been able to do so very successfully is China.

In China, Special Economic Zones (SEZ), are designated areas which “foreign and domestic companies can trade and invest without the same control and regulations from Beijing as other parts of China” (Startup China, 2013). They were first created and established in 1980 with the goal of opening China to the rest of the world, and have played a key role in attracting foreign investment and in the economic boom that China has seen in recent years. However, China, much like Kosovo, faced a difficult beginning to utilizing the model of economic zones. In the case of China, the issue laid in the fact that there was inadequate regulations in regards to wages and employment; foreign companies were not willing to risk investing and functioning in the Chinese business culture and foresaw too many barriers towards investing (Startup China, 2013). Once officials renewed and enforced regulations, there was a marked sharp increase in investment in such zones, which led to the success of SEZs in China, and ultimately to the eventual development of the entire country, with recent reports indicating that such SEZs have increased GDP in China by 10% (Startup China, 2013). In order to provide favorable business conditions in these zones, China provides tax exemptions, duty-free trade, etc.

If Kosovo were to follow the example set by China in utilizing economic zones, and many other countries around the world, it could potentially reap the benefits of such zones towards the development of the nation by attracting diaspora investment. KIESA, which functions within the framework of the Ministry of Trade and Industry (MTI), takes the lead role in managing and establishing economic zones across Kosovo. It states that the main objectives of such economic zones are to: create a physical environment for international and national businesses, the attraction of investments, gathering businesses in set locations for development, and extending the currently existing industry (KIESA, 2013). It also states as a part of the services that are offered within these zones that the zones provide access to security, are easily accessible and provide free parking spaces, and also provide access to all utilities. However,

there has been no real indication of any of these services actually being offered, and this will proceed as a part of the research that will be done throughout this paper. Currently, in Kosovo, there are three types of economic zones: business parks, technology parks, and free economic zones, but there is no real indication as to which services are offered by each type of zone. The Law on Economic Zones of the republic of Kosovo provides definitions for each of these types of zones:

- Free Economic Zone: “a free zone as defined by the Code on Customs and Excises of the Republic of Kosovo.”
- Industrial Park: “a territory which is designated based on an overall plan, equipped with the necessary infrastructure, such as roads, transport and public services, with or without industrial buildings, built beforehand, destined for industrial development.”
- Technology Park: “a territory which is designated based on a specified plan, designed to accommodate enterprises with a high level of technological advancement, usually has tight connections with the University and can be nearby a University complex.”
- Business Incubator: “a building which offers a physical environment and business environment for new enterprises and those which due to the absence of space cannot develop their capacities. These can be created within the framework of economic zones as well as outside of them.” (Law on Economic Zones-04/L-159, 2013).

Economic zones have already been established in Drenas, Mitrovica, Suhareka, and Shtime, and there is initiative to begin the establishment of economic zones in Ferizaj, Suhareka, and Prizren. However there is no indication as to the current situation of each of the zones, and there is only minimal information regarding each of the economic zones and the investments that have been made within them thus far.

5. Methodology

The research throughout this paper will consist of both qualitative and quantitative data in order to achieve a thorough understanding of the issue at hand. The focus of the research is economic zones and their feasibility and applicability in attracting diaspora investment. Economic zones were chosen as the investment model to be researched as it is the model that has progressed the

most in the case of Kosovo, and therefore provides a basis for raw data collection rather than simply investigating the potential of such an investment model. Therefore, this leaves room for other remittance based investment models, such as the Kosovo Diaspora Investment Fund, to be researched further in a different study.

In order to achieve the goal of identifying the effectiveness of economic zones thus far to attract diaspora investment and to analyze their potential to grow further, data is gathered from both sides; Kosovo, and its diaspora. The data gathered in Kosovo is done mainly through interviews with officials who have been and still are directly involved with economic zones. These interviews will provide information as to what developments towards economic zones have occurred thus far, what will happen with such zones in the future, and how effective they have been, including more basic information as to how they actually function in Kosovo. In order to get first-hand information on the perspective of businesses on economic zones and their functioning, the research will also involve a number of interviews from businesses that are currently functioning in the economic zones that are already active, as well as businesses that are not functioning in economic zones. This will therefore provide a holistic approach to the functioning of economic zones thus far as it will look at both the approach that government officials have taken and receive their input, while also looking at the direct users of these zones who will provide factual information on the present situation. This is important as it will also potentially serve to identify the differences between the information given by officials and the information given by direct users and could therefore show that there may also be gaps and differences between the two, as well as potential lags in implementation or even simply dispersion of information. The interviews were conducted with Government officials, such as the MoD and KIESA, who are directly involved with the entire process of the implementation of economic zones. Such interviews will involve the processes and potentially the difficulties of implementing such a zone, and their opinion on whether such economic zones are effective. In order to also align with the main goal of this study, questions to such officials include whether there have been any decisions made as to whether economic zones will continue to be a model supported by the Kosovo government, and what the future of economic zones in Kosovo beholds.

In order to grasp the involvement of the diaspora in these economic zones, a survey with diaspora businesses was conducted. This survey involves the opinions of the businesses as to whether they are informed about economic zones, whether economic zones are seen as an attractive option of investment by them, and information regarding their willingness to invest

in Kosovo in general. The list of surveyed businesses is extracted from a database of member businesses of the Global Diaspora Business Union, provided by the DEED Project. The survey was conducted online through mass email which was sent to the members to achieve as many responses as possible.

Upon completing the collection of the data, the data were analyzed to look for discrepancies and trends between the information gathered from government officials, businesses functioning within, and outside of, the economic zones, and potential diaspora investors. Through comparing the data retrieved from the interviews with government officials and businesses functioning in economic zones, the data shows whether the goals and aims of the government officials are being met and are actually being applied to the zones. It also shows how informed these businesses are, what incentives to invest they have achieved, and also their opinions as to how effective such zones are. The interviews also reveal the costs and issues that Kosovo has faced in implementing such zones, and what their future holds. The survey done on the diaspora realistically reflects the potential of economic zones to attract investment, as well as represent how effective and efficient the Kosovo government has been in promoting these zones to its diaspora.

The largest limitation to this research is presented in the fact that the data collected from the diaspora must be done through an online survey, rather than through interviews or through more qualitative measures. This may be an issue in that it could prove to be difficult to attain a high response rate, and it is also impossible to attain answers that are more in depth and go past simple questions that could be represented in the form of a survey. Furthermore, general limitations in time and resources mean that the number of interviews done with officials and businesses will be limited, and therefore a large part of the effort during the research will be working towards attaining a representative sample.

6. Analysis of Results

Through the various interviews and the surveys that were done in this respect, there is a general consensus that Kosovo is in fact trying to use the diaspora potentials as as a method of development. This finding is evident through the surveys gathered from both diaspora and local municipalities, as well as through the interviews performed to government officials and local businesses.

6.1. Ministry of Diaspora

The greatest actor in Kosovo in terms of engaging the diaspora towards the development of its economy is undoubtedly the MoD. A number of surveys were done throughout the different departments of the MoD, where it quickly became evident that there is a large amount of effort being put into engaging the diaspora and making sure that it is incorporated in the governance. These activities are also of social nature, such as summer activities organized by the ministry with the aim of re-instilling the feeling of cultural background and heritage into the diaspora and especially into the young. These activities that were organized were known as “Days of Diaspora,” and have been now organized for the fourth time over the years. They were first promoted by the prior Minister Makolli, and later further developed by Minister Murati with the help of the international community, namely IOM and UNDP. They involved “exhibitions of traditional foods,” the visit of cultural monuments such as the “exhibition of mountain tourism surrounding the monument of Novo Brdo Castle,” and all the while organizing games and shows surrounding cultural activities (Ministry of Diaspora, 2012). This involvement is thus far reaching into even the social sphere. However, it can be realized that the MoD organizes these social activities with the aim of further involving the diaspora economically.

A high official of the MoD exclaimed that while the diaspora can be a prosperous resource for Kosovo, it is also important that we look at the use of this resource in the long term. He explained that while the flow from the diaspora has been rather large, we have not been able to activate its potential and that now when the government is concentrating more on the diaspora there is an apparent decline of this flow. This statement is also in-line with the literature review, where it is seen that there is a decline in the remittances flowing into Kosovo (UNDP, 2012). Furthermore, the reason that the MoD attributes to this is that the nation now faces a decline in the connection that it has with its diaspora, due to newer generations having a hampered background and cultural connection with the nation. Therefore, in an attempt to regain this connection with the diaspora, these social events are organized, and even Kosovar-Albanian books are sent to various libraries in the diaspora, with the overarching hope of not entirely losing the resources that are provided by the diaspora. Overall, this shows the dedication that the MoD has put in, and that the institution itself is mainly established for economic purpose; in that even the social aspects that the ministry concentrates on have some sort of economic basis.

Further discussion with this official revolved further around this economic basis that Kosovo and the MoD is attempting to involve the diaspora with. During the discussion with him, he outlined that the greatest difficulties that the diaspora has expressed in terms of investing in Kosovo are in disrespect and negligence of the law, corruption, border and trade issues, and with licensing and bureaucratic procedures. From here, he stated that based on these difficulties that they have faced, there is no real mechanism that the Government of Kosovo has implemented to address them. This further involved the idea that economic zones are thus not a concrete method of tackling these issues, and are therefore not the appropriate method to attract diaspora investment. Later, it will be seen that these factors that the official stated are the greatest difficulties that the diaspora faces coincide with the survey conducted with the diaspora. Thus, he not only made the statement that economic zones are not appropriate for Kosovo and attracting diaspora investment, but that the diaspora is not even properly informed about economic zones, and that when they were informed they were usually not interested. He referred to the greatest fact that pulls diaspora investment is the connection that they feel not only with their homeland, but also with the municipality in which they were born. Hence, the diaspora is further demotivated to invest in these economic zones, which are located where the government agrees to be strategic locations, but are not always where the diaspora feels the greatest connection and thus where they want to invest. With this he stated that economic zones were mentioned during the many focus group discussions and the formation of the various diaspora business networks that he was a part of, but the diaspora did not seem to show much interest in this scheme. Therefore, based on the overall perspective of the MoD and especially the department for investment, economic zones are not seen as an effective scheme for attracting diaspora investment especially due to the fact that they do not address the greatest issues and difficulties that the diaspora faces when investing in Kosovo; more so, they do not adhere with the regions in which many members of the diaspora actually want to invest.

Further discussion with employees of the department for investment within the MoD led to a better understanding of the role that the MoD plays in terms of diaspora investment. The ministry has been able to help and facilitate numerous businesses to invest in Kosovo, even though it has limited competencies and a very limited budget. The MoD has been fundamental in cases such as the Eurofol Company, which had difficulties in beginning to operate in Kosovo especially due to issues in importing their raw material. The MoD was able to alleviate some of these problems and speed up bureaucratic procedures to avoid what would have likely meant that the company would have not been able to operate within the country. The Eurofol

Company now has opened a factory in the municipality of Ferizaj, where it creates high grade leather covers for seats in stadiums around Europe, and employs around 30 individuals now, with the potential to employ many more in the future. The MoD has been approached often with such potential business possibilities in Kosovo, especially since the formation of the Diaspora Business Union, but the officials of the department of investment stated that it has often not had the competencies or the support to facilitate the operation of these businesses. Through its work, however, and even though it is only the very beginning phases of the Diaspora Business Union and its engagement, the MoD claims to have directly supported the employment of 250 individuals directly, and an extra 800 indirectly. The many problems that remain, however, seem to hinder the ability of the MoD to expand and progress this support. There are especially noted issues when diaspora businesses operate in Kosovo in terms of the energy cuts that they face, which can prove to be very costly for factories which use electricity as one of their main resources when functioning. There have even been infrastructural issues in terms of energy in that certain businesses have had difficulties when connecting to the utilities that they need in order to function, especially issues and conflicts with Kosovo's energy distribution company. Here, this discussion created a slightly different approach to economic zones, in that even the employees within the department for investment in the MoD recognized the issue posed by energy and utilities when operating in Kosovo, both of which are issues that economic zones provide a solution to.

From the interviews conducted in the MoD, there is a general understanding that economic zones are not very effective in Kosovo. While the ministry does attempt to increase investment from the Kosovar diaspora, even by ensuring that our connection with them does not entirely dissipate, it does not have the competencies and the budget to fully support this effort. It does, however, have a very close connection with the diaspora and through this it has therefore come to the understanding that the diaspora's greatest concerns are not solved by the implementation of economic zones. Also, the location of economic zones is often not in line with where diaspora members want to invest due to the connection that they feel with the municipality in which they were born. Yet, the officials from the MoD realize that there are still issues with infrastructure in locations outside of economic zones, and these zones could provide a potential solution to this.

One small initiative that the MoD has taken in order to further supplement the aid that the ministry can provide to diaspora members, it has begun training and placing Municipal Diaspora Liaison Officers (MDLO's) in each municipality, where diaspora members have a

direct contact point that can be useful for them in order to attain information or to facilitate bureaucratic procedures.

6.2. Municipal Diaspora Liaison Officers

In order to further investigate the initiative of the Kosovar government and the MoD, a survey of with local officers from in 32 municipalities of Kosovo was done to analyze what MDLO’s do and where they are assigned. As described by the MoD, one method of efficiently dispersing information and easing the processes of gathering of documentation is by training and placing MDLOs in all municipalities. MDLOs are officials designated by the MoD to function in municipalities in order to deal directly with the needs, questions, and concerns that may be presented by diaspora members. By being in direct contact with different cases that diaspora members present, MDLOs have the potential to facilitate the bureaucratic procedures that diaspora members are faced with to attain certain documentation that they may need, such as civil documents. These MDLOs also increase the amount of information that gets dispersed to the diaspora, such as investment opportunities or other information that the government may want to communicate to them, by directly delivering this information to them. By having MDLOs assigned to every municipality of Kosovo, diaspora members that reside in the municipalities have a designated official that they are directly referred to, and who will be more informed about that certain municipality. This allows for improved efficiency, and effectivity, as well as more specialized support to be provided to diaspora members. This is also important in terms of this study in that MDLOs may be the method through which diaspora members are directed towards the different investment schemes that Kosovo may have to offer, such as economic zones. Hence, these MDLOs could provide the greatest insight towards the viewpoint of the diaspora and their likelihood of investing in Kosovo. Furthermore, their designation within the municipalities of Kosovo can be used as a measure of the inclination of the government and the MoD to utilize the diaspora.

Table 1: Municipal Diaspora Liaison Officers – Survey Results

MDLOs in Kosovo	
Total Number of Municipalities:	38
Total Number of Municipalities surveyed:	32
Percentage of Municipalities surveyed:	84.21%
Total Number of municipalities with an MDLO:	20
Total Number of municipalities without an MDLO:	12

Percentage of Surveyed Municipalities with an MDLO:	62.50%
Number of MDLOs in Kosovo's Municipalities:	24
Average Number of MDLOs per Municipality that has at least one:	1.2
Number of Municipalities with MDLOs that solely with deal the diaspora:	8
Percentage of surveyed Municipalities with MDLOS that solely with deal the diaspora:	25.00%
Percentage of MDLOs that have the sole task of dealing with the diaspora (out of 24):	33.33%
Number of surveyed municipalities that have specialized MDLOs:	8
Number of specialized MDLOs that have the main responsibility of dealing with the diaspora:	7
Percentage of municipalities that have specialized MDLOs that deal solely with the diaspora:	21.88%
Number of municipalities that plan on assigning an MDLO:	5
Number of municipalities that offer special care for diaspora but do not have a MDLO	10
Percentage of municipalities that do not have an MDLO but provide special care for diaspora:	83.33%

As seen in Table 1, 32 out of the total of 38 municipalities in Kosovo, were surveyed regarding the designation of MDLOs; 6 of the municipalities were not surveyed as it was not possible to contact them. The survey revealed that 20 of the surveyed municipalities have a MDLO assigned by the MoD. Thus, around 63% of the surveyed municipalities have MDLOs who attend to the needs of the diaspora. These 20 municipalities had an average of over one MDLO per municipality which indicates the start of specialization of MDLOs. In the case of more than one MDLO per municipality, each MDLO can be more specialized to attend to specific needs of the diaspora. For example, one MDLO may specialize in diaspora investment while another MDLO may support diaspora members with bureaucratic procedures. Out of these 24 MDLOs assigned throughout Kosovo's municipalities, eight have the sole responsibility of dealing with the diaspora, and of these eight MDLOs who pertain only to the needs of the diaspora, seven of them are actually specialized in terms of the aid that they can provide for diaspora. Overall, this means that 7 out of the total of 24 MDLO's are specialized and deal solely with the diaspora, which is a relatively small number especially if we compare it to the number of municipalities that are in Kosovo. This also slightly defies the claims of the MoD, as this very small number of specialized MDLO's would not be effective in satisfying the needs of the diaspora for every municipality.

Out of the 32 surveyed municipalities, 12 do not have designated officials, or MDLOs, that are assigned the task of attending to the needs of the diaspora. Yet, 10 out of these 12 municipalities claim that they do provide special care for the diaspora. To add to this, 5 of the 12 municipalities plan on assigning MDLOs within their municipal structure.

This survey provided a factual basis towards Kosovo's aim to support the diaspora, and especially assign roles to officials in order to look after the issues of the diaspora, is vastly improving. More than half of the municipalities in Kosovo have already designated MDLOs, and the municipalities that have not yet done so still have methods through which they especially aid the diaspora; a number of them also plan to designate MDLOs in the near future. However, for the most part, this attempt by the MoD and the government does not seem to be effective. Although they have trained the MDLOs to address the needs of the diaspora, especially in terms of aiding them to channel investments to Kosovo, out of the 32 surveyed municipalities, there are still only 7 specialized MDLOs with the sole purpose of dealing with diaspora members. This number, of 7 out of 32, suggest the overall ineffectiveness of this scheme, and do not work with any of the investment schemes that Kosovo has implemented for its diaspora. To add to this, the MDLOs are currently not functional due to the lack of budget within municipalities to host such officials, and the ineffectiveness of the ministry and the government to implement the role of the MDLOs properly. During the study, these MDLOs were unreachable, and it was not transparent as to how they gained these positions or why these individuals were assigned these roles.

6.3. KIESA

The interview done at KIESA was with the director of the investment promotion sector. The high official outlined the incentives that are provided to businesses if they were to invest in economic zones. He stated that all economic zones offer the land to operate in, at very low prices, and the proper infrastructure to allow the businesses to operate fully. However, certain economic zones offer different incentives depending on the type of zone. For example, the Technology Park in Shtime allows businesses to operate 1-2 years without having to pay taxes. Apart from the incentives that are provided by the economic zones, certain zones also have certain requirements. An example of this is the Business Park in Drenas, which requires that the businesses that operate within it are businesses which produce goods, and that they provide a set number of employment opportunities when they begin their operations. In addition, all businesses within the economic zones benefit from KIESA, who will aid the businesses throughout their operation. KIESA also offers businesses their full support when investing in these zones in order to complete the necessary documentation and licensing in order to be able to function; which is referred to as a “regulatory incentive” by KIESA.

KIESA claims that economic zones were chosen as a method of promoting investment in Kosovo, as they have been widely successful internationally. Yet, the management of the economic zones in Kosovo is still being developed. Currently, the land on which it is decided to implement an economic zone is owned by the municipality, but the zone itself is managed by KIESA. KIESA also claims that the economic zones have been popular amongst the diaspora, and a number of businesses, including “LiftKos” and “Hajdari Prokim”, have already invested in economic zones. The official states that KIESA was a part of operationalizing “Hajdari Prokim” from its very beginning to where it is now. In this case, there was a slight discrepancy by the claims of the officials from KIESA and the officials from the MoD, both of whom state that it was their institution that resulted in the investment of these diaspora businesses in the economic zones. Either way, it is hereby apparent that there has in fact been outreach by KIESA to the diaspora and to promote economic zones to them.

The KIESA official further states that the diaspora is also a focus point for KIESA as they are the easiest channel to attract investment due to the connection that diaspora members feel with their homeland. He states that the agency should be the first contact point for potential diaspora investors as they have the concrete schemes and plans for handling investment, and can be a pivotal agency for facilitating bureaucratic procedures and licensing requirements. However,

he also recognizes that economic zones present a direct limitation towards increasing diaspora investment in that diaspora members often wish to invest in certain municipalities, and not necessarily the municipalities where there are economic zones and that KIESA and the government find to be strategic for investment. When asked about his personal opinion on this matter, based on the vast experience that he has in dealing with investments, he states that we should not be concentrating on creating a number of economic zones within Kosovo, but we should rather concentrate on making the entirety of Kosovo an “economic zone.” He refers to the fact that there are 230 economic zones globally, and that it would not make sense to have 10 economic zones within only Kosovo, which is a very small nation. However, he states that economic zones in fact have had an important impact on Kosovo. There are many businesses, both local and international, functioning within the already established economic zones, especially the one in Drenas, which have been very successful in operating and providing employment.

The greatest difficulty that was faced by KIESA when implementing economic zones has been the difficulties and the turmoil caused in Kosovo’s political sphere, and essentially the complete halt of the functioning of the government for nearly 6 months. The effect of this was that it halted the work of the board for the management of economic zones, and thus no new cases or potential investments were able to be looked into as the board was not functional. However, more recently, the first meeting was held by the board and it has now returned to functioning normally.

Overall, based on KIESA, economic zones have been very successful, and they will continue to be supported by the agency. Yet, we should concentrate our efforts on offering these incentives in all of Kosovo, i.e. making the entirety of Kosovo an economic zone especially since we are a very small nation. The greatest issue with economic zones that was noticed here, is that the process of managing the zones seems to be politicized. This politicization of the board for economic zones stems from the fact that the head of the board is the director of KIESA, who changes once a new government is put in place. With the political turmoil following the elections in 2014, and the further blocking of the parliament thereafter, this meant that this board was not functional for the majority of 2015. This could prove to be a weak point in the implementation and management of the zones, and could also limit the security of investing in such zones as new leadership could mean new management styles.

6.4. Diaspora Businesses in Kosovo: Two Case Studies

The two businesses that were interviewed during the study seemed to echo what was said about them by the government officials. These two businesses are named “LiftKos,” which operates in the Business Park in Drenas, and “Relux,” which does not operate within an economic zone. “LiftKos” was satisfied with the incentives that were offered to them, especially with the cheap land that it now functions on. The infrastructure and the land were the biggest reasons that the company decided to invest in that economic zone, and seeing that the market was in need of such a product, the elevator parts that they produce, and that it was not produced in Kosovo before, they realized the potential and were able to begin operations in Kosovo. The biggest difficulties that they felt were with importing the raw good, but were thankful that the MoD and KIESA were able to support them along the way in order to begin production. “Relux” does not operate within an economic zone, but they did express a desire to be in one of the zones. When asked why they have invested in Kosovo, the owner responded that the biggest reason that they invested was because of the family ties that they have here and because they wished to help develop their home land. In fact, the majority of the employees in the company, which produces paint, are relatives and people from the hometown of the owner. This exemplifies the “connection” to the homeland that was often discussed by the officials that were previously interviewed. To add to this, the owner indicates that investing in Kosovo did present a great risk, but that the risk was worth taking in order to provide employment to a number of people in his homeland and especially to his family. This connection was visible throughout the entire time that I spent in the company, from the moment when I walked in and was greeted by every employee and offered a drink, to the moment when it was lunch time and lunch was made by the company’s chef to be served to each of the employees.

When delving back into the operation of the business in Kosovo, it became clear that there were some great difficulties that it faced and has yet to face. The greatest difficulty that the business has faced thus far has been due to completing the necessary documentation that is needed in order to be able to fully operate, and the bureaucratic procedures that are involved in this process. He admits that he was never faced with corruption, and never had to deal with it, but there is an entire lack of legislation, and that it is at times very difficult to understand. He stated that he was not provided of any kind of aid from any of the government institutions, but that the MoD did give him some kind of moral support to continue operations, but they did not have the competencies to provide any real aid in the operation of the business. There continues

to be difficulties and risks in operating in the market due to the political instability that remains, and also due to the large number of producers in the market which falsify documentation and provide inaccurate information regarding their product. The latter difficulty means that the value of the “Relux” product in the market is harmed in that even if it has the best quality, falsified documentation presented by other products may prevent this quality from showing. This is, once again, an issue in Kosovo with a legal basis, and not an issue that could be solved by functioning in an economic zone.

When asked if he would prefer to function in an economic zone, he stated that it would be nice to have the cheap land and the proper infrastructure to function on. It was clear that the business plans on further developing its operations and expanding in order to produce more, but the owner indicated that a large sum of the investment that he plans to make will be going towards attaining the land necessary to expand his operations. He also has issues with the ownership of the land that he wishes to invest in, and continually stated the issues that he has had with the infrastructure, beginning from utilities such as land and energy, and to road use and availability. Therefore, the option to invest in an economic zone would be optimal, as it would present him with the infrastructure which is already fully developed, and that he can use the investment solely towards the business, instead of having to pay large sums for the land. It would also allow the business to be marketed and create new bonds with other businesses as the close proximity to the other businesses in such economic zones would facilitate this.

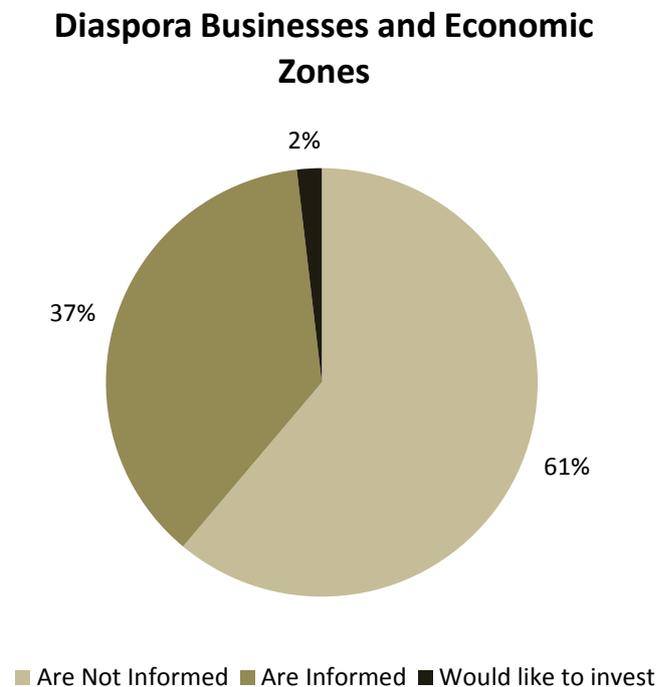
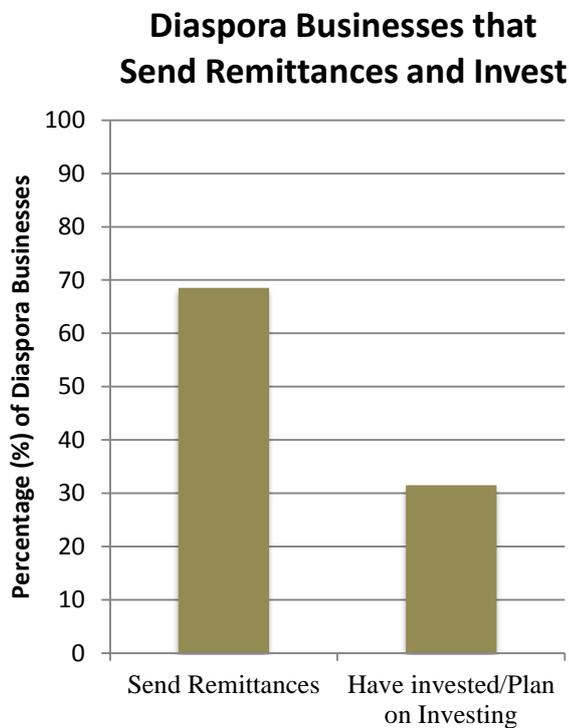
Overall, both “Relux” and “LiftKos” seem to be rather successful in the market in Kosovo. They are both satisfied with the fact that there is cheap labor in Kosovo, allowing them to operate at competitive prices and potentially export their products. However, both businesses face difficulties with the law and its enforcement, as well as with the bureaucratic procedures which have often been prolonged and prevented the proper functioning of the businesses. While “Liftkos” is happy overall with the option that he has taken, of investing in the economic zone in Drenas, “Relux” would also like this option as it would give the business the land and proper infrastructure to operate. There is also similarity in that both businesses decided to invest in Kosovo due to the connection that they have with their homeland, and this was especially exemplified in the case of “Relux.” However, the overall congruency between the information gathered from businesses and the government officials indicates that the officials and their respective institutions are aware of their overall standpoint; even though there is some discrepancy between whether the economic zones are appropriate for Kosovo or not.

6.5. Diaspora Businesses Outside of Kosovo

In order to fully understand the perspective that the diaspora has in terms of economic zones and to gain a more thorough understanding of whether these zones are feasible methods of promoting investment from the diaspora, the study involved a small scale survey with diaspora businesses which are registered in the Diaspora Business Union. The survey had difficulties in achieving a high response rate, but the sample of 54 surveys shows ample information to gather summary statistics on the data.

Graph 1: Comparison of Diaspora Remitters and Diaspora Investors

Graph 2: Diaspora Businesses that are informed and wish to invest in economic zones

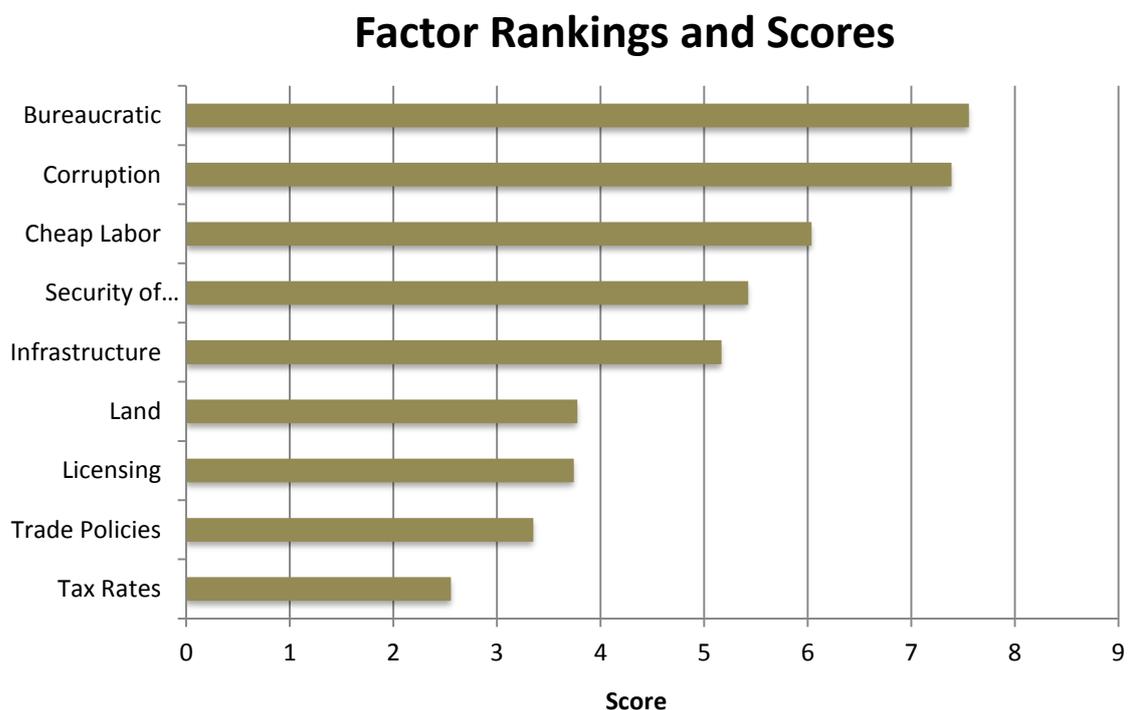


All of the 54 businesses that completed the survey claim that they are part of the Kosovar diaspora. To add to this, as seen in Graph 1, 69% of the businesses responded that they do send remittances to Kosovo, while only around 31% claimed that they have either invested or plan on investing in Kosovo. This in itself shows that there is still a lot of work to be done, and a large amount of potential to be captured through the channeling the remittances towards investment. Perhaps more concerning is the fact that, as seen in Graph 2, only one of the surveyed businesses responded that they would invest in economic zones. This is the main investment scheme that Kosovo promotes, and herein it becomes obvious that diaspora businesses do not wish to invest in this scheme. Out of the total, only 37% of the businesses

are informed about the economic zones, and the remainder, apart from the single business that does seem to have interest in investing in these zones, is not informed about economic zones at all. This means that around 61% of diaspora businesses are not even informed about economic zones, and this number is even smaller in reality due to the fact that the survey was done with the businesses that are active members of the Diaspora Business Union, which regularly transmits information on investment opportunities in Kosovo. Herein, we see that more promotion of the economic zones to the diaspora must be done in order for the zones to even be considered an option for investment.

The other section of the survey was to rank a list of nine factors based on their order of importance if the businesses were to invest in Kosovo. The factors were: Land Availability, Suitable Infrastructure, Minimization of Bureaucratic Procedures, Security of Investment, Ease of Licensing Procedures, Corruption, Cheap Labor, Trade Policies, Tax Rates. The results of this section are seen below.

Graph 3: Scores of Factors based on Importance for Diaspora Businesses



Based on the results of the survey, we find that the most important factor turned out to be the “Minimization of Bureaucratic Procedures,” and the least important was “Tax Rates.” The scores for each of the factors was based on the average ranking that each of the factors received, i.e. being ranked first meant a score of nine and being ranked last meant a score of

one for each survey. These results show that the most important factors for diaspora investors, bureaucratic procedures, corruption, and cheap labor, are not directly addressed by the implementation of economic zones. Also, tax rates is the least important factor for diaspora businesses, and therefore the government of Kosovo should definitely be weary of using vital resources in order to implement tax policies that have the aim of attracting investment.

7. Conclusion and Recommendations

The aim of this study was to find whether economic zones have the potential to attract diaspora investment and channel remittances towards development in Kosovo; however the findings are somewhat inconclusive.

On the one hand, diaspora businesses that are currently functioning within Kosovo seem to be rather successful and those that are functioning outside of economic zones, such as “Relux,” have expressed a desire to be a part of the economic zones. The economic zones offer these businesses the ability to solely concentrate on investing in their own businesses, without having to spend resources, whether it is time, money, or effort, towards attaining land or building proper infrastructure. This means that more investment can be made towards business activities, thereby more contributions made towards reducing unemployment and facilitating development, rather than towards attaining the proper environment to function. Furthermore, these zones allow the businesses to quickly and efficiently market their products and create synergies with the businesses that already operate in the economic zones, as the close proximity of other businesses facilitates such an environment.

On the other hand, economic zones do not seem to entirely meet the needs of the diaspora. Often times, when discussing with the government officials and the businesses that operate outside of the economic zones, it was seen that these diaspora businesses wish to invest in certain locations. The locations that they want to invest in, which are determined by their hometown and the municipality which they wish to aid, are usually not the same as where the economic zones are built. This creates a discrepancy, and defies the connection that the diaspora has with Kosovo and its municipalities, which is the very same connection that the Kosovar government wishes to utilize in order to channel investments. To add to this, the survey results from the diaspora businesses that function outside of Kosovo show that these businesses feel that the minimization of bureaucratic procedures, corruption, and cheap labor are the most important factors if they were to invest in Kosovo; and these factors are usually not in the package of facilities offered by the , economic zones. In fact, one of the biggest incentives for investing in many of the economic zones in Kosovo is lowered tax rates, but this factor ranked the least important to the diaspora businesses. However, it is important to mention here that businesses that function within economic zones are supported by KIESA and are

offered what they have termed “regulatory incentives” which may facilitate bureaucratic procedures and the attainment and completion of necessary documentation.

Throughout the entire study, it was found that the government of Kosovo is in fact active in terms of engaging the diaspora. This is firstly visible by the fact that there is a separate ministry, the Ministry of Diaspora (MoD), which acts as an independent entity with the aim of engaging the diaspora, especially economically. The ministry has been active in maintaining the connection with the diaspora as well as attempting to further improve it. One of the largest debates that is still ongoing in terms of the diaspora is as to whether this is a sustainable resource, and there have been indications of the decline of the engagement of the diaspora. In response to this, the government of Kosovo, through the MoD, has even organized social events which have the sole purpose of promoting the Kosovar culture and heritage to the diaspora, especially the young who may slowly be losing their connection and sense of belonging with their homeland. This engagement and association that the government has with the diaspora is also visible in the knowledge that the government officials have in this respect, and was apparent throughout the study in terms of the congruency in what the businesses expressed in the interviews and the knowledge that the officials had on the issues and difficulties that businesses face.

This congruency between the knowledge of the government officials and the difficulties that the diaspora businesses face has been a recurring theme throughout the entire study. In terms of the MoD, the ministry officials are aware of the difficulties and do have the necessary plans and ideas to improve the engagement of the diaspora, but they do not have the budget or the competencies. This is especially exemplified by the Municipal Diaspora Liaison Officers (MDLOs), who were the result of an initiative taken by the ministry, but are currently inactive entirely, and only have minimal knowledge and training to attend to the needs of the diaspora. Apart from this, there is an utter lack of specialization of the MDLOs and their roles are often unclear and involve much more than simply attending to the diaspora. This mismanagement of the MDLOs, which could be used as a core method of promoting investment schemes, as well as economic zones, to the diaspora, also seems to be common ground amongst the Kosovar government and its institutions. This mismanagement is also obvious in the case of the economic zones. KIESA officials also seem to know where the fundamental issues lie, and their responses were also congruent with the responses of the diaspora businesses, but they also have an inability to act upon this knowledge. The economic zones are especially mismanaged by KIESA as they have been politicized in terms of the board that heads the economic zones.

This board was inactive for the majority of 2015, due to the change of the government and the review and revision of all previously drafted documents that is involved in this process. This inactivity of the board meant a general lack of promotion of the economic zones, and meant that during that period, there was no real support for the businesses within. This poses an issue as the policy cycle is therefore directly linked to the activity of the economic zones.

In terms of recommendations, the Kosovar government should therefore spend more resources and concentrate on proper management of all schemes that it implements, especially in terms of engaging the diaspora. MDLOs, for example, present a great opportunity to engage and inform the diaspora and eliminate the issue that economic zones pose due to their preferred locations. This is due to the fact that such MDLOs would function in each municipality, and therefore diaspora members would be referred to MDLOs more appropriately and accordingly. This mismanagement is in the roots of economic zones as well, and the board for the operation of these zones should be a separate entity rather than being intertwined closely with the government and its political nature. In this respect, the MoD should have more competencies to complete the work that it does and have the necessary resources in order to fully engage the diaspora, especially since it has gained the most experience with the diaspora and the businesses. Since these economic zones are already being implemented, KIESA should remain active in dispersing information on them and making sure that diaspora investors are aware of this option; which was apparent in the survey that this was done inadequately. Kosovo should also, in a more broad sense, more rigorously promote formal channels of remittance transfers, in order to facilitate financial literacy and improve the data available on these resources. At the same time, it should look towards minimalizing bureaucratic procedures which seem to be, especially in terms of the survey done in this project, one of the most important factors of promoting investment amongst the diaspora. This can be done in a number of ways, but the most effective tool could be through what are known as “one-stop shops,” where businesses will have access to all institutional requirements and documentation in one location or maybe even in one package. However, these “one-stop shops,” are difficult to implement with the current situation in Kosovo with the apparent lack of consistency and cooperation between different governmental institutions. Therefore, the first steps in this direction should be to facilitate cooperation and communication between all institutions.

Overall, while economic zones present a feasible opportunity, it may be more appropriate for Kosovo to concentrate its efforts on the entirety of the nation, and especially in terms of enforcement of effective policies, if it wishes to attract diaspora investment. There is direct

evidence that the resources that the diaspora provides are slowly diminishing. Whether this is due to loss of connection to their homeland, the evident global recession, or simply Kosovo's lack of engagement, it still remains essential that proper investment schemes be found in order to best steer this resource towards the development of the entire nation. While economic zones present a feasible option, they are limited in the attraction of resources due to the socio-economic and political environment in Kosovo, overall mismanagement, and deficient promotion. It is also important to note here that Kosovo is a rather small nation and that the concentration should be placed towards improving the business environment in all of Kosovo, instead of having a large number of economic zones which would only add to the burden of the government both administratively and logistically. The diaspora's "multiplier effect," which exemplifies the fact that small investments in the direction of engaging the diaspora have large returns due to the emotional and patriotic connection that they feel towards their homeland, is a vast economic tool which must be exploited to cultivate Kosovo's economy and facilitate its development.

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9. Appendices

9.1. Appendix I: Informed Consent Form

Informed Consent Form for Social Science Research

A.U.K/RIT

Title of Project: *The Role of Economic Zones and their Potential to Attract Diaspora Investment in Kosovo*

Principal Investigator: Milot Burani, AUK Student
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- Purpose of the Study:** The purpose of this research study is to explore the impact that economic zones have had in attracting diaspora investment, and their feasibility to do so. The research will involve the difficulties that the nation of Kosovo has faced to implement these zones as well as the viewpoint of the diaspora in terms of the zones as well as their perspective on investing in Kosovo.
- Procedures to be followed:** You will be asked to answer 5 questions during this interview, including an open discussion regarding the issue.
- Duration:** It will take about 20 minutes to complete the interview.
- Statement of Confidentiality:** Your participation in this research is confidential. The data will be used only to get a better understanding of what has been done so far in terms of diaspora investment and economic zones, and what is planned to be done.
- Voluntary Participation:** Your decision to be in this research is voluntary. You can stop at any time. You do not have to answer any questions you do not want to answer.

You must be 18 years of age or older to take part in this research study. If you agree to take part in this research study and the information outlined above, please sign your name and indicate the date below.

You will be given a copy of this form for your records.

Participant Signature

Date

Person Obtaining Consent

Date

9.2. Appendix II: Interview Questions

Interview: The Role of Economic Zones and their Potential to Attract Diaspora Investment in Kosovo

- 1) What is your name and position?
- 2) What are economic zones and what is your affiliation with them?
- 3) Why were they chosen as the method of promoting diaspora investment here in Kosovo?
- 4) Which incentives do business persons and the diaspora have to invest in the economic zones? What are businesses offered if they invest in these zones?
- 5) What is the current situation of the zones in Kosovo? Have there been difficulties during the implementation of the economic zones?
- 6) Based on the experience that you have had, what is your personal opinion on economic zones?
- 7) *Open Discussion*

9.3. Appendix III: MDLO Survey - Questionnaire

Pyetësor për Zyraterët Komunal për Ndërlidhje me Diasporën

Plotësuar nga:

Komuna:

1) A ka komuna e juaj një, ose më shumë se një, individ të përcaktuar që e ka për detyrë të merret me kërkesat dhe çështjet e anëtarëve të diasporës?

Po

Jo

NËSE PO

2) Sa individë janë caktuar që të kujdesen për nevojat e anëtarëve të diasporës?

3) A është kjo detyrë puna kryesore e këtyre individëve?

Po

Jo

i. Nëse po, a janë këta individë të specializuar rreth kërkesave të diasporës (p.sh. Kultura, Biznes, etj)? Ju lutem listoni specializimet:

ii. Nëse jo, çfarë është përgjegjësia kryesore e këtyre individëve?

4) Nën cilen drejtori funksionojnë këta individë?

5) Çfarë renditje pozite kanë këta individë në drejtori?

6) Ju lutem shkruani kontaktin e çdo individi që kujdeset për nevojat e anëtarëve të diasporës:

	1	2	3	4
Emri				
Pozita				
Email				
Numri i Telefonit				

NËSE JO

2) A ka ndonjë plan për të caktuar një rol të tillë për një individë në komunën e juaj?

Po

Jo

3) Nëse anëtarët e diasporës kërkojnë ndihmë në komunën tuaj, a marrin ndonjë kujdes të veçantë?

Po

Jo

i. Nëse po, shpjegoni se çfarë lloj kujdesi të veçantë mund të marrin?

9.4. Appendix IV: Survey for Diaspora Businesses – Questionnaire

The Role of Economic Zones and their Potential to Attract Diaspora Investment in Kosovo

- 1) What is the name of your company? (Si është emri i kompanisë tuaj?)
- 2) Where is your company located? (Ku gjendet kompania juaj?)
- 3) Do you, and/or your company, consider yourself as a part of the Kosovar Diaspora? (A e konsideroni veten, ose/edhe kompaninë tuaj, si pjesë e diasporës kosovare?)
 - a. Yes (Po)
 - b. No (Jo)
- 4) For how many years has your company been operating? (Për sa vite ka funksionuar kompania juaj?)
- 5) Do you ever send resources to Kosovo in the form of remittances? (A dërgoni ndonjëherë mjete në Kosovë në formën e remitancave?)
 - a. Yes (Po)
 - b. No (Jo)
- 6) Have you ever invested in Kosovo, or do you plan on investing in Kosovo? (A keni investuar, apo planifikoni të investoni, në Kosovë?)
 - a. Yes (Po)
 - b. No (Jo)

- 7) Rank the following factors in order of importance if you were to invest in Kosovo:
(Radhitni faktorët e mëposhtëm duke u bazuar në rendësinë që kanë nëse do të investoje në Kosovë:)

Rank (1-9)	Factor
_____	Land Availability (Toka në disponim)
_____	Suitable Infrastructure (Infrasktruktura e përshtatshme)
_____	Minimization of Bureaucratic Procedures (Minimizimi i procedurave burokratike)
_____	Security of Investment (Sigurimi i investimit)
_____	Ease of Licensing Procedures (Lehtësimi i procedurave të licencimit)
_____	Corruption (Korrupsioni)
_____	Cheap Workforce (Fuqi punëtore e lirë)
_____	Efficient and Effective Trade Policies (Politikat efikase dhe efektive të tregtisë)
_____	Tax Rates (Normat e taksave)